

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Clyde Graeber at 1:30 p.m. on March 8, 1994 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Mary Galligan, Legislative Research Department
Lynne Holt, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Representative Vincent Snowbarger
Don Bird, Kansans for Life At Its Best
Lois Ann Beal, Woman's Christian Temperance Union
Glenn Thompson, Stand Up For Kansas

Others attending: See attached list

The Chairperson opened the meeting and stated that Vice Chairperson Benlon had to attend another meeting but the Sub-Committee on Gaming had met on March 7, 1994, and that report is enclosed. (See Attachment #1)

Mary Galligan, Principal Analyst, Kansas Legislative Research Department, gave a briefing on the Sub-Committee on Gaming Report which provided summaries and background on certain proposals that would make relatively major changes to existing state gambling policy, including a bill that has been approved conceptually for introduction. (See Attachment #2)

The Chairperson stated the members of the Sub-Committee on Gaming requested additional information and at this time there are no recommendations on these issues.

The Chairperson opened the hearing on HCR 5038.

Mary Galligan, Principal Analyst, Kansas Legislative Research Department, gave a briefing on HCR 5038 (See Attachment #3)

Representative Vincent K. Snowbarger, testified in support of HCR 5038, stating in 1986 when the Kansas Legislature placed a proposed amendment to the State's constitution on the ballot which provided for a "state-owned and operated lottery" Kansans did not vote to adopt casino gambling. (See Attachment #4)

Don Bird, Kansans For Life At Its Best, testified in support of HCR 5038, stating when questions about the definition of lottery were initially raised, this legislature was posed with at least two options. It chose first to pursue clarification through the Kansas Supreme Court. Although the Court gave us their "legal" definition of lottery, it did not help the legislature answer the larger issue before it did. (See Attachment #5)

Lois Ann Beal gave testimony for Frances Wood, Legislative Director, Woman's Christian Temperance Union of Kansas and Topeka, stating WCTU supports HCR 5038. This session of the legislature has been dealing with crime, our cities have been dealing with crime, our nation has been dealing with crime. Why would we want to introduce another activity into our state that would produce more crime. Also, the reason to pass this bill is the word "casino", was not mentioned when people voted on the lottery in 1986. (See Attachment #6)

Glenn O. Thompson, Chairman, Stand Up For Kansas, testified in support of HCR 5038, stating that in

1986, both the legislators and the voters intended to approve only state-owned and operated lotteries, such as drawings and scratch tickets, as known today. (See Attachment #7)

Representative Krehbiel asked Ms. Beal and Mr. Thompson if I were to propose an amendment to abolish with all forms of gambling and go back to the original petition, would you support my amendment?

Ms. Beal stated she could not respond as she was testifying for Frances Wood and Mr. Thompson stated "yes".

Greg Ziemak, Executive Director, Kansas Lottery, stated the lottery is concerned over some of the language on page 2, lines 5 thru 8 which states operation of the state-owned and operated lottery to games actually conducted by the lottery on or before January 1, 1994, and would specifically prohibit casino gambling. Mr. Ziemak stated the lottery does not have any plans for radical game change but would like to request language that would address this so if the lottery wanted other games in the future they would not be restricted.

Representative Sebelius stated at the Sub-Committee meeting we discussed lines 35 and 37 we talked about "only games of a type actually operated by such state-owned lottery on or before January 1, 1994." What does that mean?

Mr. Ziemak stated he would interpret that to mean on line or instant but I am concerned because I believe type could be interpreted differently. Basically, the Lottery offers two types of games; on-line games and the instant scratch-off games and the tickets are issued by terminals furnished by telephone lines. Those are basically the two types offered and have no intent at this time of offering a different type but things do change and a new type might arise and can't say if we would be for it or against it, but want to make sure the Lottery has the ability to introduce games and not be limited in the future.

Representative Sebelius stated there was some discussion when Club Keno was introduced that it is a different type of game and the Attorney General said it wasn't any different from what was being offered. What is the current lottery revenue. What are we making with all the lottery games.

Mr. Ziemak stated the Kansas Lottery total was \$114M sold. Our original estimate for this year was \$119M and revised to \$136M and are currently estimating sales and \$42M will be turned over to the special gaming revenue fund.

Representative Sebelius stated, this is big business, isn't it?

Mr. Ziemak replied, yes, it is big business.

Representative Sebelius stated, if we were to successfully negotiate compacts with the Indian tribes do you see that as having an impact on the state-owned and operated Lottery?

Mr. Ziemak stated, I think it might have some negative impact on the Lottery but hesitate to say how much. The Lottery could be hurt by either state-owned or Indian casinos.

Representative Sebelius asked, if we were to resolve the language so that you would feel it was an impediment to future business, the passage of this, with the exception of the parimutual track which also has a state link, you then become the sole gambling supplier in Kansas and you don't have to worry about riverboats, casinos, tribal gaming, etc, ensures that anyone that wants to gamble in Kansas continues to buy lottery tickets. continue to buy lottery tickets?

Representative Wilk requested the Lottery furnish a balloon to HB 5038.

Representative Krehbiel asked Mr. Ziemak if the Lottery would support his amendment?

Mr. Ziemak responded, no, it should go back to the voters.

Representative Cornfield moved and Representative Myers seconded to pass HB 5038 out favorably.

Representative Kline offered and Representative Robinette seconded a substitute motion to amend page 2, line 5 add "the types of" be added after "to".

Representative Sebelius stated it may not be appropriate because the lottery does not know what it means. If it is cleaned up it needs to be more concise.

Representative Wiard stated the language should be made clear in committee, not on the Floor.

Representative Krehbiel made a conceptual motion to not eliminate gambling on Indian Reservations, but on Page 2 and need to clarify

Representative Cornfield moved and Representative Myers agreed to withdraw their motion.

Representative Kline asked when this bill could be taken up again.

The Chairperson stated there were only 9 more working days left for committee hearings.

Representative Lane stated on page 1, line 35, "type" needed to be clarified.

After discussion the Chairman stated the committee would consider conceptual amendments at a later date.

Representative Sebelius moved and Representative Gilbert seconded to approve the minutes of February 21, 22, 23, 24 and March 1, 1994. The motion carried.

The meeting adjourned at 3:15 PM and the next meeting will be March 9, 1994

Date: 3/8/94

FEDERAL and STATE AFFAIRS COMMITTEE

NAME	ORGANIZATION	ADDRESS
Patrick Skurley	GTCCX	Topeka
Glenn O. Thompson	Stand up For Kansas	Wichita
Bethie M. Thompson	Stand up For Kansas	Wichita
Carol W. Christensen	individual	Topeka
DAVE SCHNEIDER	KANSANS FOR LIFE AT ITS BEST	TOPEKA
Cecil Kramer	✓ ✓	Lyn don
Carol Reese	" "	Horton
Dale Reese	" "	Horton
Leis Ann Beal	Capital City WCTU	Topeka
Steve Montgomery	Western Gaming	Topeka
Marsha Stralim	Cut off Ks.	Salatho
Zen Evans	Hinsley	TOPEKA
Queen Fred	Citizen	Lanning
CALVIN EVANS	P.B.P.	Mayetta, Ks. Pott. IND. Res.
Laura Abeyta	PBP	Delia Ks.

Date: 3/8/94

FEDERAL and STATE AFFAIRS COMMITTEE

NAME	ORGANIZATION	ADDRESS
Mamie Rymachi	PBR Manning Comm	Circleville KS
ANTHONY GERSTEIN	—	
Bob Sherburne	Meadows	Topeka
Acq Gurnack	Kansas Lottery	Topeka
Tom Burns	Allen Assoc.	Topeka
Susan Longie	The Woodlands	Kansas City
John Kuckelman	House Majority Leader's Office	Topeka, KS
Gera McFarland	OPC Member of Commerce	Overland Park
Michelle Butler	House Maj. Leader Off	Topeka
Mary Johnson	K.C. Ks.	K.C. Ks.
Donald W. Rogers	Individual	Topeka, Ks
Alice Bacon	Kans for Life at its Best	Topeka
Bruce Rimbo	Sunflower	Ks

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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE CHAIRMAN: FEDERAL AND STATE AFFAIRS
MEMBER: EDUCATION
GOVERNMENTAL ORGANIZATION
AND ELECTIONS

TO: House Committee on Federal and State Affairs
FROM: Subcommittee on Gaming
RE: Subcommittee Activities

The Subcommittee met on March 7, 1994 with all members in attendance. The Subcommittee received a briefing from staff on one bill and two concurrent resolutions: SB 545, HCR 5038 and SCR 1608 (see attached memorandum). The Subcommittee requested that staff compile the following additional information for the Subcommittee's consideration:

- an interpretation from the Executive Director of the Kansas Lottery of the meaning of the phrase "types of games" in HCR 5038;
- copies of the constitutional provisions adopted in Wisconsin and Idaho that limit games that can be conducted by those states' lotteries and information regarding the impact of those limitations on negotiation of tribal/state gaming compacts or implementation of those compacts;
- a listing of those states in which "casino" games are legal, including those states that limit such games to specific cities or to riverboats;
- a listing of those states in which "casino" games are authorized in the state constitution;
- a listing of those states that are considering authorization of "casino" games, including those conducted on riverboats, during the 1994 legislative session; and
- a listing of those states that dedicate revenue from casinos to a specific purpose.

The Subcommittee also received an update on the status of negotiations of tribal/state gaming compacts and discussed the implications of several pieces of legislation on those negotiations. The Subcommittee does not at this time make any recommendations regarding any gambling legislation currently before the Committee.

F.L.S.A.
3-8-94
Atch #1

MEMORANDUM

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March 7, 1994

To: House Committee on Federal and State Affairs Gambling Subcommittee
From: Mary K. Galligan, Principal Analyst
Re: Gambling Legislation in Committee

The Subcommittee has been asked to review gambling legislation that has been referred to the Committee. The paragraphs below provide summaries and background on certain proposals that would make relatively major changes to existing state gambling policy, including a bill that has been approved conceptually for introduction. Some policy questions are also posed for discussion.

PROPOSALS TO PLACE LIMITS ON A STATE-OWNED AND OPERATED LOTTERY

1993 H.B. 2311 by O'Neal, Snowbarger, and 30 others would place limits on games that may be conducted by the Lottery and would amend state criminal gambling statutes to exclude only specific games conducted by the Lottery. The bill would amend the Lottery Act to provide that the only types of games that can be conducted are instant lottery, keno, and lotto games. The existing prohibition against the Lottery conducting games on video lottery machines would not be changed. The Lottery Act also would be amended to specifically define those games that could be conducted by the Lottery (page 5, lines 24-30).

The bill also would amend the criminal gambling statutes to delete the word "lottery" and insert in its place "instant lottery, keno or lotto game." By making those changes, only those specific games operated by the Kansas Lottery would be exempt from the general criminal prohibitions. Definitions of those games included in the Lottery Act would be applicable to the criminal statutes.

1993 H.C.R. 5022 by Miller and 53 others would amend the lottery section of Article 15 of the *Kansas Constitution* to limit the state-owned and operated lottery to instant lottery games using preprinted tickets and keno and lotto games, and electronic or computerized versions of those games as defined by law. Currently, the *Constitution* does not speak to the type of games that may be conducted by the Lottery.

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3-8-94
Atch #2

1994 H.C.R. 5038 by Snowbarger and 29 others would amend the lottery section of the *Constitution* to prohibit operation of any game considered a casino game and to permit operation of only those types of games operated by the Lottery on or before January 1, 1994.

EFFECT

Essentially, all of these proposals would limit the state-owned and operated lottery to those games that are currently played. However, the language differs somewhat, so the effect may not be exactly the same for all three. For instance, it would appear that H.B. 2311 while limiting games that could be conducted under auspices of the Lottery Act, may not prohibit other state-owned and operated games from being conducted as authorized by a different law, providing the criminal statutes were amended accordingly. The possibility of casino style gaming being authorized by law was discussed in *State v. Finney II* in which the Kansas Supreme Court ruled that any type of state-owned and operated gambling could be authorized by the Legislature.

H.C.R. 5038 might limit the state-owned and operated lottery to only instant and non-interactive on-line games (types currently operated) and prohibit continued operation of Club Keno because keno is considered a casino game. However, if Club Keno is determined to be an on-line lottery game that is not sufficiently similar to traditional keno to be "considered a casino game," then it would probably be permitted. H.C.R. 5022, on the other hand, might permit the Lottery to conduct games of traditional keno, as it is played in casinos and perhaps keno and lotto on video lottery terminals. Both resolutions would appear to foreclose the option of authorizing a state-owned and operated casino offering games such as poker, blackjack, and roulette. However, as noted above H.C.R. 5022 might allow limited use of interactive video lottery terminals which are currently prohibited by statute.

GENERAL POLICY CONSIDERATIONS

1. What is the goal of imposing a limit on the types of games the Lottery can conduct? Would that goal be best achieved through an amendment to the *Constitution* or to statute? Would any of these pieces of legislation achieve the intended goal?
2. What impact would limiting the Lottery have on its ability to generate revenue? Should that be a consideration in making a change to statutes or the *Constitution*?
3. What impact would enactment or adoption of limitations on activities that could be authorized for the state-owned and operated lottery have on negotiation and implementation of state/tribal gaming compacts?

PROPOSAL TO EXPAND STATE-OWNED AND OPERATED GAMBLING TO INCLUDE CASINO GAMES

The House Committee on Federal and State Affairs voted to introduce legislation that would authorize state-owned and operated casino gambling. Several policy questions may need to be

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addressed prior to development of legislation that would authorize that activity. Some of those questions are listed below. This list is by no means intended to be exhaustive, but may be useful to facilitate subcommittee discussion. The subcommittee may also wish to review Attorney General Opinion No. 94-26 regarding options available for implementing a state-owned and operated casino.

1. Should state-owned and operated casinos be operated by and be part of the Kansas Lottery? If so, should certain provisions of the Lottery Act that are designed primarily to meet the needs of a traditional lottery be amended to address a casino operation, *e.g.*, application of rule and regulation statutes, purchasing requirements, licensure of certain service providers, regulation of ancillary businesses that might be permitted on the premises of a casino, *etc.* Should the Lottery Commission's authority be altered in any way to accommodate differences between the lottery as currently conducted and casino gambling?
2. How should a statutory scheme be constructed to ensure state control of gaming as required by the *Constitution*?
3. If the Kansas Lottery is not the implementing entity, should the agency that operates casinos and the state Lottery be placed together under the umbrella of a gaming authority?
4. What specific games should be permitted/prohibited in a casino? Should permitted/prohibited games be specified in law or should the agency be allowed to authorize games in rules and regulations? Should authorizing legislation address odds, publication of odds, percentage pay-out on wagers, limits on bets or losses, or other parameters of gambling activity? Should video lottery games, which are currently prohibited under the Lottery Act, be permitted in casinos? If so, should such games also be permitted as part of the Kansas Lottery?
5. Should a limit be placed in statute on the number of casinos that can be operated and where they can be operated?
6. Should all employees of casino(s) be state employees? If not, what positions should be held only by state employees in order to retain state control of games and how they are conducted? Should authorizing legislation specify functions or categories of tasks that may be performed by persons who are not state employees?
7. What impact would enactment of such a law have on state revenue derived from the Kansas Lottery and parimutuel wagering? What impact would a casino have on licensees who conduct horse and dog races and charitable bingo? Should those questions be considerations in developing additional gambling legislation?
8. What impact would authorization of state-owned and operated casino(s) have on negotiation of tribal/state gambling compacts? Should such impact be a consideration in developing legislation?
9. How should revenue from casino(s) be used? Should a specific portion of gross wagers, in addition to the amount necessary to operate the casino, be designated as state revenue? Should a minimum portion of gross wagers to be paid as prizes be designated in statute?

10. Should casino employees and the agency operating any casino(s) be subject to conflict of interest provisions in addition to those applicable to state employees generally? Should the casino operating agency be prohibited from hiring persons directly from entities that provide goods or services to the casino agency?

PROPOSALS TO AMEND THE *CONSTITUTION* TO BROADEN PRIVATE GAMBLING

1993 Sub. S.C.R. 1608, by Committee on Federal and State Affairs, as further amended by the Senate Committee of the Whole, would propose an amendment to the *Kansas Constitution* that would authorize the Legislature to permit, regulate, and license casinos and impose a tax on gross gambling revenue. The resolution would also authorize Indian nations with reservations in Kansas to operate or conduct casino gambling on the reservation in accordance with applicable law.

Any casinos not located on Native American reservations would have to be located on or adjacent to a parimutuel racetrack facility where at least 20 days of live racing are conducted annually. In order for a casino to be established, the voters in the county where the track is located would have had to approve the constitutional amendment, and the city or county government with jurisdiction over the area in which the casino would be located would have to approve establishment of the casino.

If adopted by the Legislature, the proposition would appear on the 1994 primary election ballot.

LEGISLATIVE HISTORY

The *Kansas Constitution* currently prohibits gambling except licensed bingo, on-track parimutuel wagering on dog and horse races, and a state-owned and operated lottery. The original resolution was requested for introduction by representatives of Kansas City. As introduced, the resolution would have permitted a single casino at the racetrack in Kansas City. The substitute resolution also was offered by a senator from Kansas City.

The substitute resolution, as introduced, would have permitted casinos to be located on or adjacent to any parimutuel racetrack facility licensed on July 1, 1993. Owners and operators of those tracks and local units of government would have had to approve any casino development.

The Senate Committee of the Whole amended the substitute resolution to make the 6.25 percent tax the minimum rate that could be imposed on gross gambling receipts of a casino.

During subsequent consideration of the resolution, the Senate further amended the resolution to permit casinos on or adjacent to any licensed racetrack at which at least 20 days of live racing are conducted. That amendment also deleted the tax rate, the requirement that owners and operators of tracks approve the casino, and the requirement that the governing body of both the city and county approve development of a casino. Private casinos could be located near any racetrack that conducts a minimum of 20 days of live races each year.

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EFFECT

The resolution would authorize the Legislature to enact laws permitting privately-owned and operated casinos. The Kansas Supreme Court in *State v. Finney II* ruled in January, 1994 that the *Kansas Constitution* currently only authorizes laws implementing state-owned and operated gambling activity other than wagers on licensed parimutuel horse and dog racing and charitable bingo.

Currently, there are three licensed racetracks in Kansas, two of which are operating and which conduct a minimum of 20 days of live races per year -- Wichita Greyhound Park and the Woodlands (Kansas City). The third licensed track is under development in Pittsburg. The Kansas Parimutuel Racing Act currently permits the Racing Commission to license fair associations to conduct a maximum of 21 days of racing each year at a maximum of two race meetings under special licensing procedures. The Act also currently authorizes the Racing Commission to approve an unlimited number of racing days at the Anthony Downs and Eureka Downs, under special conditions. The Racing Commission is currently working to develop a county fair racing circuit, as provided by law, which theoretically could expand the number of locations at which casinos could be established.

POLICY QUESTIONS

1. Should the *Constitution* be amended to permit privately-owned and operated casinos? If so, should any constitutional limitations be placed on the activities that can be conducted at those casinos? Should language of the proposed amendment clarify activities that would be permitted at casino facilities?
2. Should the *Constitution* specify where casinos may be located, or should that be specified in law? Given current policy regarding parimutuel racing, would the language in the current version of the resolution place an effective limitation on establishment of casinos?
3. What impact might establishment of casinos have on state revenue derived from the Kansas Lottery or from the parimutuel racing tax, or both? Should that be a consideration in discussion of authorizing private casinos? What would be the combined impact of authorization of private casinos and imposition of limitations on the state lottery?
4. What impact, if any, would adoption of this proposed amendment to the *Constitution* have on negotiation of tribal/state gambling compacts? Would the language of this resolution have any impact on efforts of Native American nations to establish tribal gambling facilities outside their reservations?
5. Should voters only be given one chance to exercise a "county option" to authorize casinos in their county?

PROPOSALS TO ELIMINATE EXISTING TYPES OF GAMBLING

1993 H.C.R. 5009, by Representative Cornfield and 11 others would repeal the existing *Constitution* authority for state-owned and operated lotteries. **1993 H.C.R. 5010**, by Representatives Cornfield and Neufeld, would repeal the existing constitutional authority for parimutuel wagering on horse and dog racing.

EFFECT

These resolutions would leave the Racing Act and the Lottery Act without necessary constitutional authority and thereby bring an end to legal gambling in either of those forms. The existing authority for charitable bingo would not be affected by either of these resolutions.

POLICY QUESTIONS

1. What impact, if any, would adoption of these resolutions have on state revenue? Should such an impact be an issue in consideration of these resolutions?
2. Would adoption of these resolutions have any impact on negotiation of tribal/state gambling compacts?

EXTENSION OF INSTANT BINGO

1994 S.B. 545, by Committee on Federal and State Affairs, would permit instant bingo to be conducted in accordance with K.S.A. 1993 Supp. 79-4706 on and after July 1, 1994.

LEGISLATIVE HISTORY

The 1993 law that permits bingo licensees to conduct games of instant bingo (commonly called "pull tabs") provides that the authority to conduct those games will expire on July 1, 1994. The Senate Committee on Federal and State Affairs introduced S.B. 545 after learning that a Shawnee County district court judge had ruled that the instant bingo law is constitutional (*State v. Parrish*, Case No. 93-CV-762). The decision is being appealed by the Attorney General.

The state district court judge found, among other things, that "there is no universal rule or standard definition of 'bingo' and Article 15, section 3a of the *Kansas Constitution* allows the Kansas legislature to define bingo" and that the *Constitution* ". . . contemplates more than a single

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definition of 'bingo' by use of the plural of the word games. If only one form of the game were contemplated, the amendment would have stated that intent rather tha[n] allow the legislature to regulate the conduct of 'games of bingo'."

The Division of Budget fiscal note on the bill stated that passage of the bill would not have a fiscal impact, but that failure to pass the bill would result in reduced state bingo and sales tax revenue of \$680,317. Local units of government also would experience a bingo tax revenue reduction of \$38,436 statewide in addition to any reduction of local sales tax that would have been collected on sales of instant bingo. The estimated reduction of state revenue was not included in the *FY 1995 Governor's Budget Report*.

POLICY QUESTIONS

1. In light of the state district court decision, should the Legislature propose a constitutional amendment that would define specifically what is meant by bingo?
2. Should the taxing mechanism used for instant bingo (taxation at the distributor level rather than at the retail level) be applied to "call bingo" (the statutory term for traditional bingo) regardless of the Legislature's or the court's decision regarding continuation of instant bingo?

NORTH AMERICAN GAMING

at a glance

Gaming at a glance redux?

While the text that comprised The North American Gaming At A Glance feature that appeared on p. 52 of the Sept. 15 issue of *Gaming & Wagering Business* was accurate, the accompanying chart contained several typographical inaccuracies. Though only the entries

for Arizona, Illinois, Indiana, Montana, Nebraska and South Carolina were affected, we here-with present the corrected chart in its entirety (*reproduced at right*), for easier reference. *GWB* regrets the error and apologizes for any inconvenience.

U.S. GAMING AT A GLANCE

	Bingo	Charitable Games	Card Rooms	Casinos	Gaming Devices	Sports Wagering	Lottery Games					Parimutuel Wagering						
							Keno	Instant (& Pull-Tab) Games	Lotto	Numbers	Passives	Greyhound	Jai Alai	Harness	Quarter Horse	Thoroughbred	Intrastate Inter-Track Wagering	Off-Track Betting
Alabama	•	★										•	•	•	•	•	•	•
Alaska	•	•																
Arizona	•	•		★	★			•	•			•		•	•	•	•	•
Arkansas												•		•		•		
California	•	•	•				★	•	•	•	□	•	•	•	•	•	•	•
Colorado	•	•	•	•	•		•	•	•		□	•		•	•	•	•	★
Connecticut	•	•		★	★			•	•	•	□	•	•	•	•	•	•	•
Delaware	•	•				□		•	•	•	□			•	•	•		
Florida	•	•						•	•	•		•	•	•	•	•	•	•
Georgia	•						★	★	★									
Hawaii																		
Idaho	•						•	•				•		•	•	•	•	•
Illinois	•	•	•	•	•		□	•	•	•	□			•	•	•	•	•
Indiana	•	•		•	•			•	•	•		•		•	•	•	•	•
Iowa	•	•	•	•	•			•	•			•		•	•	•	•	•
Kansas	•	•					★	•	•	★		•	□	•	•	•	•	•
Kentucky	•	★						•	•	•		•	•	•	•	•	•	•
Louisiana	•	•		•	★			•	•	★		□		•	•	•	•	•
Maine	•	•						•	•	•	□			•	•	•	•	•
Maryland	•	•	•	•	•		★	•	•	•	□	•		•	•	•	•	•
Massachusetts	•	•					•	•	•	•	□	•		•	•	•	•	•
Michigan	•	•	•	•			•	•	•	•		•		•	•	•	•	•
Minnesota	•	•	•	•	•			•	•	•		□	□	□	□	•		
Mississippi	•	•		★	★							□	□	□	□	•		
Missouri	•	•	•	•	•			•	•	•		□	□	□	•	•		
Montana	•	•	•	•	•		•	•	•			•		•	•	•	•	•
Nebraska	•	•	•				•	★	•					•	•	•	•	•
Nevada	•	•	•	•	•		•					□	□	□	•	•	•	•
New Hampshire								•	•	•	□	•		•	•	•	•	•
New Jersey	•	•	★	•	•			•	•	•	□	•		•	•	•	•	•
New Mexico	•	•												•	•	•	•	•
New York	•	•	★				•	•	•	•	□	•	□	•	•	•	•	•
North Carolina	•																	
North Dakota	•	•	•	•	•							•	•	•	•	•	•	•
Ohio	•	•					•	•	•	•		•		•	•	•	•	•
Oklahoma	•	★										•		•	•	•	•	•
Oregon	•	•	•	•	•	•	★	★	•	•		•		•	•	•	•	•
Pennsylvania	•	•						•	•	•	□	•	□	•	•	•	•	•
Rhode Island	•	•					★	★	•	•	•	•	□	□	•			
South Carolina	•			•														
South Dakota	•	•	•	•	•		•	•	•			□		•	•	•	•	•
Tennessee												•	•	•	•	•	•	•
Texas	•	•						★	★	★		★		•	•	•	•	•
Utah																		
Vermont	•	•					•	•	•	•	□	•		□	•			
Virginia	•	•					•	•	•	•		•	•	•	•	•	•	•
Washington	•	•	•	★			★	•	•	•		□		•	•	•	•	•
Wash., D.C.	•	•						•	•	•								
West Virginia	•	•					•	★	•	•	□	•	•	•	•	•	•	•
Wisconsin	•	•	•	•				•	•	★		•	•	•	•	•	•	•
Wyoming	•	•										•		•	•	•	•	•
Puerto Rico	•			•	•			•	•	•						•	•	•
Virgin Islands	•	•					•									•	•	•

Explanation of symbols

- Legal and operative
- ★ Implemented since July 1991

- ◆ Authorized but not yet implemented
- Permitted by law and previously operative
- Operative but no parimutuel wagering

FUSA
3-8-94
Arch #3

NORTH AMERICAN GAMING

at a glance

Researched and written by
Patricia A. McQueen

The following is *Gaming & Wagering Business*' 12th annual edition of U.S. and Canadian gaming at a glance. Changes in industry segments are listed by state and province.

U.S. Jurisdictions

Bingo: Despite the rapid expansion of commercial gambling, charitable bingo appears to have held its own. The public's fascination with bingo has triggered the interest of lottery officials and several lotteries have begun highly-successful instant games modeled after bingo.

Charitable games (pulltabs and other games): Charity game tickets were authorized by voters in Alabama, Kentucky and Oklahoma. Minnesota, with by far the largest charitable game industry (more than \$1.1 billion in annual sales), has yet to show much of an impact from Indian casinos. Despite the opening of several new and expanded casinos in 1992, charitable game sales managed a 3% increase over 1991.

Card rooms: In California, voters approved a card room at Hollywood Park race track; several other cities, however, rejected measures to authorize the clubs. Many existing clubs are expanding their facilities, and new Asian games are extremely popular. Several Atlantic City casinos began operating poker rooms in early summer, soon after the New Jersey Casino Control Commission cleared the way for their introduction.

Casinos: Both riverboat and land-based casinos continue to make headlines across the United States. Expect to see riverboats soon in Louisiana, Indiana and Missouri.

Louisiana has already granted preliminary approval for all 15 of its riverboat licenses. In Indiana, riverboat gambling was part of the

state's budget bill passed in June 1993; the governor was to appoint a seven-member Gaming Commission by Sept. 1, 1993.

In Missouri, the rules and regulations for riverboat gaming were expected to be filed in September, with applications for licenses available shortly thereafter. Cities have the option to restrict the number of licensees, but there is no legislated statewide limit on the number of boats.

Riverboats are expanding in existing states as well. Illinois has added five riverboats in 1993, bringing the current total to 10 (nine licensees; there may be a maximum of 20 boats based on two boats per licensee); the tenth license will be granted before long. Total admissions on Illinois boats in Fiscal 1993 was 6.3 million, with total gaming revenues of \$376.6 million. In Mississippi, four riverboats have opened thus far in 1993 (bringing the total to 10), and one or two more are expected to open soon.

With no limit to the number of licenses, there are currently about 25 legitimate license applications pending. During their first 12 months of operations, Mississippi riverboats won \$503 million. In Iowa, three boats are currently operating, with a fourth expected to open later this year.

In land-based casino news, it appears likely Alabama will authorize casinos at its four race tracks during the September legislative session. New Orleans is moving forward with casino plans, although there is some controversy over who will operate the facility. The green light was not given everywhere, however.

Voters in Colorado defeated measures to expand gaming to other towns (there are three towns currently operating casinos) and Idaho voters passed a state constitutional amendment to prohibit casino gaming. In response to the increased interest in casino gaming in Kentucky, the Kentucky Attorney General has made a decision that casino gambling in the state would be unconstitutional. As such, its

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legalization would require a public referendum before any enabling legislation could occur.

Gaming devices: Louisiana completed its first full year of gaming device operations in June 1993 under the jurisdiction of the

Louisiana State Police. During that period, the devices, located at race tracks, off-track betting facilities, restaurants, bars, lounges and truck stops, have generated \$431 million in cash play (not including credits replayed), \$244 million in

prizes and \$187 million in net machine income. More than 10,500 machines were in place in mid-August.

Indian gaming: With at least 65 casinos operating in some 17 states, gaming on Indian reserva-

tions has reached major-player status in just a few years. Although there are movements to amend the 1988 Indian Gaming Regulatory Act to stem the tide of Indian gaming, and a few individual states have introduced legislation to prohibit

Gaming at a glance—Canada

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LOTTERIES:

Keno: Canadian lotteries are being careful about the implementation of keno. The Western Canada Lottery Corp. (WCLC) will probably launch a Club Keno® game within the next year.

Instant games: Following the success of instant bingo games in other jurisdictions, a \$3.00 Instant Bingo game will be launched Sept. 13, 1993, in Ontario, with a \$50,000 top prize. British Columbia will also introduce a bingo game in October. Quebec reports success with its May release of a \$2 bingo game.

The Ontario lottery reports continued success with three runs of its \$5.00 instant game Ontario Instant Millions, and plans to launch a fourth game in January 1994. WCLC launched a \$5 Prairie Instant Millions ticket in March.

The Ontario lottery is proceeding with plans to install 300 instant lottery vending machines in Fiscal 1994. These machines have been installed in non-traditional locations such as restaurants, bus terminals, and bowling alleys, reaching new market segments.

Sports betting: Ontario's Pro Line sports betting game was launched October 29, 1992. Cumulative sales through Aug. 11, 1993 were \$163.7 million, with \$93.4 million paid out in prizes. The game has proven extremely popular, particularly during the hockey season.

WCLC is revamping the release of odds for its Sports Select games in September: one week in advance for American professional football, two days in advance for baseball, and four days in advance for other professional sports.

British Columbia plans a third way to play its Sports Action game in September, similar to WCLC's Over/Under game. Quebec is adding plays on

American football games.

On-line Lotto: The national 7/47 lotto is scheduled for a late winter/early spring launch in 1994.

On-line Numbers: WCLC launched a new daily game in September 1992.

Passive games: The Inter-provincial Lottery Corp. will end the \$5 passive game Sept. 24, and there are no plans to replace the game. British Columbia will offer its own game to replace it. In conjunction with the national 7/47 game expected to start in 1994, WCLC plans to add a spiel game.

Video lottery terminals: In Manitoba, 2,000 terminals were installed at hotels and lounges in rural Manitoba in November 1991; Sept. 1, 1993, 1,800 additional

VLTs will go on-line in the city of Winnipeg (with a goal of 2,000 by year-end).

In Alberta, VLTs went on-line in September 1992, and as of Aug. 10, 2,635 VLTs were in place in facilities holding Class A liquor licenses. Slot machines (paying in cash, as opposed to the paper-ticket VLT dispensers) are being tested in Lethbridge for a three-month period ending in October.

Saskatchewan is in the process of implementing VLTs throughout the province. After a long test period, new machines were installed beginning July 26, with about 400 currently operational. Installation will continue at a rate of about 400 per month until the full complement of 3,500 is

reached. The machines are paying an average of 92% in prizes.

Loto-Quebec is proceeding with plans to install video poker machines in the province; a central systems provider has yet to be selected.

In Nova Scotia, VLTs were initially placed in traditional retail outlets. In February, the machines were removed from all locations not holding liquor licenses. There is much emphasis in Canada on the impacts of this type of gaming; other provinces have proceeded with VLTs in liquor-licensed facilities only.

CASINOS:

Windsor, Ontario, was selected as the site of Ontario's first casino. Many of the world's largest casino companies have expressed interest in developing the casino; the successful applicant will be announced in September. Quebec's first casino is scheduled to open in Montreal Oct. 1, offering the traditional complement of slot machines and table games.

Two new casinos opened in Manitoba in June, each offering 300 slot machines and a variety of video gaming devices (including blackjack, poker, keno and high stakes bingo). Riverboats in the province become eligible to offer VLTs Sept. 1, and are expected to do so.

Indian gaming: It remains up to the provincial governments whether or not to allow gaming on reservations in Canada. Currently, negotiations are under way in British Columbia, Saskatchewan and Nova Scotia.

In Manitoba, 14 reservations have native gaming agreements with the province, offering lottery games, bingo, break-opens, etc. Eight tribes have agreements to offer VLTs (and these are part of the 2,000 devices in rural Manitoba).

CANADIAN GAMING AT A GLANCE

	Lottery Games										Parimutuel Wagering										
	Bingo	Charitable Games	Card Rooms	Casinos	Gaming Devices	Sports Wagering	Video Lottery Terminals	Keno	Instant (& Pull-Tab) Games	Lotto	Numbers	Passives	Greyhound	Jai Alai	Harness	Quarter Horse	Thoroughbred	Interstate Inter-Track Wagering	Intrastate Inter-Track Wagering	Off-Track Betting	Telephone Betting
Alberta	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•
British Columbia	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	★	•	•	•
Manitoba	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
New Brunswick	•	•	•	•	•	□	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Newfoundland	•	•	•	•	□	•	•	•	•	•	•	•	•	•	□	•	•	•	•	•	•
Northwest Terr.	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Nova Scotia	•	•	•	•	□	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Ontario	•	•	•	•	★	•	•	•	•	•	•	•	•	•	•	□	•	•	•	•	•
Prince Edward Is.	•	•	•	•	□	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Quebec	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	□	•	•	•	•
Saskatchewan	•	•	•	•	•	★	•	•	•	•	•	•	•	•	•	•	•	•	•	★	•
Yukon Terr.	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

Explanation of symbols

• Legal and operative

★ Implemented since July 1991

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■ Operative but no parimutuel wagering

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at a glance

all types of casino gaming, expansion continues unabated.

The Mashantucket Pequot casino in Ledyard, Conn., has been enormously successful since its February 1992 opening. In return for the exclusive right to offer slot machines in Connecticut, the tribe has agreed to pay the state at least \$100 million per year. With the addition of slot machines in early 1993, the casino is expected to generate annual gaming revenues exceeding \$500 million once the full complement of machines is available.

New York opened its first casino this summer, as the Oneida Indian Nation opened a \$10 million facility in Verona, between Syracuse and Utica. Open 24 hours daily, 168 tables are expected by September.

In land-based casino news, it appears likely Alabama will authorize casinos at its four race tracks during the September legislative session.

The Ysleta Del Sur Pueblo Indians of El Paso, Texas, announced plans to build a \$70 million casino, while the Fort Mojave tribe in Nevada is going ahead with plans to build two casinos (one near Laughlin and the other in Arizona). Building on their success in 1992, casinos in Minnesota and Wisconsin continue to develop and expand operations.

Sports betting: The Professional and Amateur Sports Protection Act of 1992 prohibits any type of sports betting in new jurisdictions, but gives New Jersey a window of opportunity (through January 1, 1994) to enact sports betting in Atlantic City.

However, a bill to allow the voters to decide if they want sports betting stalled in a State Assembly committee, and Assembly Speaker Chuck Haytaian declared the issue dead.

Lotteries: After two years of marginal performance, lotteries have rebounded with a vengeance, as most have recorded sales increases (some substantial) in the past year.

Two new state lotteries were authorized by voters in the November 1992 elections. (In

Mississippi, although voters approved a referendum to remove the constitutional ban on lotteries, bills to establish a lottery died in

the State Senate Finance Committee.)

Georgia's lottery began offering scratch-off tickets June 29, 1993.

The first week's sales were \$52.3 million, and the instant games have grossed \$160.4 million in the first six weeks. A Cash Three numbers



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at a glance

game began Aug. 10, and a lotto was scheduled to begin Sept. 10.

Nebraska's state lottery was scheduled to offer its first instant game on September 11.

The lottery plans to issue an RFP this fall for vendors interested in supplying the central computer system for a lotto game, with anticipated startup during spring 1994.

Video lottery terminals: VLTs in Oregon have proven tremendously successful, accounting for \$172 million in net machine income for Fiscal 1993 (at an average pay-

out rate of 88%, this translates to \$1.4 billion in gross sales). Compared to traditional game sales of \$152 million and keno sales of \$106 million, these figures are nothing short of phenomenal.

An effort to ban VLTs in South Dakota failed in the November 1992 election, and VLTs continue to be major contributors to the state's economy. In Fiscal 1993, net machine income was \$142 million, with state revenues of \$48.9 million. In August 1993, 50 new nickel play machines were installed, with rapid expansion predicted.

In West Virginia, VLTs (currently only at Mountaineer Park) may expand to other race tracks within the next year, but there are no plans for statewide distribution. The Rhode Island Lottery began VLT operations at the state's two parimutuel facilities on September 28, 1992.

Keno: Club Keno® is certainly one of the most watched games among lottery executives. It has met with great success in new jurisdictions: Rhode Island (September 1992), Kansas (October 1992), California (November 1992) and Maryland (January 1993).

Kansas expects keno to be its number-one game in Fiscal 1994, as it achieved \$26.3 million in sales (23% of total lottery sales) in Fiscal 1993 with less than nine months of operation. In California, keno generated \$235 million of the state's \$1.7 billion total lottery sales, with only 33 weeks of operation during Fiscal 1993.

Maryland introduced keno Jan. 4, 1993. Sales reached \$99.7 million during Fiscal 1993, accounting for 11.3% of total lottery sales with less than six months of operation. In Oregon, where keno has been available since September 1991, \$106 million in sales were generated in Fiscal 1993, compared to \$152 million in all other (non-video) lottery games.

Municipal lotteries in Nebraska also offer Club Keno®, with tremendous growth reported.

In West Virginia, keno was introduced in December 1992. Limited to its current retailer base, the game is still considered to be in test phase, with no immediate expansion plans. Illinois tested a keno game at the State Fair in 1992, but has no plans to go forward with it.

Washington introduced a daily keno game in November 1992. Keno is scheduled to begin in Massachusetts Oct. 1. Initially, it will be limited to the state's four race tracks in order to analyze

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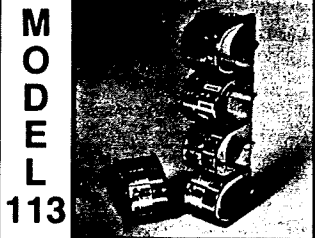
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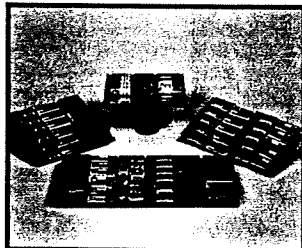
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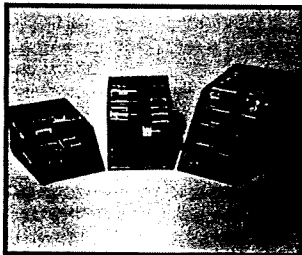
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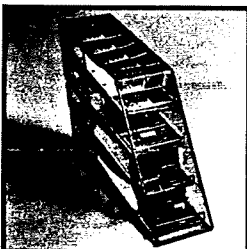
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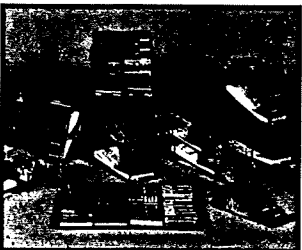
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New Jersey had planned to conduct a limited test of keno, but the governor's concern about the long-term effects of more gambling led to a cancellation of these plans. An advisory panel is currently studying the impacts of gambling in New Jersey, with the findings expected by the end of the year.

Instant games: Due to innovative games and marketing techniques, instant games have enjoyed rapid growth in recent months, spurring lottery sales to new heights.

Many lotteries also introduced bar code validation, aiding in the tracking and sales of tickets.

Higher-priced instant games are becoming regular components of the lottery mix, and these games often sell out rapidly. Connecticut introduced the first-ever \$25 instant ticket in May. With a top prize of \$150,000 and many \$50 prizes (the overall prize structure is 1 in 2.99), the Gift Horse game is targeted at high-rollers and horse racing players (its introduction coincided with Kentucky Derby).

The most popular new instant game is \$2 bingo, with recent introductions in Iowa, Minnesota and Pennsylvania; the game will also be released soon in Delaware, Florida, Illinois, Maine, Missouri, South Dakota and West Virginia.

Other states offering \$2 tickets for the first time this year or planned in early 1994 include Arizona, Colorado, Kansas, Ohio (also a \$5 game), Michigan, Minnesota (also a \$5 game) and Virginia. Massachusetts offered its first \$5 game in November 1992.

In Missouri, where riverboat gambling will soon be a reality, the lottery plans to introduce several instant games with casino themes. Oregon is in the process of revamping its entire instant ticket system, and new tickets with bar coding and recyclable paper will be offered in October. Delaware has also introduced recyclable tickets, and Idaho launched a recyclable instant ticket also printed on recycled stock.

Lotteries are also adding instant ticket vending machines. Arizona, Delaware (125 in use), Massachusetts (480), New Hampshire, New York, Ohio (1,500 by November), Virginia (1,400) and Washington (1,500) have tested the machines and are planning to expand their use. Idaho, Illinois and West Virginia have tested them, but have no immediate expansion plans. Vermont has used the machines for a few years and

Iowa has them for pull-tabs only. Still in the initial testing stages are Colorado, Maine and Missouri, while California hopes to add vending machines in 1994.

On-line Lotto: Texas implemented its lotto game in November; Georgia's is set for a September start. Michigan replaced its older lotto game with a new \$2 Bonus Lotto in March 1993.

Cash lotto began in New Jersey in late 1992, and in South Dakota and Virginia in early 1993. Ohio expanded its cash lotto from 2 to 4 drawings per week in July; Pennsylvania added a second Cash Five drawing. Florida successfully revamped its cash lotto, Fantasy Five, creating more winners with a lower prize structure.

The most popular new instant game is \$2 bingo, with recent introductions in Iowa, Minnesota and Pennsylvania; the game will also be released soon in Delaware, Florida, Illinois, Maine, Missouri, South Dakota and West Virginia.

The multi-jurisdiction Powerball (14 states plus D.C.) finally achieved the mega-jackpot hoped for, as a \$60 million jackpot was won in March, and more than \$110 million was up for grabs in July. A new multi-jurisdictional lottery is in the planning stages, Tri-West Lotto, with Idaho, Montana and South Dakota participating.

Virginia introduced self-service terminals for on-line games in February 1993; Oregon's player-activated terminals account for about 25% of all terminals.

On-line numbers: Louisiana began a 3-digit game in August 1992, and Texas plans to start one soon. Wisconsin began a 3-digit game in October 1992, and planned a 4-digit Money Game 4 for a September launch, targeted to instant game players.

The DC Lottery was the first to offer mid-day drawings, beginning in November; Delaware followed suit in May 1993.

Passive games: Ohio is planning an October promotional campaign for its Kicker game, offered as an optional play to lotto.

Parimutuels: With the rapid expansion of gaming alternatives,

race tracks are exploring new avenues for revenue generation. Many tracks have now turned to extensive full-card simulcasting, offering 60 or 70 races a day as signals are brought in from other tracks (in-state and out-of-state) to supplement live racing.

In Birmingham, history was made as the track began offering a mix of horse and greyhound racing on the same program (along with full-card simulcasting).

Race tracks are also looking at joining with casinos to offer their patrons a full complement of gaming opportunities. Louisiana Downs and Casino America Inc. were awarded one of Louisiana's 15 riverboat licenses.

In Illinois, Mirage Resorts applied for the last riverboat license; if awarded, it is expected that Arlington International Racecourse will purchase 50% of the license. Parimutuel facilities in Louisiana, West Virginia and Rhode Island offer areas dedicated to gaming devices. In Louisiana, gaming devices at race tracks and OTB facilities generated \$28 million in net machine income through June 30, 1993, or approximately 15% of the statewide total.

In Atlantic City, race books finally opened in late May, after a long period of negotiation between the state's casinos and race tracks.

The Connecticut OTB system, state-owned since its inception in 1977, was sold to Autotote effective July 1, 1993. New York thus remains the last government-owned OTB system in the U.S., and there has been much talk about privatizing that system.

Activities in the newest parimutuel states have made recent headlines. Texas has yet to have a Class I track open, although the Class I licensees in Houston and San Antonio are nearing completion of financing and plan to open in 1994.

Two major competitors for the Dallas license, R. D. Hubbard's Midpointe Racing and the Lone Star Jockey Club (which was originally awarded the license, only to have it declared invalid), joined forces recently to develop a Class I facility together. In Indiana, construction of a small harness track (Anderson Park) was expected to begin as soon as financing was closed. A second license application was pending.

In Virginia, Churchill Downs, the Maryland Jockey Club and the Virginia Jockey Club have all expressed interest in developing race tracks. ■

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TESTIMONY BEFORE
THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

MARCH 8, 1994

H.C.R. 5038

BACKGROUND

In 1986 the Kansas Legislature placed a proposed amendment to the State's constitution on the ballot which provided for a "state-owned and operated lottery." That fall the people of the State adopted the amendment and thus began the current drift toward casino gambling in Kansas. 1986 was the second year of my first term. I was being pressured by constituents to support this proposal. The overwhelming concern they expressed was that Missouri already had a lottery, they liked to buy lottery tickets, and they felt Kansas should be getting the money. They were clearly envisioning the scratch-off lottery tickets which were available in Missouri and other states. I am convinced that they were not voting to adopt casino gambling.

In 1987 when the Legislature worked on implementing legislation for the lottery, I requested an Attorney General's opinion about the meaning of lottery. It had never crossed my mind that lottery meant anything more than the common conception. In Opinion 87-38, General Stephan said that the legal interpretation of the term lottery was broad enough to include casinos. That opinion was the first time, to my recollection, that there was ever any hint that casinos might be involved. When I mentioned this in debate on the implementing legislation, my concern was ignored, either as too unbelievable to be true or too remote to be concerned about.

While Indian gambling is not directly related to this issue, it was the impetus to get an interpretation from the Supreme Court of our current constitutional provisions related to lottery. On January 27, 1994, the Kansas Supreme Court rendered its opinion which requires our attention.

COURT'S DECISION

First, I think it is important to look at what the court said. While they had several issues before them, for purposes of this discussion I think we can focus on two main ideas. They looked at the definition of the term "lottery" to determine how broad or restrictive it is. By a 4 to 3 decision, the court said that the term "lottery" is broad enough to include casino style gambling. The 4-person majority said,

A state-owned lottery, as that term is used in art.15, sec. 3c of the Kansas Constitution, means any state-owned and operated game, scheme, gift, enterprise, or similar contrivance wherein a person agrees to give valuable consideration for the chance to win a prize or prizes. Court's opinion, p. 48.

The 3-person minority said in its opinion,

[We] would construe lottery to be what it was intended to be at the time of its adoption -- a true lottery, not a synonym for gambling in general, as the majority opinion asserts....there is not even a suggestion or even hint, in the vast amount of material presented on this issue, that passage of art. 15, sec. 3c would authorize the State to own or operate any form of gambling other than a true lottery. Opinion pp. 61 and 63.

The major problem with the opinion of the majority is found in its assumptions about knowledge and intent. The first mistake the court made is to assume that the Legislature knew what it was doing when it passed the lottery resolution - that it knew the legal meaning of lottery. The second mistake was the assumption that the public knew the legal definition. I feel pretty strongly that neither the Legislature nor the public were aware of the broad interpretation that in essence means that the lottery includes all forms of gambling.

The second issue addressed by the court was whether or not casinos are currently allowed in Kansas. On this issue, all of the justices agreed. Article 15, Sec. 3c is not self-executing. Casinos are still unlawful in Kansas. There can be no casinos without specific legislative authorization.

Article 15, sec. 3c of the Kansas Constitution is not self-executing. Implementation of additional forms of state-owned and operated gambling must be enacted by the legislature. Majority opinion, p. 48.

Thus, even if the Kansas Constitution is construed to permit the legislature to authorize the State to own and operate casino gambling, the legislature has not done so. herefore, casino gambling is unlawful in Kansas. Dissenting opinion, p. 71.

It is just as important to note what the court didn't say. The court clearly did not say casinos were legal in Kansas. It also did not say Native Americans are entitled to casinos in Kansas. Although this may have been the impetus for requesting the court's decision, the court indicated that the resolution of the Indian gambling issues was the responsibility of the federal courts. I agree.

PROPOSED CONSTITUTIONAL AMENDMENT - HCR 5038

Given the decision of the Supreme Court, there are several alternatives. We can leave the Kansas constitution alone and determine as a legislature whether or not to approve casino gambling. We can repeal the current lottery provision, or we can limit definition of lottery. While I would personally like to see the repeal of the lottery, I think it is important to take an approach that is designed to most clearly address the issues raised by the Court's decision. I, therefore, chose an approach that would limit the definition of lottery.

HCR 5038 would limit definition of lottery to those games in operation as of January 1, 1994. Rather than include a specific list of games allowed, I chose to express the limit in terms of the games actually in existence. It would certainly be possible to take the approach of providing a list of allowed games. I would call the committee's attention to HCR 5022. This was introduced last year by the Speaker and 54 co-sponsors. It takes the approach of listing allowed games.

Please note the explanatory statement for the effect of the proposal. It is clear, concise and very understandable. A public vote for the proposal would keep gambling from expanding in Kansas. A vote against would keep status quo. That would mean casinos would be possible if legislature acts and authorizes one or more state-owned and operated casinos.

HCR 5038 allows voters to directly address the issues raised by the court with no complications. What did public intend when they passed lottery in 1986? Did the public intend for "lottery" to include all forms of gambling?

COMPARISON TO OTHER PROPOSALS

I. HCR 5038 versus SCR 1608

- A. Both proposals will provide the legislature with public input - "Let the People Vote!"
- B. HCR 5038 provides the public with a broader range of gambling options.
 - 1. A "yes" vote on HCR 5038 limits gambling to current games.

2. A "no" vote on HCR 5038 would permit the legislature to provide for casinos at any number of places; allow more legislative control over issues such as proper games, hours of operation, alcohol regulations, age restrictions, cost of operation, management, etc.; and all at a higher profit to the State of Kansas.
 3. On the other hand, a "yes" vote on SCR 1608 would permit casinos only at parimutuel race tracks and the only revenue to the State would come from taxes.
 4. A "no" vote on SCR 1608 means ... what? The explanatory statement in the proposal says it means a continuation of the current prohibition. That is misleading at best. What does prohibited mean and how does that relate to the Court's decision? Does a "no" vote mean no casinos, or does it mean we want more extensive gambling than just 3 places in the State?
- C. If casinos are as beneficial to the State as proponents suggest, why limit their operation to 3 places? A "no" vote on HCR 5038 would allow casinos at racetracks only, racetracks and other places, just one location, or as many locations as the Legislature deems proper.
 - D. HCR 5038 avoids the granting of a monopoly on gambling to just a few operators.
 - E. HCR 5038 would allow for greater state control. SCR 1608 requires the State to negotiate important aspects of control with private parties.
 - F. If the public determines that gambling is in the best interests of the State, state-owned and operated is more profitable. SCR 1608 would preclude that.
- II. HCR 5038 versus Bill for State-owned and Operated
- A. Bill does not allow for public vote.
 - B. HCR 5038 allows the public to determine whether or not casinos will be allowed. If they determine it should be, the proposed bill will then be "ripe" for discussion.

JUST A WORD -- ABOUT INDIAN GAMING

I am an opponent of casinos. But I am not discriminatory in that stance. I am just as opposed to racetrack or any other proposed casinos as I am to Indian casinos. Having said that, I have to explain that HCR 5038 may never have any effect on the allowance of casino gambling to Indian tribes in Kansas.

Passage of SCR 1608 or the proposed bill for state-owned and operated would lead to casinos on Indian land. Defeat of either of those leaves the situation unclear. HCR 5038 may allow for Indian gaming whether or not it is passed. The determination about the interaction of federal and state law will be made in the federal court.

I still believe that we do not have to allow casinos on Indian lands in Kansas, but that belief is based on current law, not on this proposed constitutional amendment. While there is an Idaho case which may be applicable, I cannot assure gambling opponents that this proposal will prevent Indian casinos. Please do not allow these two issues to get confused.

CONCLUSION

Before we launch into a new escalation of gambling activities in the State of Kansas, I think it is important to allow the public to address the decision of the Supreme Court when it said the public intended lottery to include casinos. There is only one alternative to do this - HCR 5038.

Kansas Press on the Inclusion of Casinos in the Term "Lottery"

- The Kansas Supreme Court's decision on casino gambling reinforces the notion that the legal world is light years away from the venue of ordinary people.

KC Star Editorial 1/29/94

- In 1986 Kansas voters were left with the clear impression that a vote for the lottery would bring them just that, a state operated lottery. Certainly there was no suggestion by proponents that the amendment the people approved would allow Nevada-style gambling.

KC Star Editorial 1/29/94

- Members of the legislature should not be tempted to push the state into casino gambling as a result of the Supreme Court's decision. Kansas needs to concentrate on real economic development. The state should try to attract the type of manufacturing and service industries that offer real jobs with payrolls that provide workers with buying power. That is what creates the chain of economic wealth that builds employment opportunities for Kansans.

KC Star Editorial 1/29/94

- . . . revenues from gambling are a poor base on which to build programs for education, mental health and the like. Further, money spent on gambling is diverted from goods, services, and savings--types of ventures that recharge the real economy.

KC Star Editorial 1/30/94

- . . . the wining and dining binges provided by lobbyists are poor reasons indeed to favor casinos.

KC Star editorial 1/30/94

- Except in Nevada, the gaming industry is not large enough to make a big difference in a state's economy.

Garden City Telegram Editorial 2/1/94

- . . . as casinos open in more states, their potential for producing state revenue and stimulating economic development diminishes.

Garden City Telegram editorial 2/1/94

- Just a few years ago, Wichita Greyhound Park looked to be a sure moneymaker with a limitless future, or so its managers predicted. But with crowds and the betting handle both down, track officials say their best bet for financial health lies with opening a casino at the track. "I really believe that our future is hinged upon other forms of gambling," said Roy Berger, executive vice president of the track.

Emporia Gazette, story by AP 2/21/94

- Gambling wasn't a good idea when it was legalized. It still isn't. If the masses eventually grow bored with the casinos, who knows what the track operators will want then? Maybe legal houses of prostitution attached to the casinos?

Hays Daily News Editorial 2/21/94

- There is much talk of allowing land-based casinos in Kansas. In truth, they would be *sand-based* casinos. For thus is the unreliable, unsteady foundation that is gambling.

Topeka Capital Journal Editorial 2/3/94

- Casinos. . . don't produce anything tangible; they only redistribute wealth, often from those who can least afford to lose it to those who are least accountable for it.

Topeka Capital-Journal editorial 2/3/94

- In addition, the social costs of the spread of gambling may be incalculable. In Atlantic City, for instance, it is estimated that 72% of high school students gamble in the casinos. In smallish Deadwood, SD, police department cases rose from 1259 before gambling to 3295 in 1991, a 162% increase.

Topeka Capital-Journal editorial 2/3/94

- In the long run, it would be better to do the difficult thing: work on Kansas' quality of life--by improving education and reducing crime--while pursuing real and lasting economic development opportunities.

Topeka Capital-Journal Editorial 2/3/94

- Kansans didn't know it back in 1986, but, according to the Kansas Supreme Court, they legalized casino gambling in the state. State voters thought they were casting ballots on constitutional amendments to allow state-run lotteries and parimutuel wagering. So whether you knew it or not--and certainly no one told you at the time--your vote in favor of state-operated lotteries and parimutuel wagering operations is now being used to justify the establishment of casino gambling on Indian reservations.

Lawrence Journal World Editorial 2/3/94

- (speaking to opponents of gambling, Finney said) "Let's put it this way, the party's over."

Topeka Capital-Journal, story by John Hanna 2/4/94

- Kansas does not need this economy-draining, addictive amenity.

KC Star editorial 2/4/94

- There is a way to stop this foolishness, and Rep. Vince Snowbarger, Olathe Republican, is on the right track.

KC Star editorial 2/4/94

- 4-3 court majority in the gambling decision ignored the public perception that the vote in 1986 was for a lottery, as it now exists, not wholesale gambling.

KC Star editorial 2/4/94

- Any time there is the flood of dollars available that gambling backers want to swoop up, crime--including the underworld--will not be far behind.

KC Star, by Rich Hood, Editorial Page editor 2/6/94

- (on the revenues gambling may generate) . . . legalized prostitution thrives in Nevada, and despite its victimizations of women and its demeaning moral climate, it does place money into the public purse.

KC Star, by Rich Hood, Editorial Page editor 2/6/94

- . . . even if Indians get their casinos, there's no reason to expand them beyond the reservation. Between the certain increases in crime and the erosion of spirit casinos would bring, casinos would surely diminish the quality of life in Kansas.

Topeka Capital-Journal editorial 2/6/94

- Legislators concerned about the future landscape of this great state will join with Snowbarger in just saying no to casinos.

Topeka Capital-Journal editorial 2/6/94

- We still haven't found one person who voted for the lottery who understood the issue that way.

Olathe Daily News Editorial 2/6/94

- Government wasn't invented to entice money from its citizens for a game of chance.

Olathe Daily News Editorial 2/6/94

- State government agencies would put the money into their budgets, only to have it dry up in less than a decade, creating more and bigger budget problems for the state, he (Burke) said.

Topeka Capital-Journal, story by Joe Taschler 2/9/94

- Both men (Burke, Miller) said money spent on gambling would be taken away from established businesses. Money spent on gambling is money that wouldn't be spent on new cars, groceries, clothing, and other consumer goods, Burke said.

Topeka Capital-Journal, story by Joe Taschler 2/9/94

- (on the Court's ruling) Common sense says the Court is wrong. And the Legislature is the key to making it right.

Topeka Capital Journal editorial 3/7/94

- Lawmakers should explicitly ban casinos from Kansas. Evidence shows they lead to increased crime, compulsive gambling, and a host of related problems. They encourage sloth and legitimize a harmful something-for-nothing mentality, especially among youths.

Of various actions lawmakers will be asked to take on casinos, a pure ban is clearly the best choice.

Topeka Capital-Journal editorial 3/7/94



The glitter's off gambling in Louisiana A grand jury in Louisiana is looking at how riverboat casinos are selected and at the licensees. An investigation began last August following complaints about the application and licensing process. Subpoenas were issued for all seven members of the state Riverboat Gaming Commission. A statewide poll last fall showed that Louisiana voters, if they could, would discontinue all forms of gambling except the lottery, and a majority of those polled say they would be less likely to vote for pro-gambling gubernatorial and legislative candidates.



Guaranteed loans for high-tech startups The Massachusetts legislature last year approved a new \$15 million fund called the Emerging Technology Loan Fund in order to encourage more high-tech companies to remain in the state. Although the fund won't lend any money, it will guarantee loans from private banks to qualified firms. The guarantees will cover loans up to 50 percent of a project's cost or \$5 million, whichever is less. The fund manager, the Massachusetts Government Land Bank, expects initially to guarantee about \$50 million in new loans.



The scoop on governors' perks *Money* magazine ran a neat piece last fall comparing governors' salaries, expense accounts, pensions, vehicles and mansion size. *Money* dubbed Idaho Governor Cecil Andrus "Mr. Frugal;" he had the state sell the mansion four years ago and lives in his own house with a \$6,000 annual living allowance. Montana's governor has the smallest salary, \$55,502; Maryland's seems to have the highest (\$120,000) because others who are entitled to that much or more accept considerably less. All states supply their head honcho with one or more cars, many provide planes and helicopters, only Maryland supplies a yacht. California provides a teeny little mansion (3,300 square feet), Illinois the biggest (45,120 sq. ft. plus a 3,848-sq. ft. carriage house).



Tax credit for stay-home parents Minnesota has a bill in the hopper that would allow parents who stay home to raise young children to take a state tax credit similar to credits available to two-income families with child-care expenses. It would provide credits of up to \$720 a year to parents who stay home with children 6 years old or younger and who have annual incomes of less than \$30,000. The bill, which also changes tax brackets and the types of filing statuses, is said to have bipartisan support.



Pay-at-the-pump plan shelved *The Wall Street Journal* reports that sponsors of an unusual "pay-at-the-pump" insurance plan in California have postponed a ballot initiative previously planned for this November. The proposal met a lot of opposition from insurers, industrial interests, trial lawyers and even truck and auto fleet operators. The idea was that drivers would have to pay a surcharge of 25 cents on each gallon of gasoline as a contribution to a giant, state-administered auto insurance pool. The measure would also have eliminated drivers' rights to sue one another, except in special circumstances.



One way to define small business Definition of a small business: 25 employees? Honolulu's small businesses are lobbying for a different definition:



Any enterprise with four or fewer toilets. A 1992 city ordinance required businesses to retrofit their plumbing to reduce water flow, though it exempted commercial properties using less than 15,000 gallons of water a month. But some small-business owners want to change the ceiling to the number of toilets per establishment no matter how much water flows into the building.



Interim speaker leads New York Assembly Assemblyman Sheldon Silver was named interim leader of the New York Assembly Jan. 24 to take over for Speaker Saul Weprin who was hospitalized with a stroke. Silver, who retained his chairmanship of the Ways and Means Committee, said getting the state fiscal plan approved on time will be one of his top priorities. "It's very, very said, but the business of government has to continue," said Assemblyman George Friedman.

4-10

It's Not a Miracle, It's a Mirage

As more and more states legalize gambling, its benefits as a revenue source become more and more dubious.

Steven D. Gold

Casino mania is sweeping the country. Until a few years ago, the only places where intrepid gamblers could legally try their luck at blackjack or slot machines were Nevada and New Jersey. Now at least 10 states (not counting Indian reservations) authorize casinos, and all signs point to a rapid proliferation of gambling palaces from coast to coast.

New forms of state-sponsored gambling—like video poker machines and keno—are popping up. And 37 states offer lotteries.

One of the main reasons for the popularity of legalizing new forms of gambling is the lure of easy money. With legislators struggling to balance state budgets and citizens resisting tax increases, gambling looks like a bonanza—a way to raise revenue painlessly and at the same time spur economic development.

Unfortunately, expectations about the benefits of gambling are wildly inflated because:

- It is unrealistic to expect gambling to generate enough revenue for states to significantly reduce reliance on taxes.
- As casinos open in ever more states, their potential for producing state revenue and stimulating economic development diminishes. Casinos are most beneficial when they attract many residents from outside states. As more states have casinos, more competition will exist among them, and fewer out-of-state residents will be attracted to any particular state.

People often are confused about the role of gambling in state finances for

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three reasons:

- Failure to distinguish between gross and net revenue: For example, in 1991 state lottery sales were \$19.2 billion. But \$10.4 billion was paid out in prizes and \$1.2 billion went for administration, leaving \$7.6 billion for state coffers. In other words, only 40 percent of lottery sales were available for state programs after paying out prizes and covering administrative costs.
- Not understanding relative magnitudes: \$7.6 billion sounds like a lot of money, and it is from many perspectives. But total state tax revenue in 1991 was \$311 billion. Lotteries produced less than 2.5 percent as much as taxes; excluding the states that did not have lotteries, the proportion rises to 3.2 percent. Lottery revenue looks like small change compared to the revenue from sales and income taxes.
- Counting revenue gains from newly initiated lotteries: State lottery revenue increased nearly sevenfold between 1980 and 1991. Some of this increase came from expansion of the 13 lotteries that existed at that time. But most of the growth is attributable to new lotteries, which sprang up in 19 additional states.

Composition of Gambling Revenue

The biggest contributor to gambling revenue in most states is the lottery. In 1991 lotteries generated \$7.6 billion in net revenue. By 1993, this had risen to approximately \$9.3 billion.

These figures include not only traditional lotteries (scratch cards, lotto games, etc.) but also so-called video lotteries, which are often nothing more than video poker games. Although these games are essentially a form of the slot machine, they are called video lotteries because the state lottery organization oversees them or the euphemism

apparently makes them more morally and politically acceptable.

Lotteries look enormous compared to the revenue states receive from pari-mutuel taxes (mostly from bets on horse races but also from dog tracks and jai alai). In 1991, revenue from that source was only \$635 million. This was 3.5 percent less than the year before, which in turn was 1.2 percent less than revenue in 1989. In fact, pari-mutuel taxes are the slowest growing source of state tax revenue. In 1991, they produced less for states than they did in 1980 when they raised \$731 million.

Pari-mutuel tax revenue has been hurt by competition from lotteries and by the waning popularity of horse racing. In response to the economic problems of racetracks, many states have reduced their taxes on the industry. Thus, although betting at tracks has grown slowly, revenue has actually decreased.

What about casinos? Nevada's gambling and casino entertainment taxes in 1991 produced \$348 million, along with another \$57 million from licenses for slot machines and other games. These taxes brought in about 24 percent of Nevada's tax revenue. When other business taxes and the tourism it produces



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are counted in the gaming industry accounts for about half of Nevada's state tax revenue. But Nevada is unique. It combines a population of less than 1.5 million with a huge gambling industry. Gambling could not have nearly as much impact on state finances in a more populous state.

Consider, for example, New Jersey, population nearly 8 million, where the state's take in 1991 was \$246 million in casino gross revenue taxes, along with another \$50 million from licenses for casinos and slot machines. New Jersey's total state tax revenue was \$11.6 billion, so these taxes and license fees were only about 2.5 percent of that total. Even if the taxes paid indirectly through spending at hotels, restaurants and other establishments are included, gambling accounts for less than 4 percent of state taxes.

A Closer Look at Lottery Revenue

The table on this page shows lottery revenue available for state programs in 1991 in relation to population and total tax revenue. Massachusetts had the highest lottery revenue per capita, \$78. The lottery produced more than \$50 per capita in eight other states (Connecticut, Florida, Illinois, Maryland, New Jersey, New York, Ohio and Pennsylvania). In general, per capita revenue tends to be considerably higher in urban than rural states.

Lottery revenue is a small factor in state revenue systems. Lotteries in 1991 raised only 3.2 percent as much as taxes (counting only the states where lotteries

existed).

Compared to other states, lottery revenue is the highest proportion of total state tax revenue in Florida (6.1 percent) and in South Dakota (5.6 percent). Both of these states have relatively low tax revenue, in part because they are among the nine states that do not impose a personal income tax. Florida benefits from lottery purchases by tourists while South Dakota was the national pioneer in allowing widespread video lotteries.

South Dakota's video lottery revenue continued to shoot up after 1991, primarily due to higher tax rates. The state raised the tax rate from 20 percent to 25 percent in January 1991 and then to 35 percent. Recently it went up to 36 percent. Per capita net revenue to the state from video lotteries was about \$68 in FY 1993, far higher than any other state. Oregon, which has the second most successful video lottery operation, projects per capita revenue of \$32 in FY 1994.

Lottery revenue has grown surprisingly slowly if one excludes expansion due to adoption by additional states. Between 1985 and 1991, lottery revenue rose more slowly than other tax revenue, falling from 3.7 percent to 3.2 percent of total revenue in states with lotteries. To some extent, this drop occurred because lotteries were not very productive in many of the states where they started after 1985. But the growth of lottery revenue also lagged behind that of tax revenue in several states with well established lotteries, including Maryland, New Jersey, Illinois, Pennsyl-

State Tax and Lottery Revenue Per \$100 of Personal Income, 1980 and 1991

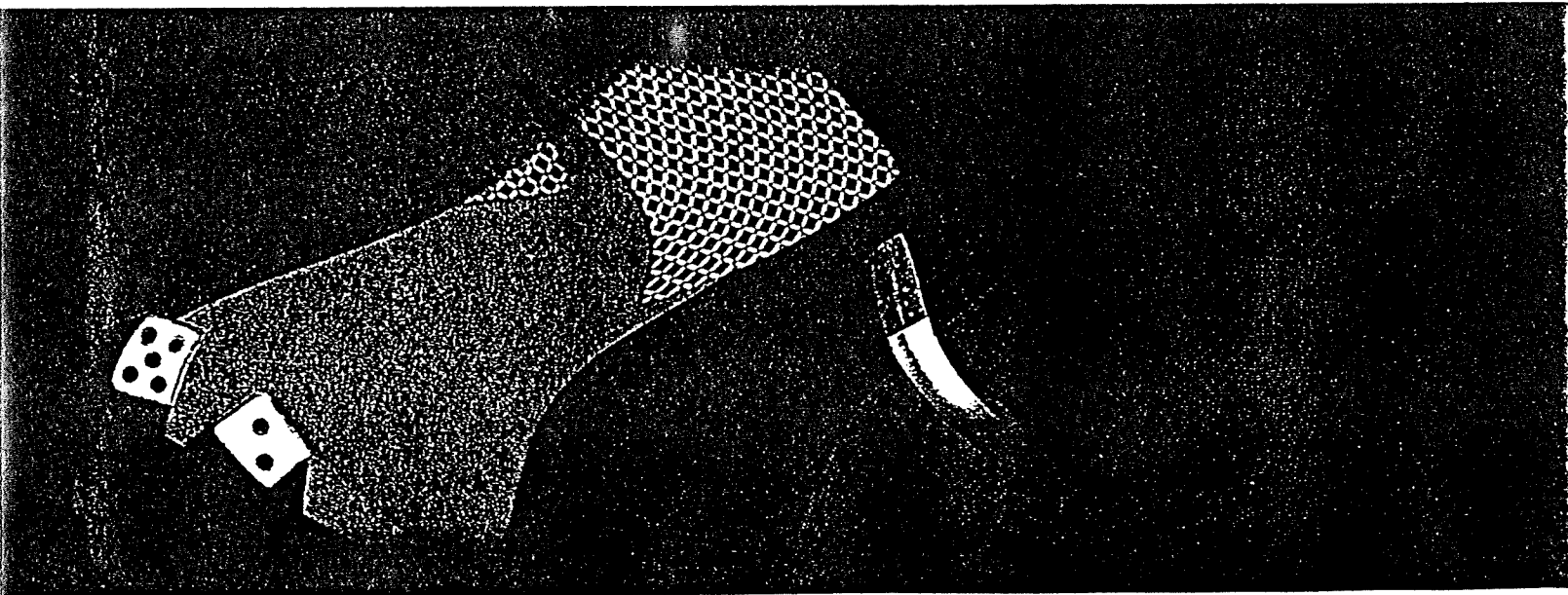
Tax	1980	1991
Total	\$6.79	\$6.70
General sales	2.14	2.23
Personal income	1.84	2.14
Motor fuel	0.48	0.45
Corporate income	0.66	0.44
Motor vehicle licenses	0.24	0.22
Other licenses	0.12	0.13
Insurance	0.15	0.13
Public utilities	0.17	0.12
Tobacco	0.19	0.09
Property	0.14	0.07
Severance	0.21	0.07
Death and gift	0.10	0.04
Alcoholic beverages	0.12	0.01
Corporation licenses	0.07	0.11
Document transfers	0.04	0.04
Pari-mutuels	0.04	0.01
Other	0.08	0.11
Lotteries	0.05	0.18

Note: Personal income excludes District of Columbia.

Source: U.S. Census Bureau, *State Government Finances*; personal income provided by U.S. Bureau of Economic Analysis, estimates as of Sept. 2, 1992.

vania, Michigan and Rhode Island.

Lotteries differ from other sources of revenue in several respects, one of which is that they need substantial marketing effort to produce increased mon-



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State Lottery Revenues

Fiscal Years 1985 and 1991

State	Per Capita				Percent of Tax Revenue	
	1991	Rank	1985	Rank	1991	1985
National Average	\$40.74		\$34.99		3.16%	3.51%
Massachusetts	78.46	1	40.51	4	4.86	3.60
Maryland	68.98	2	59.74	1	5.24	6.10
New Jersey	67.83	3	51.31	2	4.52	5.03
Florida	64.34	4			6.21	
Connecticut	60.10	5	39.99	5	3.97	3.66
Ohio	58.10	6			5.50	
New York	52.31	7	32.15	7	3.34	2.76
Illinois	50.59	8	45.11	3	4.39	5.57
Pennsylvania	50.30	9			4.62	
Michigan	45.81	10	39.57	6	3.87	4.14
South Dakota	41.80	11			5.56	
Virginia	41.18	12			3.78	
Delaware	37.15	13	22.48	8	2.17	1.70
New Hampshire	30.67	14	4.21	13	5.43	0.97
Maine	27.85	15	3.77	14	2.21	0.44
Indiana	26.95	16			2.45	
California	25.50	17			1.73	
Rhode Island	24.75	18	18.32	9	1.98	2.06
Wisconsin	24.42	19			1.72	
Arizona	22.92	20	7.15	12	1.82	0.77
Vermont	22.25	21	1.74	15	1.84	0.20
Washington	19.67	22	10.69	10	1.24	1.03
Colorado	16.67	23	9.02	11	1.75	1.27
Idaho	15.57	24			1.34	
Minnesota	14.88	25			0.94	
Kentucky	14.65	26			1.08	
West Virginia	13.76	27			1.06	
Iowa	13.69	28			1.11	
Missouri	12.68	29			1.31	
Oregon	12.41	30			1.20	
Kansas	8.87	31			0.79	
Montana	5.52	32			0.55	

Note: Revenue excludes prizes and administrative costs.

Source: U.S. Census Bureau, *State Government Finances*, (year).

ey for the state. Much of the growth of revenue has been attributable to introduction of new games, and lotteries have to be advertised extensively to maintain interest.

By the late 1980s, many state lotteries had already adopted the features that have been successful in stimulating interest and increasing participation. Future growth probably depends heavily on nontraditional games like video lotteries and club keno.

Cannibalism

The figures cited for state revenue produced by gambling do not consider negative effects on tax revenue. If people buy lottery tickets or lose money at a

casino, they have less income available to spend on goods and services subject to the sales tax or excise taxes, like gasoline, alcoholic beverages and cigarettes.

Relatively little research is available on the extent of such cannibalism. According to Mary Borg and associates, who issued a report, *The Economic Consequences of State Lotteries*, the magnitude of the tax loss depends on whether a state relies heavily on sales and excise taxes or whether it imposes a substantial personal income tax. The impact is larger in states that rely more on consumption taxes. They generalize that the loss of tax revenue is usually less than 15 percent of lottery revenue, although it can go as high as 23 percent.

For casinos, the impact on tax revenue depends not only on the state tax system but also on the extent to which casinos attract gamblers from out of state. It is more positive if the casino is part of a destination resort rather than being patronized heavily by day-trippers.

Economic Development Benefits

In addition to the revenue that states receive directly from taxes on casinos and places like racetracks, they also benefit indirectly from the employment created there and at businesses like hotels and restaurants that serve their patrons.

Once again, the magnitude of this economic benefit depends on the extent

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to which live in or out of state.
If they are out-state residents, their
spending on gambling takes away from
their outlays on lotteries and products
subject to the sales tax.

As casinos spread across the landscape, their economic development potential diminishes because it becomes increasingly difficult to attract a high proportion of out-of-staters. Except in Nevada, the gaming industry is not large enough to make a big difference in a state's economy.

Magnitude Not as Great as Thought

The point of this analysis is not that gambling fails to add to state revenue. It does. Because of gambling, states can increase their spending and provide more service. But the magnitude of this effect is not as great as people often think. The potential revenue from gambling is relatively limited when viewed in the overall context of a state budget.

The benefits of gambling need to be weighed against its regressivity and the social costs that are often associated with it:

- Easier access increases the prevalence of compulsive gambling. Few if

any states have established effective programs to deal with that.

- Casinos require substantial investments in public infrastructure and increases in services like police protection. Their costs should be subtracted when considering the net benefits from gambling. (This point applies to any job-creating activity, not just casinos.)

- Gambling tends to undermine the work ethic. It is particularly questionable for a state government to spend heavily on advertising that encourages "get rich quick" dreams when the odds are heavy that playing a lottery will make one poorer, not richer.

We appear to be on the threshold of an unprecedented situation. In the past, casinos in the United States and Europe have usually been located in remote vacation settings. If in a large city, they usually catered to a limited, elite clientele. Now for the first time we are likely to have large casinos in big cities open to the masses. The social consequences could be more serious than we have seen in the past.

The momentum toward widespread availability of casinos and games of

Gambling Is No Panacea

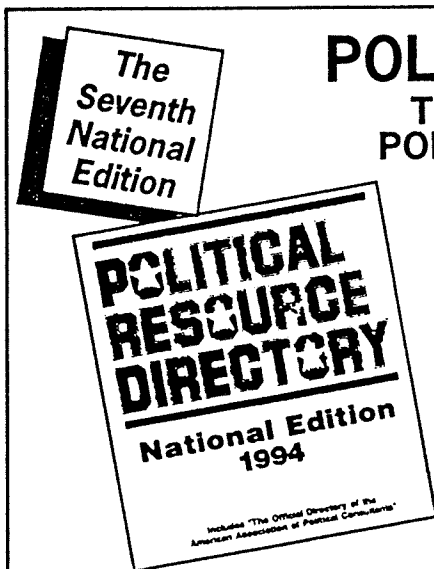
- Lotteries, casinos and other forms of gambling cannot generally produce enough state tax revenue to significantly reduce reliance on other taxes or to solve a serious state fiscal problem.

- As ever more states allow casinos, the potential economic development and tax benefits diminish greatly.

- Lotteries produced \$7.6 billion for state programs in 1991, which represented only 3.2 percent of tax revenue in the states that had lotteries.

- Pari-mutuel taxes were the slowest growing source of state tax revenue between 1980 and 1991.

chance like video lotteries and keno appears irresistible. If it were just a matter of providing people with new forms of entertainment—that would be one thing. But as a painless way to solve the fiscal problems of state government, gambling is a mirage.



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What do you get when you combine equal parts Louisiana politics, big money gambling, a grand jury investigation and Donald Trump?

Gambling gumbo

By Graham Button and Rita Koselka

WHEN LAST FORBES LEFT Louisiana Governor Edwin Edwards, he and his cronies had rammed through legislative approval for a land-based casino in New Orleans (FORBES, Mar. 1, 1993). Since then, the state's foray into legalized gambling has proved to be nothing less than a tragicomedy of scandal and political chicanery, with Edwards holding down center stage.

In October the New Orleans *Times-Picayune* revealed that Edwards' four children were involved in companies seeking business from Louisiana's fledgling riverboat gambling industry. The eldest daughter, 43-year-old Anna, for example, was trying to supply riverboats with juice-dispensing systems. Her letters to riverboat operators noted that she could be reached at (504) 342-5855, a number at the Governor's mansion in Baton Rouge.

Edwards denied any wrongdoing on his children's part, and then abruptly announced that his offspring would have no further dealings with the riverboats. Too late. The state ethics board investigated and ruled that the children were legally barred from doing business with the riverboats. In November Edwards and his brood signed an ethics board opinion affirming the ruling.

The Edwards family doings have also caught the eye of Baton Rouge's politically ambitious District Attorney Douglas Moreau. Moreau has launched a grand jury investigation into the riverboat gambling industry and the Louisiana Riverboat Gaming Commission, a seven-person body that grants preliminary riverboat gambling permits and whose members are appointed by the governor.

In handing out permits—15 in all—the commission passed over some well-financed and experienced

applicants like RIT Sheraton, in favor of some relatively inexperienced but politically well-connected operators like Belle of Orleans. One of those not granted a permit was Donald Trump, who doesn't take his defeats quietly. Trump is now suing the state over its permit-awarding process. To complicate matters, the state police—which

\$20,000. At the time of Edwards' trip, Caesars World, owner of Caesar Palace, was a partner in a proposed riverboat deal. A week later state regulators were notified that Caesars had pulled out. Edwards has denied any conflict.

What about the land-based New Orleans casino? Edwards' fingerprints are all over this, too. Grand Palais, a company that holds the lease on the proposed site, had originally teamed up with Caesars World to develop the project. But then it emerged that cronies of Edwards and of New Orleans Mayor Sidney Barthelemy were silent partners in the proposed Grand Palais/Caesars deal. Partly because of the disclosure, state regulators awarded the land-based gambling license to a group led by Promus Cos.

Final curtain? Not quite. Edwards



Louisiana Governor Edwin Edwards
At center stage in a tragicomedy of politics, gambling and greed.

must give final approval to the riverboat applicants—may decide on its own to award licenses to some applicants that were passed over by the commission.

Meanwhile, Governor Edwards is still creating waves. On the weekend of Nov. 6 he flew to Las Vegas for some recreational gambling and to take in the Evander Holyfield versus Riddick Bowe heavyweight title fight at Caesars Palace, one of his favorite Vegas haunts. When Edwards refused to disclose who paid for the trip, State Representative David Vitter asked the state ethics board to investigate. Two days later Edwards acknowledged that Caesars paid for the trip because he agreed to gamble more than

then announced that Promus Cos. and Grand Palais had joined forces to build the casino. Left out in the cold: Caesars World, which is now suing Grand Palais.

All these shenanigans have soured Louisiana's public on gambling. A recent statewide poll found that a majority of the state's voters would now discontinue all forms of gambling approved in recent years—except the lottery—if they were given the opportunity to do so.

"The mix of bad, old-fashioned Louisiana politics with big-money legalized gambling was a disaster waiting to happen," says Representative Vitter. "And I'm afraid it's in the process of happening now." ■

4-15

TO: The Honorable Clyde Graeber, Chairperson
House Committee on Federal and State Affairs

FROM: Don Bird
Kansans For Life At Its Best

DATE: March 8, 1994

RE: House Concurrent Resolution No. 5038

Thank you for the opportunity to appear before the committee today in favor of HCR 5038.

When questions about the definition of lottery were initially raised, this legislature was posed with at least two options. It chose first to pursue clarification through the Kansas Supreme Court. Although the Court gave us their "legal" definition of lottery, it did not help the legislature answer the larger issue before it.

The looming question today is not of a legal nature; rather, it is one of clarification. When the lottery question was put on the ballot in 1986, what did Kansas citizens really believe they were voting on? When the people of this state went into the voting booth to cast their ballot "yes" or "no" on the state lottery, did they understand that vote also to be cast in favor of or against casinos?

Common sense answers in the negative. In 1986,

did the Revisor of Statutes office understand that the constitutional amendment approved state-owned and operated casinos? If so, who did they tell?

did even one reporter conceive it? If so, where is the newspaper that carried the article?

did the Attorney General believe it? If so, why was he silent?

did the Governor know? If so, why did he let the public remain ignorant?

did even one legislator realize that the amendment included casinos? If so, who was it?

I offer you an excerpt of testimony given February 10, 1992, to this committee.

As Chairman of the House Committee, that drafted the constitutional amendment which was submitted to the voters in 1986 establishing the Kansas Lottery, and, as

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Atch #5

Committee Chairman the following year of the House Committee that drafted enabling legislation; as well as, a member of all the appropriate conference committees on the Kansas Lottery, I feel I have a real historical perspective on what the people of Kansas thought they were approving. During the entire time this proposal was debated, the only lotteries contemplated were the pre-printed tickets or instant Lottery and the on-line computer games. The constitutional amendment was worded so as to allow both of these as was the enabling legislation.

And that, ladies and gentlemen, is from the pen and lips of the current Speaker of the House, The Honorable Robert H. Miller.

We encourage the committee to pass favorably on House Concurrent Resolution 5038. This proposed amendment introduces no new section to the constitution but simply allows the citizens of Kansas to clarify what they understood they were voting on in 1986 when the lottery question was put on the ballot.

As I heard our notable Attorney General say not long ago to another committee on a different issue, we need to do this because "it's the right thing to do!"

5

FEDERAL AND STATE AFFAIRS COMMITTEE HEARING

HCR 5038 March 8, 1994

Chairman Clyde Graeber and Committee members;

My name is Frances Wood, 4724 S.E. 37th St., Topeka, Ks 66605. I volunteer as Legislative Director for the Woman's Christian Temperance Union of Kansas and Topeka. Our organization supports HCR 5038 and are thankful to those representatives who have drafted this legislation.

There are several compelling reasons why we would like to have you pass this amendment. Many of you have been given those reasons before so I will only give brief reminders.

This session of the legislature has been dealing with crime, our cities have been dealing with crime, our nation has been dealing with crime. Why would we want to introduce another activity into our state that would produce more crime?

You've had the statistics presented to you before on compulsive gambling both by adults and by young people. We have glossed over gambling and made it an acceptable, harmless pass time. I remember, when to be a gambler, was somewhat equivalent of a hoodlum; when it was considered a "sin" by most of our churches. I also remember when gambling was called "gambling" and not "gaming".

I don't know about you, but I get somewhat of a "sick" feeling when watching t.v., and they show people standing there putting money repeatedly into the slot machine. Also on t.v., we saw the youth lined up to get a chance to be dealers on Missouri riverboats; if they enact legislation to get them going. Many of them have never been inside a casino. What kind of a job is that for our youth? If casinos, come to Kansas, that is what our young adults will be doing, also.

Although it goes without saying, nonetheless, it needs to be repeated that every dollar spent at gambling activities is not going to be spent on groceries and main street businesses.

Lastly, the reason to pass this bill is the word, "casino", was not mentioned when people voted on the lottery in 1986. It is somewhat of a "trick" that now under the broad term "lottery", we could have state owned casinos. I urge you to vote "Yes" on HCR 5038.

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STAND UP FOR KANSAS



Citizens for Stable Economic Growth and Quality of Life in Kansas

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

**TESTIMONY TO
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**

regarding

**HOUSE CONCURRENT RESOLUTION NO. 5038
A PROPOSITION TO AMEND SECTION 3C OF ARTICLE 15 OF THE CONSTITUTION OF THE
STATE OF KANSAS**

By
Glenn O. Thompson
Chairman, Stand Up For Kansas

March 8, 1994

INTRODUCTION

Good afternoon Chairman Graeber and members of this committee. I am Glenn Thompson, Chairman of Stand Up For Kansas. Thank you for this opportunity to speak on HCR 5038. We urge you to **VOTE YES** on this resolution.

THE STATE CONSTITUTION SHOULD BE CLEAR AND REFLECT THE WILL OF THE PEOPLE.

You and I know, without the slightest doubt, that in 1986, both the legislators and the voters intended to approve **ONLY** state-owned and operated lotteries, such as drawings and scratch tickets, as we know them today. I've not talked to a single person who thought otherwise. But, in January, the State Supreme Court said that the legal definition of "lottery" is synonymous with "gambling," so Kansas citizens **UNKNOWINGLY** authorized the legislature to approve all forms of state-owned and operated gambling, including state-owned and operated casinos.

THIS ERROR IN THE STATE CONSTITUTION NEEDS TO BE CORRECTED. The voters certainly did not intend to approve state-owned and operated casinos.

In fact, the integrity of the Kansas state legislature is at stake in this matter. Voters expect laws prepared and approved by legislators to be clear and to mean exactly what they say, in language that is easily understood by average citizens. And, voters want to trust their elected officials. So when an error is made, such as in this case, voters expect legislators will make every effort to correct the error. Kansas citizens expect you to approve HCR 5038 so this constitutional error can be corrected in a state-wide referendum.

When approved by the voters, this constitutional amendment will reflect the true intent of the people with regard to the lottery.

Thank you.

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