

MINUTES OF THE HOUSE TOURISM COMMITTEE.

The meeting was called to order by Chairperson Carol E. Beggs at 3:38 p.m. on February 25, 2002 in Room 243-N of the Capitol.

All members were present except:

Committee staff present: Hank Avila, Research Department
Russell Mills, Research Department
Bob Nugent, Revisor of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

PROPOSERS: Charles Yunker, State Adjutant of the Kansas
American Legion
Dwayne Bird, Chairman of the Legislative
Committee of the Kansas Quarter Horse Racing Assn
Representative Ray Cox
Ed Van Patten, Kansas Lottery
Jim Edwards, Kansas Chamber of Commerce &
Industry
Senator Chris Steiniger
Brad Smoot, Kansas Racing Assn
Tracy Wildey, Kansas Greyhound Assn
Gary Guccione, Executive Director Greyhound Assn
David Assmann, Kansas Thoroughbred Assn

OPPOSERS: Ron Hein, Legislative Counsel for Prairie Band
Potawatomi Nation

Others Attending: See attached list

Each member of the committee was provided with a comparison of selected bills concerning gaming which was compiled by Russell Mills of the Kansas Legislative Research Department. (Attachment 1)

Hearing on HB 2890 - An act concerning lotteries; authorizing electronic gaming machines at certain locations

AND

Hearing on HB 2987 - An act concerning lotteries; authorizing electronic gaming machines at certain locations

PROPOSERS

Charles Yunker, State Adjutant of the Kansas American Legion testified before the committee as a proponent of **HB 2890**. Mr. Yunker stated that in the interest of time and because they shared the same viewpoint, he was also representing the Kansas Sunflower Association, Eagles, Knights of Columbus, Elks, Moose, Shrine, and VFW. While they are not asking for wide open slot machine gaming in Kansas, they are asking for the opportunity to be included. They are requesting that veterans and fraternal organizations with Class A Club licenses who have existed for at least five years and who own their own buildings, or have a long term lease on a facility, be permitted: five slot machines plus one machine per 50 members of that local Post, chapter, or lodge for the use of the bonafide members and guests within the confines of their Class A Club which is not open to the general public. They also ask that a County option measure be included, and a portion of the proceeds be deposited with the State Treasurer for the exclusive use of building and maintaining the Kansas Veterans Cemetery System. (Attachment 2)

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Appearing before the committee as a proponent of **HB 2987** was Dwayne Bird, Chairman of the Legislative Committee of the Kansas Quarter Horse Racing Association. In his testimony, he states that in their opinion, it will be impossible for the Woodlands, Wichita Greyhound Park, or any other track, to continue operations based on just racing programs currently permitted. If these facilities are not allowed to operate electronic gaming machines at the track to help improve their competitive opportunities, he feels that they will be forced to close, and along with it their industry as well. They feel that the potential revenues that could be generated for our State are of serious importance. (Attachment 3)

Representative Cox addressed the committee with testimony on **HB2890** showing the primary difference from other slots bills as well an economic impact study of gaming issues in Iowa done by Ames economist, Dan Otto. Representative Cox also provided information regarding VLT's versus Stand Alone Devices. (Attachment 4)

At the request of Representative Cox, Mr. Ed Van Patten Executive Director of the Kansas Lottery addressed the committee. He provided facts regarding the evolution of game machines which started more than 100 years ago and have varied over the years from penny machines with modest payouts to sophisticated game machines on linked progressive award systems providing multimillion-dollar jackpots. Mr. Van Patten also stood for questions regarding gaming. (Attachment 5)

Representing the Kansas Chamber of Commerce and Industry was Jim Edwards, Senior Vice-President who testified regarding both **HB 2890** and **HB 2987**. The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system. The KCCI's supports allowing pari-mutuel facilities in Kansas to operate electronic games of chance and has been on record with that position since 1995. This position was originally adopted so that these state licensed pari-mutuel facilities could operate on a level playing field with other electronic gaming interests in Kansas and in surrounding states and to help protect the existing dollars coming into the State Gaming Revenue Fund and then making their way into job creation and enhancement projects in the state through the Economic Development initiatives Fund (EDIF) Today, the KCCI is here not only to support those issues, but to help create needed funding for the State General Fund. (Attachment 6)

Senator Chris Steineger came before the committee as a proponent for the gaming issues. Senator Steineger submitted a large placard portraying the area casinos and bus trips thereto. He also submitted written testimony to the effect that people like the opportunity of winning something of value by taking a chance. He also submitted a listing of travel opportunities to various gambling establishments. (Attachment 7)

OPPONENTS of HB2890 and HB 2897

Ron Hein, legislative counsel for the Prairie Band Potawatomi Nation testified before the committee as an opponent to **HB 2890** and **HB 2897**. The Prairie Band Potawatomi Nation opposes the expansion of gaming by the state of Kansas to the extent that such gaming would negate the benefits that Tribal gaming has provided to Native American Indian Tribes. Tribes do not pay a specified percentage of gaming revenues to the state, however, state government, local government, school districts and other taxing subdivisions do benefit from Tribal gaming by virtue of collection of income taxes, both corporate and individual, liquor taxes, and other taxes paid as a result of Tribal gaming and the economic development that they currently generate for Northeast Kansas. All Tribal members do pay federal taxes and the only Tribal members exempt from paying state taxes are those who live and work on the reservation. The reason for discussing a few of the tax situations facing the Tribes are twofold: 1) to point out that the state and the community are receiving tax revenues as a result of Tribal gaming; and 2) Tribal gaming revenues is one of the few tools provided by federal and state law for Indian reservations to generate the revenues necessary to run their governmental programs. It is projected that a decrease in Tribal gaming would have the effect of discouraging new hiring, discouraging new expansion and other effects upon the Tribal casinos and the economy of Northeast Kansas. (Attachment 8)

Proponents of HB2897

Brad Smoot legislative counsel for the Kansas Racing, LLC presented before the committee as a proponent

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of **HB 2987**. He submitted a series of graphs showing the number of dollars Kansans spent on gaming in neighboring states and Tribal casinos, estimated economic impact, revenues generated for Kansas, voters support, effects of competing gaming on the Woodlands, and a synopsis of **HB 2987**. Representing the Kansas Racing, LLC, Mr. Smoot asked that the committee endorse **HB 2987** as a chance to recover gaming revenues for the benefit of all Kansans. (Attachment 9)

Testifying in support of slot machines in Kansas Racing Tracks was Tracy Lynn Seastrom-Wildey from Seastrom Kennels of Abilene, Kansas on behalf of the Kansas Greyhound Association. She states that due to the declining purse structure at the Kansas racetracks, coupled with rising costs involved in raising the animals, the decision was made to discontinue racing in Kansas and race at racetracks in Florida, Iowa, Alabama and Texas. The decision was made for Seastrom Kennels to concentrate on running their best greyhounds in Iowa because the Iowa legislature voted for casino gambling in 1994 and the purses would be substantially higher in this state. Assuming the other Kansas kennels operating at Bluffs Run had comparable expenses to those of Seastrom Kennels, it was estimated that the total amount of monies going out of state last year was \$895,000. It is important for the KGA that casino gambling be passed in the state of Kansas as it will increase revenues to the greyhound breeders in Kansas. This means that monies now being spent out of state will be reinvested in local Kansas communities which will in turn benefit the economy of the State of Kansas. (Attachment 10)

Gary Guccione, Secretary-Treasurer and Executive Director of the National Greyhound Association addressed the committee as a proponent of **HB 2987**. The Greyhound Association would like to go on record as being in support of the of the bill's intent to authorize electronic gaming machines in racetracks in Kansas. Greyhound breeders and owners in Kansas, along with those elsewhere in the United States, are in favor of measures that will bolster the greyhound breeding industry by offering additional gaming options into existing racing facilities, under conditions that live racing is protected and where the breeding industry shares fairly in the monetary benefits derived via the new gaming options. Kansas is among the "Big Three" Greyhound breeding states. More than \$17.5 million a year is pumped into the Kansas economy simply in caring for the approximately 14,000 Greyhounds that are raised and domiciled in our state. The livelihood of many thousands of Kansans who work in the racing industry would be seriously jeopardized, if not terminated, should the Kansas tracks close. Kansas Greyhound racing and breeding is an industry very much worth saving, and **HB 2897** can be the vehicle that delivers that desirable outcome. (Attachment 11)

The Kansas Thoroughbred Association was represented as their Vice-President, David Assmann, to endorse slot machines at pari-mutuel racetracks in the state of Kansas. The economic impact for the agricultural community in Kansas from a 60-day horse meet is significant. Mr. Assmann lists the economic effects of keeping 1200 horses for 100 days. From an economical standpoint, many breeders in Kansas are sending horses to other states to be bred, primarily Iowa, which has slot machines at pari-mutuel racetracks. Many people in the horse industry are barely hanging on. Without the additional revenue produced from slot machines, they will no longer be able to stay in business. In conclusion, the Kansas Thoroughbred Association supports slot machines at pari-mutuel racetracks. This will allow some of the money generated to be kept in Kansas and allow the horse industry in Kansas the opportunity to grow. (Attachment 12)

This concluded the hearings on **HB 2890** and **HB 2897**.

Chairman Beggs appointed a subcommittee to further discuss the electronic gaming machines. The members of that committee are:

Chairman Clay Aurand
Representative Bill Mason
Representative John Ballou
Representative Ethel Peterson
Representative Margaret Long

This committee will meet on Wednesday, March 6th at 3:30 p.m. in Room 243-N.

Meeting adjourned at 4:15 p.m.