

STAND UP FOR KANSAS

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Testimony To Senate Federal and State Affairs Committee On Senate Bill 215

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Introduction

Good afternoon Chairman Ostmeier and members of this committee. Thank you for this opportunity to speak at this public hearing. I am Glenn Thompson, executive director of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas.

We oppose SB 215 for two reasons:

1. **The state should support only one casino in the SE gaming zone.** The gambling market in southeast Kansas is limited and very competitive. Several Indian casinos are located in the northeast corner of Oklahoma. In fact, the parking lot of one of the largest casinos is actually in Kansas, on the north side of the Kansas-Oklahoma state line.

Nevertheless, SB 215 encourages two casinos in the SE zone, a destination casino and slot machines at Camptown racetrack. From a business point of view, this is not a wise strategy. Slot machines at Camptown will compete with the destination casino for revenue and create little economic development. Most of the gamblers at the track casino will be from the local area. A study commissioned by the Kansas Lottery estimated 91% of the revenue from slot machines at The Woodlands would come from gamblers living within 25 miles of the track.¹ (Also, see attached article, "The lifeblood of Parx casino in Bucks is low-roller locals.")

Supporting only a destination casino in the SE zone will increase the casino revenue and provide investors more flexibility in selecting a casino location.

¹ "The Feasibility of Electronic and/or Casino Gaming in Kansas, Final Report," Prepared by Sebastian Sinclair, President, Christiansen Capital Advisors, LLC and Behavior Research Center, for The Kansa Lottery, March 9, 2004, p. 61

2. **It is time to repeal slots at the tracks.** The Kansas Expanded Lottery Act (SB 66) was enacted in 2007. Representatives for the track owners were part of the coalition that wrote the bill. Nevertheless, following enactment, the owners said the percentage income to the owners from slot machines at the tracks was too low and terminated negotiations with the state. Since that time, for six years, during every legislative session, the owners have introduced bills and lobbied to increase the percentage. In fact, during this session, at least four bills have been introduced and hearings on one or more of the bills have been conducted in both the House and Senate. Legislators, staff, lobbyists and private citizens have spent literally thousands of hours addressing these bills. But, all have failed for lack of support. This is a tremendous waste!

We urge you to establish a policy of one destination casino in each gambling zone and repeal all provisions in statutes related to slot machines at parimutuel racetracks.

We understand that the gambling market in the SE zone cannot support a \$225 million casino investment plus a \$25 million privilege fee, as presently required by statute. Lowering the minimum investment to \$100 million and the privilege fee to \$10 million should attract investors and assure a competitive, quality destination casino in this zone.

Toward this end, we recommend SB 215 be amended to incorporate the following provisions:

1. Revise the enforceable provision in KSA 74-8734(h)(19)(A)(iii) to prohibit the state, until July 1, 2032, from operating electronic gaming machines at parimutuel licensee locations. Direct the Kansas Lottery Commission to renegotiate the management contracts for the lottery gaming facilities in the NE, SC and SW zones to incorporate this provision. Incorporate these provisions into the management contract for the SE zone.
2. Delete all provisions in the Kansas Expanded Lottery Act related to operation of electronic gaming machines and lottery gaming facilities at parimutuel licensee locations, except the above prohibition and associated definitions;
3. Reduce the minimum investment for a lottery gaming facility in the SE zone from \$225 million to \$100 million and reduce the privilege fee from \$25 million to \$10 million.

Note, these amendments do not prohibit licensees of parimutuel racetracks from conducting races at the tracks, in accordance with Kansas parimutuel racetrack rules and regulations.

Furthermore, these amendments do not prohibit owners of parimutuel racetracks from submitting proposals for managing the SE lottery gaming facility.

In summary, we urge you to establish a policy of only one casino in each gaming zone -- a destination casino -- and repeal provisions in the Kansas Expanded Lottery Act permitting slot machines at parimutuel racetracks. Incorporating this policy into the management contracts of the lottery gaming facilities will establish a much-needed, long-term casino commitment for the state.

The lifeblood of Parx casino in Bucks is low-roller locals

By Monica Yant Kinney
Philadelphia Inquirer Columnist
Sun, Mar. 7, 2010

Las Vegas uses volcanoes, Emeril Lagasse, and spa treatments to make losing seem fun. Philadelphia's casino "experience" is shaping up to be neither entertaining nor exotic, defined instead by hot dogs, cigarettes, and convenience.

For proof, head to Bensalem, where Parx - formerly called Philadelphia Park Racetrack - made \$400 million last year. Impressive for a not-spot plopped among strip malls.

Inside the smoke-filled slots box, much of what casino bosses took for granted has changed. Gone are the days of wooing "whales" and dissing grannies in fanny packs. Parx president Dave Jonas says his revenue comes almost exclusively from local low rollers.

"We underestimated significantly how many trips our customers were going to make," Jonas said at last month's Pennsylvania Gaming Congress in Valley Forge.

"When I was in Atlantic City, to have 12 to 15 trips out of customers, they were VIPs," Jonas said. At Parx, "it's not uncommon for us to have 150 to 200 trips."

Moderator Michael Pollock, a well-regarded casino analyst, paused to digest the statistic. "You said 150 to 200 times a year," he repeated. "That's three to four times a week, essentially."

"Yes," Jonas confirmed, most of his players fit that profile. In fact, because Parx players tend to live within 20 miles of Street Road, many go even more frequently. "We have customers," Jonas boasted, "who give us \$25, \$30 five times a week."

A new way of life

Besides work and the gym, there's no place I go three to five times a week. And, beyond Target and Wegmans, nowhere I drop as much cash.

Jonas should be proud of Parx's haul. But if frequency can portend problem gambling, should he - and we - worry about thousands of people who've made playing a way of daily life? It didn't take much to lure them, beyond proximity, free valet parking, and \$50 comps. "If you live 15 minutes away, you really don't need a room," Jonas told the casino group. His customers "come in, grab a hot dog or maybe a chicken sandwich," gamble three hours, "then go home and sleep in their own bed."

This I had to see to believe. For expert observation, I took C.P. Mirarchi and Kevin Gregan on a field trip last week to Parx.

Mirarchi is a lawyer-turned-counselor (www.thegamblingcounselor.com) who treats fellow gambling addicts through Genesis Counseling Centers, based in Collingswood. Gregan is Mirarchi's boss, a veteran clinician who diagnosed his own addictive potential after "losing the baby's diaper money" in a poker game.

Neither man had been in a casino in years. Both did double takes at the full house we found on a Wednesday at 11 a.m.

Chasing the dream

"You can see that people who may not be doing anything are out doing something that breathes life into them," Gregan noted. "But at the same time, they're watching their money disappear. How many of these people can truly afford to be participating in this activity?"

If most Parx players go three times a week, what to make of the guy who tells me he's there twice a day? Regularity won't automatically breed depravity, but surely everyone knows the house always wins.

"Everybody in there is one pull away from a different lifestyle, one pull away from the dream," Mirarchi said from experience. "The hardest thing for any addict to do is give up that dream."

We tried to get lunch, but Parx's steak house serves only dinner, and the Foodies counter steps away from the casino floor didn't entice.

"This," Mirarchi marveled, "is the McDonald's of gambling." Fast food offers familiarity close to home. So does Parx.