

Testimony in Opposition to Sub. HB 2340 -- February 2, 2012

Mr. Chairman and members of the Kansas Senate Federal and State Affairs Committee:

My name is Richard Klemp, Director of Government Relations for the Kansas Star Casino in Mulvane, KS. I'm here today on behalf of 544 Kansas Star employees. We oppose Sub. HB 2340 on the fundamental basis of fairness.

We applied to be a Lottery Gaming Facility manager under the unique public-private partnership created by SB 66. We followed every step, requirement and condition to the letter. Based on the circumstances that existed, one of which was the access to smoking, we initially promised an investment of \$285 million. Over the past 10 months we increased our commitment to make the Kansas Star bigger, better and to open sooner for the benefit of the state and local region. Our total financial investment level today stands at \$314 million -- nearly one third of \$1 billion -- and \$64 million higher than the statutory requirements.

Much of the increased investment has been in infrastructure so that the Kansas Star can evolve and sustain additional and more diverse economic development and new amenities to continually remain a "must see" attraction for new and existing customers alike and to attract out of state visitors to Kansas.

To change the access to smoking at this time would be simply unfair. We are a customer-driven business and strive to provide an environment that is comfortable to smokers and non-smokers alike.

To remain a premier entertainment destination with many patron choices we are very proactive with new filtration and ventilation systems resulting in higher level of customer and employee satisfaction. Our air handling system in our Arena Casino provides 100% fresh air exchange up to 8 times each hour. The permanent facility will be even better. Allowing smoking on the casino floor is a material factor in revenue performance to the Kansas Lottery, which owns and operates all of the gambling games at the Kansas Star. The Kansas Lottery distributes 27% of gaming revenue to the State of Kansas and local governments.

Based on what happened in Delaware, Windsor Ontario, and Australia a few years ago; as well as Illinois, Colorado and South Dakota recently, a smoking ban could cause an estimated 20-33% reduction in gaming revenue and state and local tax revenue. This is based on an estimated 20 percent reduction in Delaware; and 33% in Ontario and Illinois.

A smoking ban would put Kansas' commercial gaming industry at a competitive disadvantage. Tribal casinos in Kansas and adjacent states would be exempt from such a smoking ban due to their sovereign nation status. So smoking in Kansas tribal casinos could still exist; including a tribal casino which may open in Sedgwick County. A smoking ban at commercial casinos could see a dramatic shift of gaming revenue to the tribal gaming facilities that do not pay taxes. We currently have tribal casinos in our market area which would have a substantial competitive advantage if Sub. HB 2340 became law.

We respectfully oppose this legislation. Thank you.

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