

Approved June 26, 1992

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Sen. Edward F. Reilly, Jr. at 11:00 a.m. on April 6, 1992 in Room 254-E of the Capitol.

All members were present except:
Sen. Daniels was excused

Committee staff present:
Mary Torrence, Office of Revisor of Statutes
Mary Galligan, Legislative Research Department
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
Melony Jack, Kansas Bureau of Investigation
Al Thompson, Resident of Topeka

Others attending: See attached list

Sen. Reilly welcomed committee members this last Monday morning of the regular session. He called attention to SB 729, defining military discrimination and stated he understood this bill was not needed. Sen. Morris moved that SB 729 be reported adversely, and it was seconded by Sen. Vidricksen. The motion passed.

The Chairman called attention to SB 717 and introduced Melony Jack, who furnished additional information on the fiscal note (Attachment 1). She also recommended changes in the amendments offered by Mr. Gibbons at a previous meeting (Attachment 2), those mainly dealing with extending the training course from six hours to ten and changing the 90 days the Bureau would have to issue a license to 120 days. Ms. Jack answered numerous questions from the committee, particularly outlining procedures used in issuing permits to private investigators (they must justify need). She stated the KBI does not support this bill, and Sen. Morris pointed out that testimony given at the hearing emphasized the law enforcement community as a whole does not support this measure. Mr. Thompson added additional information regarding other states who have passed a similar law. Sen. Reilly suggested the committee could request the KBI develop rules and regulations to establish the procedure for issuing weapons and that would allow options.

Sen. Webb made a motion SB 717 be amended to give the KBI authority to establish rules and regulations and establish fees. The motion was seconded by Sen. Strick. More discussion followed, and Sen. McClure suggested changing the word "weapon" to "handgun", but did not make that a motion since another was pending. Sen. Morris spoke in opposition to the bill and stated how difficult it is for law enforcement officials now and said he thought we ought to show strong support for them. He said he thought this bill was not in the best interest of the state and its people. Sen. Walker agreed with him and made a substitute motion to report the bill adversely. The Chairman suggested that rather than kill the bill, the committee could table it and request an interim study. Sen. Walker changed his motion to table the bill, and Sen. Morris seconded it. The motion passed. Sen. Reilly stated that the Chairman has the authority to request an interim study.

Sen. Reilly distributed the following material to committee members:

Letter from Dana Nelson to Gov. Finney on casino gaming,
(Attachment 3);
Kansas Lottery estimate concerning casino operations,
(Attachment 4);
Kansas Lottery Video Lottery Operations Analysis,
(Attachment 5).

Sen. Reilly announced the committee will meet tomorrow.

Meeting adjourned at 12:00.

Attach. 1



JAMES G. MALSON
DIRECTOR

KANSAS BUREAU OF INVESTIGATION

DIVISION OF THE OFFICE OF ATTORNEY GENERAL
STATE OF KANSAS
1620 TYLER
TOPEKA, KANSAS 66612-1837
(913) 232-6000



ROBERT T. STEPHAN
ATTORNEY GENERAL

February 28, 1992

Gloria Timmer, Director
Division of Budget
Capitol Building
300 SW 10th, Room 152-E
Topeka, Kansas 66612-1575

RE: Fiscal Note for Senate Bill 717

Dear Ms. Timmer:

I. ANALYSIS OF PROPOSED LEGISLATION

Senate Bill 717 provides for the implementation of a licensure process to issue permits to carry concealed weapons. The bill allows the issuance of such license for three year periods of time and the renewal thereafter. The bill sets forth certain requirements which must be satisfied at the time of the application.

The Kansas Bureau of Investigation will administer the act and is responsible for processing and issuing the applications. The initial license fee is not to exceed \$125.00 and the renewal license fee not to exceed \$100.00.

The bill also requires the applicant to present evidence of completion of a firearms course.

II. HOW SENATE BILL 717 AFFECTS KBI OPERATIONS

The KBI receives up to 20 calls a week regarding the laws concerning concealed weapons as well as requests for permits to carry concealed weapons. It is expected that if Senate Bill 717 is passed, the number of calls and requests we receive for licensure to carry a concealed weapon will meet or exceed that amount.

The KBI also administers licensure for private detectives which is set forth in K.S.A. 75-7b01 et seq. That act also allows for private detectives to apply for a firearms permit.

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Senate Bill 717 will impact the following areas at the KBI.

1. The Legal Division. The Legal Division administers the Private Detective Licensing Act and therefore, logically, would assume responsibility for administration of the concealed firearms permits. The two positions most affected would be a Secretary III position and the legal counsel to review the applications in compliance with the statute.
2. The Records Section at the KBI would be utilized to conduct record checks to ensure compliance with the provisions of Senate Bill 717.

III. EXPENDITURES REQUIRED TO IMPLEMENT SENATE BILL 717

If Senate Bill 717 were implemented, two new positions would be necessary to establish the program. The cost for a Secretary III would be \$24,225.06 (benefits included) and an Assistant Attorney General \$36,085.56 (benefits included).

IV. ASSUMPTIONS USED TO DEVELOP COST ESTIMATE

Senate Bill 717 sets forth the procedures and the application process. In order to fulfill the requirements as set forth in Senate Bill 717 the two new positions would be necessary as there are no existing positions within the Bureau that could absorb this work. These positions are necessary in order to implement the program including: compiling the applications, handling the receipt of money and the preparation of warrants, processing record check information, answering telephone inquiries, compiling an automated listing of licensed holders and preparing a yearly statistical report. The attorney would be responsible for interpreting and applying the law in issuance of the permits, granting and denying licensure and conducting administrative hearings. The bill requires that the KBI must issue or deny a license within 90 days of the application. Supplies will be necessary as well as office equipment and a computer. The cost for the initial office setup would be approximately \$9,813. This figure does not include postage and printing of applications and licenses.

V. STAFFING

The KBI Legal Division cannot absorb in it's current budget the initial cost associated with the implementation of Senate Bill 717. Processing applications for licensure is time consuming

and detailed work. Additional resources including: staffing, supplies and equipment will need to be allocated. It is estimated, based on the number of inquiries received by the KBI, that approximately 20 applications will be submitted per week, totaling 1,040 per year.

VI. LONG-RANGE OF FISCAL EFFECT OF SB 717

It is projected that the number of applications submitted will increase approximately 20% per year.

YEAR	APPLICATIONS	SUPPLIES	SALARY	INITIAL COST
FY93	1,040	\$3,000	\$60,310.62	\$9,813
FY94	1,248	3,600	62,633.64	
FY95	1,498	4,320	64,077.84	

Sincerely,

JAMES G. MALSON
DIRECTOR

STEVEN R. STARR
DEPUTY DIRECTOR

JGM:SRS:MSJ:ld:4423

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Attach. 2

ATTACH. 2

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1 the extent that the applicant's normal faculties are impaired. It shall
 2 be presumed that an applicant chronically and habitually uses al-
 3 coholic beverages to the extent that the applicant's normal faculties
 4 are impaired if the applicant has been, during the three years im-
 5 mediately preceding the date on which the application is submitted,
 6 committed for the abuse of alcohol or has had two or more convictions
 7 under K.S.A. 8-1567 and amendments thereto, or under a similar
 8 law of any city, county, other state or the District of Columbia;

9 (7) desires a legal means to carry a concealed weapon or firearm
 10 for lawful self-defense;

11 (8) presents evidence satisfactory to the bureau that the applicant
 12 (A) Has satisfactorily completed a hunter education or hunter
 13 safety course approved by the secretary of wildlife and parks or by
 14 a similar agency of another state;

15 (B) has satisfactorily completed a national rifle association firearms
 16 safety or training course;

17 (C) has satisfactorily completed a firearms safety or training
 18 course or class available to the general public and offered by a law
 19 enforcement agency, community college, college, university, private
 20 or public institution or organization or firearms training school, util-
 21 izing instructors certified by the national rifle association or criminal
 22 justice standards and training commission;

23 (D) has satisfactorily completed a law enforcement firearms safety
 24 or training course or class offered for security guards, investigators,
 25 special deputies or any division or subdivision of law enforcement
 26 or security enforcement;

27 (E) presents evidence of equivalent experience with a firearm
 28 through participation in organized shooting competition or military
 29 service;

30 (F) is licensed or has been licensed to carry a firearm in this
 31 state or a county or city of this state, unless such license has been
 32 revoked for cause; or

33 (G) has satisfactorily completed a firearms training or safety
 34 course or class conducted by a state certified or national rifle as-
 35 sociation certified firearms instructor;

36 (9) has not been adjudged a disabled person under the act for
 37 obtaining a guardian or conservator, or both, or under a similar law
 38 of another state or the District of Columbia, unless the applicant
 39 was ordered restored to capacity three or more years before the date
 40 on which the application is submitted; and

41 (10) has not been an involuntary patient pursuant to the treat-
 42 ment act for mentally ill persons, or pursuant to a similar law of
 another state or the District of Columbia, unless the applicant pos-

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has satisfactorily completed a training course approved by the bureau and consisting of not less than six hours instruction in: (A) Weapon safety; (B) marksmanship fundamentals; (C) handgun proficiency; and (D) civil and criminal liability and lawful use of force

3 assesses a certificate from a psychiatrist licensed to practice medicine
4 and surgery in this state that the applicant has not suffered from
5 disability for three or more years immediately preceding the date
6 on which the application is submitted.

7 (b) The bureau may deny a license if the applicant has been
8 found guilty of one or more crimes of violence within the three-
9 year period immediately preceding the date on which the application
10 is submitted or may revoke a license if the licensee has been found
11 guilty of one or more crimes of violence within the preceding three
12 years.

13 (c) A photocopy of a certificate of completion of any of the courses
14 or classes, an affidavit from the instructor, school, club, organization,
15 or group that conducted or taught such course or class attesting to
16 the completion of the course or class by the applicant or a copy of
17 any document which shows completion of the course or class or
18 evidences participation in firearms competition shall constitute sat-
19 isfactory evidence of qualification under subsection (a)(8).

20 New Sec. 4. (a) The application for a license pursuant to this act
21 shall be completed, under oath, on a form prescribed by the bureau
22 and shall include:

23 (1) The name, address, place and date of birth, race and occu-
24 pation of the applicant;

25 (2) a statement that the applicant is in compliance with criteria
26 contained within section 3;

27 (3) a statement that the applicant has been furnished a copy of
28 this act and is knowledgeable of its provisions;

29 (4) a conspicuous warning that the application is executed under
30 oath and that a false answer to any question, or the submission of
31 any false document by the applicant, subjects the applicant to crim-
32 inal prosecution under K.S.A. 21-3805 and amendments thereto; and

33 (5) a statement that the applicant desires a concealed weapon or
34 firearm license as a means of lawful self defense.

35 (b) The applicant shall submit to the bureau:

36 (1) A completed application as described in subsection (a);

37 (2) a nonrefundable license fee not to exceed \$125, if the ap-
38 plicant has not previously been issued a statewide license, or a
39 nonrefundable license fee not to exceed \$100, for renewal of a state-
40 wide license;

41 (3) a full set of fingerprints of the applicant administered by a
42 law enforcement agency of this state; and

43 (4) a photocopy of a certificate or an affidavit or document as
44 described in subsection (c) of section 3.

45 (c) (1) The bureau, upon receipt of the items listed in subsection

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(b), shall provide for the full set of fingerprints of the applicant to be processed for any criminal justice information and shall forward a copy of the application and \$20 of the original license fee or \$10 of the renewal license fee to the sheriff of the applicant's county of residence. The cost of processing such fingerprints shall be paid by the applicant at the time of submission of the application.

~~(2) The sheriff of the applicant's county of residence, at the sheriff's discretion, may participate in the process by submitting a voluntary report to the bureau containing any readily discoverable prior information that the sheriff feels may be pertinent to the licensing of any applicant. Any such voluntary reporting shall be made within 45 days after the date the sheriff receives the copy of the application. If the sheriff chooses, the sheriff may notify the bureau in writing, that the sheriff does not wish to receive copies of the application and the fee described in subsection (c)(1).~~

The sheriff shall submit a report

~~(2) The sheriff's office shall provide fingerprinting service at no charge to the applicant if requested by the applicant to do so.~~

After receipt of the sheriff's report, the bureau shall provide for the full set of fingerprints of the applicant to be processed for any criminal justice information. The cost of processing such fingerprints shall be paid by the applicant at the time of submission of the application.

~~(4) All funds received by the sheriff pursuant to the provisions of this section shall be deposited in the general fund of the county and shall be budgeted to the use of the sheriff's office.~~

(d) The bureau, within 90 days after the date of receipt of the items listed in subsection (b), shall:

(3)

120 days

- (1) Issue the license; or
- (2) deny the application based solely on the ground that the applicant fails to qualify under the criteria listed in section 3. If the bureau denies the application, the bureau shall notify the applicant in writing, stating the ground for denial and informing the applicant of any right to a hearing pursuant to the Kansas administrative procedure act.

(e) Any law enforcement officer, as defined by K.S.A. 21-3110 and amendments thereto, shall be exempt from the fees and background investigation required by this section for a period of one year subsequent to the date of retirement of such officer as a law enforcement officer.

New Sec. 5. (a) The bureau shall maintain an automated listing of licenseholders and pertinent information, and such information shall be available, upon request, at all times to all law enforcement agencies in this state.

(b) Within 30 days after the changing of a permanent address, or within 30 days after having a license lost or destroyed, the licensee shall notify the bureau of such change, loss or destruction. Failure to notify the bureau pursuant to the provisions of this subsection shall constitute a class C misdemeanor.

STATE OF KANSAS



KANSAS RACING COMMISSION

3400 Van Buren
Topeka, Kansas 66611-2228
(913) 296-5800
FAX (913) 296-0900

TO: The Honorable Joan Finney, Governor, State of Kansas
FROM: Dana Nelson, Executive Director
SUBJECT: Casino Gaming
DATE: January 9, 1992

The parimutuel racing industry in the state of Kansas, and for that matter the entire country, is at its most serious crossroads in history. For years the parimutuel racing industry was the only legalized form of gaming in most states. In recent years, additional states have authorized parimutuel wagering, embarked on extensive lottery programs, authorized casino or riverboat gaming, and expanded opportunities for bingo. In addition to state activities, Indian Reservations have expanded their gaming operations, first with bingo areas, and more recently under the Federal Indian Gaming Act, with casino gaming. As a result, competition for the recreational dollar pie has been split further and further.

There are several reasons that the parimutuel industry has suffered from that competition, including the fact that the industry has not brought their game into the 1980's and 1990's. Other reasons for the decline in parimutuel wagering include the fact that it is open for limited hours and limited days, it is not nearly as convenient as other games such as video lottery, and it is more difficult to understand. However, the parimutuel racing industry is the most labor intensive of all the gaming industries. As you are aware, the parimutuel racing industry, especially in Kansas, reaches virtually every corner of the state. Farmers and ranchers raise and breed race horses in the hope that they will have a major stakes winner. The raising and breeding of those horses requires land, associated farm and ranch buildings, veterinary services, feed supplies, tack equipment, and manpower to raise and train horses for racing. Similarly, the 450 greyhound breeding operations in the state require land, associated buildings, feed and veterinary supplies, and manpower to train the animals for racing. All of those jobs and expenditures occur before an animal ever reaches the racetrack. At the racetrack, the employment figures are staggering. The Woodlands employs over 1,000 people on its payroll alone. That does not include the people on the

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backside. Similarly, Wichita Greyhound employs nearly 400 people. Most of the food, beverage, and paper products and so forth are purchased locally, and those dollars turn over in those communities several times.

Ironically, the parimutuel wagering format is the most generous in terms of payback to the public. On every race, approximately 80% of the dollars bet are returned to the public in the way of winnings. The element of chance is significantly reduced if a person spends time studying and handicapping the races, and some people make a living as professional gamblers at racetracks. Such things as video lottery, instant winner lottery, Lotto, blackjack, roulette, craps, and other games payback considerably less. The cash in, versus cash out, is usually closer to the 50% to 65% range. Despite these obvious advantages, the older product, parimutuel racing, is struggling throughout the country.

In the last two years two greyhound tracks have closed, numerous horse tracks have closed, and others are facing serious economic problems, if not bankruptcy. Our own tracks are not that healthy either. The Woodlands horse program has struggled in its first two years of operation. Eureka Downs has opened and closed. Wichita Greyhound has seen their bottom line shrink as the economy tightens and other competition increases. The projections the Pittsburg track has used to argue their feasibility are not reasonable or acceptable with the state of the industry today, and the potential for that license is slim at best.

This memo was not designed to tell you about the doom and gloom of the industry, but rather to set the stage for a rather profound suggestion. I have not approached the Kansas Racing Commission or the industry with this suggestion. I have purposely formulated this idea in my mind, and would like to offer the idea to you for your consideration.

I would like to suggest that Kansas statutes be changed to allow for the Kansas Lottery Commission to own and/or operate casino gaming, to include such games as blackjack, poker, slot machines, craps, roulette, and baccarat. Secondly, I would suggest that the lottery be allowed to contract for the management of the games and employment of personnel to run the games with the private sector. I am not critically concerned whether or not the private sector contractors are the profit or the not for profit organizations, but, I would suggest that the location for lottery owned casino operations be limited to existing, or newly licensed parimutuel racing facilities in the

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state of Kansas. I do not recommend that county fair racing associations be included in the casino gaming proposal. Finally, I would recommend that the Kansas Racing Commission regulate, control, and otherwise supervise the casino operations.

There are several reasons for my proposal. I already elaborated on the state of the parimutuel industry, and that is the obvious reason. However, some of the more specific reason for my proposal is that there is some resistance, if not some very adamant opposition, to the concept of Indian casino gaming. I support the concept of the Indian Gaming Act, and the opportunity for gaming on reservations and self-sufficiency by the Indian Tribes. However, it is my opinion that the provisions of the Indian Gaming Act have been stretched to the point that the Indians are in a position to do things that the white man cannot do. As a result of the Connecticut case, tribes may be allowed to open casino gaming operations with no gambling limits when the state merely authorized charitable casino night games. In Wisconsin the case said the Indians could conduct casino games unless the state specifically prohibited the games.

These decisions, and interpretation of the Indian Gaming Act concern parimutuel industry people, as well as citizens in general. I have also seen a number of Indian gaming compacts negotiated by states such as South Dakota, Minnesota, and California. I have yet to see an Indian gaming compact that extended substantial state oversight, regulatory authority, or revenue opportunities to the state from the tribes. In fact, the tribes are reluctant to sacrifice any of their sovereignty, and almost none of the revenue. Because so many state compacts have been signed with very limited, if any, state oversight, I do not think it is reasonable to expect that the Kansas tribes will be much different. I do commend you and your staff if you have already secured such concessions from the tribes, however, in the dealings I had with Indian tribes, while working for the governor of South Dakota, I found the tribes were very resistant to concede anything to the state that they did not absolutely have to. I also suspect that their legal counsel, usually some of the finest in the country, will caution them about relinquishing any of their sovereign rights.

In any event, the provisions of the Indian Gaming Act and the compacts signed to date have allowed Indian tribes to enter businesses which the average white man cannot conduct. The result of this backlash may be suggestions such as recently suggested by Attorney General Robert Stephan that the way to curb or limit Indian gaming is to eliminate the lottery. By eliminating the lottery, and abolishing opportunities to run any kind of lottery game in the state, the Indians are similarly

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affected. While that may be one course of action, it is economically damaging to state revenues. Given the financial situation in the state of Kansas, that is not a popular notion. A second reaction may be something along the lines of what I am suggesting. I believe in a short period of time, a number of states are likely to authorize expanded casino gaming operations within their state. I know that South Dakota, Colorado, Mississippi, Iowa, and Illinois already have. Minnesota, Missouri, Kansas, Wisconsin, and many other states have or will consider some element of that. Unlike some of those states, I think we are in a position to act quickly, bring a form of limited casino gaming to Kansas in existing regulated facilities, and provide the type of oversight, regulation, and revenue opportunities which will benefit all of the citizens of Kansas.

I propose the tripartite arrangement of the lottery owning the game, the existing parimutuel facility owners and managers running the game, and the Kansas Racing Commission regulating the game to provide the public credibility and integrity the game deserves. The precedent for a racing board also regulating gaming has been set by Iowa and followed recently by South Dakota. The idea of the lottery regulating a game which it owns and sponsors does not provide the level of integrity or oversight which ought to occur. Additionally, the lottery is not, and historically will not, be a regulatory body. It is a management and promotional body charged with developing and promoting a game for the sole financial benefit of the state. As a result, their experience in regulating, licensing individuals, and administratively dealing with gaming violations and licensing violations does not exist. The racing commission on the other hand has procedures in place for administrative hearings before a board of judges or stewards, a licensing procedure in place to issue licenses, an audit procedure to collect revenues, a security procedure to conduct background investigations, and a security force based at the track. Because of this experience, it is the obvious body that should be charged with the licensing, regulation, and oversight of the individuals and companies running the game on behalf of the lottery.

A second positive feature of the tripartite arrangement is to forge a partnership between the lottery and racing. As I indicated, racing has long been the existing gaming operation throughout the country. Lotteries came on the scene later, and have actually put the state into competition with the private sector, something the private sector finds less than desirable. By forging a partnership between the lottery and racing, we will establish better communications and cooperation, and eventually games of chance could be developed which are compatible with and even complimentary to the racing industry.

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A third reason for the tripartite arrangement is to prop up the state of the racing industry today. One of responsibilities of the Kansas Racing Commission, in addition to its regulatory role, is to insure the health of the industry it regulates. Because of the proliferation of gaming, the economy and other factors, the health of the industry is in question today. The partnership I alluded to above, and the opportunities for stability and revenue to the track can prop up that racing industry. If legislation is ultimately drafted to accomplish the suggestions I have outlined above, the racing industry will probably require a guaranteed minimum threshold level for purses. Since there is the risk that the additional activity at the track may not always translate into additional handle there should be some reward for the parimutuel facilities hosting the casino gaming operations. That reward would be to guarantee a minimum purse threshold for the people conducting the racing.

I believe this idea can be sold. I believe the Kansas Racing Commission has the capability with regard to the appointed commissioners to be a strong, yet fair minded regulatory body. I believe the legal mechanics are in place to accomplish licensing, auditing, security, and administrative oversight for improper or illegal actions by individuals licensed in the industry. I believe, because of the existing facilities that the state of Kansas could be in casino gaming in an abbreviated time period. I believe that the advent of casino gaming would make the license in Pittsburg, Kansas feasible, and provide the kind of economic development in Southeast Kansas that I understand you would support. I believe the arrangement can be a positive win/win situation for the racing industry, the lottery, the people of Kansas, and the racing commission.

I believe that most of what I have outlined above can be done with a minimum amount of increased staff. I believe that the Kansas Racing Commission could handle the responsibilities with the addition of an auditor at each racing facility, and the addition of a half-time licensing clerk at each facility. I would further suggest that the security staff of the Kansas Racing Commission be expanded as there would be additional hours of operation. One potential place to look for expansion would be to transfer the gaming unit from the KBI to the Kansas Racing Commission rather than create additional positions. This would focus the entire regulatory oversight, and gaming criminal violation oversight to one body rather than having it fragmented.

As long as there are only two racetracks, Wichita and Kansas City, in the formula I do not see a need to expand professional staff in the Topeka office. However, if other areas of the state such as Pittsburg or Southwest Kansas become interested, I would advocate that the authorized position for

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director of racing be filled, and that a position for director of gaming be created. Finally, depending on the attorney general's work load, it may be necessary to add an assistant attorney general to specialize in gaming activities. If we add the professional staff in the Topeka office, it may require some additional clerical support.

I apologize for the length and detail in this memo, but I did not want you to think that this was a spur of the moment and ill conceived idea. I am serious about the proposal, believe it serves many positive interests, and most importantly, I believe it would work. I would welcome, in fact solicit, the opportunity to visit with you at your convenience regarding the proposal. As I indicated, I have not approached my commission nor the industry with this concept, and would refrain from doing so until I have had some communication from your office as to whether or not there is merit to this idea. Please contact me at your convenience if you have any questions.

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KANSAS LOTTERY
MAJOR QUEST CONCERNING CASINO OPERATIONS
CONDUCTED BY THE STATE OF KANSAS

SIZE OF CASINO: 100,000 sq ft
TYPES OF GAMES OFFERED: Slots, Table/Card Games
OTHER ENTERTAINMENT OFFERED: None
OF EMPLOYEES: 750
HOURS OF OPERATION: 24 HOURS
ANTICIPATED POPULATION BASE: 3,000,000
ANTICIPATED PLAYER BASE: 750,000 25%

Game	Annual Net Rev Per	Number of Devices	Estimated Net Revenue
Tables	\$300,000	150	\$45,000,000
Slots	\$22,500	1,000	\$22,500,000
Annual Revenue			\$67,500,000
Revenue per Player			\$90.00

This is a REVENUE estimate for GAMING ACTIVITIES ONLY.
It does not account for any costs of operations or other
possible sources of revenue such as food, drink, or
entertainment.

4/1/92 Riley

Estimate of State Gambling Fee Revenue
RIVERBOAT
VIDEO LOTTERY TERMINALS

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Estimated Revenue based on 40% of AGR

Cruises Per Day	Ave.# Pass/Trip	Annual # of Cruises	Annual # of Pass	Average Loss per Pass.	Adj. Gross Gambling Rev	To the STATE
4	200	1,460	292,000	10	2,920,000	1,168,000
8	300	2,920	876,000	10	8,760,000	3,504,000
4	200	1,460	292,000	20	5,840,000	2,336,000
8	300	2,920	876,000	20	17,520,000	7,008,000
4	200	1,460	292,000	30	8,760,000	3,504,000
8	300	2,920	876,000	30	26,280,000	10,512,000

Assumption: 365 days per year operations
Minimum cruise time of two hours
Expenses have not been reflected

Revenues Generated by Admissions Fee

Cruises Per Day	Ave.# Pass/Trip	Annual # of Cruises	Annual # of Pass	\$1.00 To Lottery	\$1.00 Rev. To City/County	Total Collected
4	200	1,460	292,000	292,000	292,000	584,000
8	300	2,920	876,000	876,000	876,000	1,752,000

Assumption: All passengers are players
Projections are not made for minors or non-player passengers.

Admissions fee does not apply to excursion boat employees or Lottery employees.

4/1/92 Riley

Estimate of State Gambling Fee Revenue
Generated by Riverboat Gambling

Cruises Per Day	Ave.# Pass/Trip	Annual # of Cruises	Annual # of Pass	Average Loss per Pass	Adj. Gross Gambling Rev	Estimated Revenue based on 5%, 10%, 20% to Local		
						Excursion Boat Fee Fund 5%	to Lottery Operating Fund 95%	to Gaming Fund less Actual Cost (See below)
4	200	1,460	292,000	30	8,760,000	70,100	1,331,900	706,122
8	300	2,920	876,000	30	26,280,000	245,300	4,660,700	3,578,069
4	200	1,460	292,000	50	14,600,000	128,500	2,441,500	1,815,722
8	300	2,920	876,000	50	43,800,000	420,500	7,989,500	6,906,869

Assumption: 365 days per year operations
Minimum cruise time of two hours
Expenses: 1 Boat = \$625,778; 2 boats = \$1,082,631.

Revenues Generated by Admissions Fee

Cruises Per Day	Ave.# Pass/Trip	Annual # of Cruises	Annual # of Pass	\$1.00		Total Collected
				To Lottery	ReTo City/County	
4	200	1,460	292,000	292,000	292,000	584,000
8	300	2,920	876,000	876,000	876,000	1,752,000

Assumption: All passengers are players
Projections are not made for minors or non-player passengers.

Admissions fee does not apply to excursion boat employees or Lottery employees.

SUBCONTRACTING VERSION
COST COMPUTATION

ESTIMATED FIRST YEAR COSTS TO KANSAS LOTTERY
FOR INITIAL STAFFING:
SECURITY & AUDITING FOR EXCURSION BOAT ENTERTAINMENT

	No. Needed	ONE BOAT =====	No. Needed	TWO BOATS =====
Security				

Full time supervisor:				
1. Salary	1	36,096	1	36,096
2. Benefits @ 12.35%		4,458		4,458
3. Health Insurance		2,000		2,000
4. Vehicle & Equipment (radio)		12,000		12,000
5. Personal Equipment				
(a) Weapon		500		500
(b) I.D. case & badge		50		50
(c) Camera & accessories		1,100		1,100
(d) Briefcase		50		50
(e) Travel (annual mileage) 14,400 x \$.17/mile		2,448		2,448
Estimated Total for Supervisor		58,702		58,702
Full-time investigators:				
1. Salary @ \$23,268	6	139,608	12	279,216
2. Benefits @ 12.35%		17,241		34,483
3. Health Insurance		12,000		24,000
4. Vehicle & equipment (radio)		72,000		72,000
5. Personal Equipment				
(a) Weapon		3,000		6,000
(b) I.D. case & badge		300		600
(c) Camera & accessories		5,500		11,000
(d) Briefcase		250		500
(e) Travel (annual mileage) 249,600 x \$.17/mile		42,430		42,430
Estimated Total for Investigators		292,329		470,229
Training:				
Professional Training Service		30,000		30,000
Actual Casino Training		20,000		20,000
Estimated Total for Security Training		50,000		50,000
Additional needs and estimated items:				
1. File Cabinets, 4 drawer w/lock	3	675	6	1,350
2. Desks, double pedestal	2	1,200	4	2,400
3. Dictation units	5	1,500	12	3,600
4. Chairs	2	500	4	1,000
5. Offices, @ \$16./sq ft	300	4,800	600	9,600
6. Background checks @ \$1200	100	120,000	300	360,000

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Estimated Total for Security Training	128,675	377,950
Estimated Cost Total for Security.....	529,706	956,881

Accounting

Full-time Accountant

1. Salary @ \$20,856	1	20,856	2	41,712
2. Benefits @ 12.35%		2,576		5,151
3. Health Insurance		2,000		4,000

Estimated Total for Accountants	25,432	50,863
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Other Costs:

Training @ \$1,000	4	4,000	4	4,000
Audit visits per year @ 150 miles x \$.17/mile	24	612	48	1,224
Equipment and Supplies				
Office space @ \$16./sq ft	80	1,280	160	2,560
File Cabinets, 4 drawer	2	450	4	900
Personal Computer	1	1,200	2	2,400
Accounting Supplies		600		1,200
Calculator	1	105	2	210

Estimated Total for Other Costs	8,247	12,494
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Estimated Cost Total for Accounting.....	33,679	63,357
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Data Processing

Full-time Operator:

1. Salary @ \$17,172	1	17,172	1	17,172
2. Benefits @ 12.35%		2,121		2,121
3. Health Insurance		2,000		2,000

Estimated Total for an Operator	21,293	21,293
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Equipment (assume PC based)

Modems	4	1,600	4	1,600
Personal Computers	2	5,000	2	5,000
File Servers	2	22,000	2	22,000

Estimated Total for Computer Hardware	28,600	28,600
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Software (assume PC based)

Including-Licensing System				
Slot-tracking System				
Financial System				
File Service System		12,500		12,500

Estimated Total for Computer Hardware	12,500	12,500
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Estimated Cost Total for Data Processing..	62,393	62,393
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ESTIMATED OVERALL COSTS FOR KANSAS LOTTERY:

Security, Auditing and Data Processing

Staff for excursion Boat Entertainment. 625,778

1,082,631

NOTE:

The above estimates are based on the Kansas Lottery being involved with only one or two casinos. If more were to come additional staff, office space, etc. would be required.

KANSAS LOTTERY
VIDEO LOTTERY OPERATIONS ANALYSIS
 April 2, 1992

	<u>State Operated</u>	<u>State Regulated</u>
<u>Start-Up Costs</u>		
Central Site Computer/Software	\$1,500,000	\$1,500,000
Additional Personnel	1,000,000	394,755
Background/Security Checks	750,000	425,000
Additional Equipment	500,000	94,620
Video Lottery Terminals	<u>48,000,000</u>	<u>0</u>
Estimated Initial Investment	\$51,750,000	\$2,414,375
 <u>Revenues</u>		
Machine Revenue	\$18,200,000	\$52,000,000
Fees		
Manufacturer	60,000	60,000
Distributors	0	15,000
Operators	0	1,275,000
Retailers	<u>170,000</u>	<u>170,000</u>
Estimated Initial Full Year Revenues	\$18,430,000	\$53,520,000

**ESTIMATED FIRST YEAR
 RETURN TO THE STATE (\$33,320,000) \$51,105,625**

The cost of the Video Lottery terminals is based on 8,000 machines at an average cost of \$6,000 per machine.

Machine Revenues are based on \$1 per cap per week. The State Regulated revenue figure is based on 40% to the State and the State Operated figure is based on 70% to the State at a reduced level of play (1:5).

The Lottery estimates that the Video Lottery Terminals have a useable life of three (3) years maximum. Thus the State would have to establish some type of replacement program that would cost approximately \$16 million per year on a continuing basis, if the State chooses to own and operate Video Lottery.