

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Vice Chairperson Alicia Salisbury at 11:00 a.m. on February 16, 1994 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Julian Efird, Legislative Research Department
Mary Galligan, Legislative Research Department
Norm Furse, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Stan Chilton, Kansas Automated Merchandising Association
Chuck Brook, Video Lottery Technologies, Inc.
Bob Williams, Video Insights
Ralph Snyder, American Legion
Don Bird, Kansans for Life at its Best

SB 399 - OPERATION OF VIDEO LOTTERY MACHINE GAMES BY KANSAS LOTTERY

Mr. Stan Chilton, speaking on behalf of the Kansas Automatic Merchandising Association, Inc., testified in support of SB 399 in its present form and reviewed Attachment 1.

Chuck Brook, Video Lottery Technologies, Inc., testified before the Committee in support of SB 399. He noted that he was testifying in order to provide a reference to other state's experience with video lottery. He submitted written testimony in three documents (Attachment 2, Attachment 3, and Attachment 4). Senator Salisbury queried how the current revenue estimate of \$213 million compares to revenue generated in previous years. Mr. Brook stated that the video lottery revenue trend has increased 10-15% from the previous year in every jurisdiction, including the state of Montana. In comparing state revenue trends, he noted that it is important to have an awareness of the state's percentage of net video lottery income. Mr. Brook told members that there has been no indication that the implementation of video lottery in Kansas would have a negative impact on the growth in the revenue trends of other states. He told members that researchers are still looking at the question of how video lottery has impacted other gambling programs. Senator Salisbury inquired about the expenses incurred by the agency responsible for administering the video lottery program. Mr. Brook stated that the central computer system (which is proposed in SB 399) is a key element in minimizing operating expenses. He told the Committee that, in Montana, the Legislative Post Audit Committee has recommended the addition of 50 employees to perform manual audits of less than 10% of the terminals annually. In comparison, South Dakota added 11 employees to operate central computers which monitor 7000 terminals on a daily basis.

Mr. Bob Williams, Video Insights, testified as a proponent for SB 399 and reviewed Attachment 5. He highlighted statistics that he believed illustrated the success of video lottery in South Dakota and endorsed the concept of the central site accounting system. He reviewed the net revenues generated by video lottery, and stated that video lottery has provided over 2500 new jobs in South Dakota. He said that the state's responsibility in video lottery is licensure, regulation, and accounting. He suggested that it would be helpful if the Legislature would provide long term stability for the businesses that enter into the contracts. In answer to question, Mr. Williams said:

- all forms of gaming which were implemented after video lottery are still in place
- the salary for the newly created jobs ranges from minimum wage to a maximum of \$11/hr.
- video lottery has had no significant impact on the operating budget for the law enforcement agencies that administer the program
- gaming revenues from video lottery have experienced a steady increase, but he has no knowledge of the trend of gaming revenues overall.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 16, 1994.

Mr. Ralph Snyder testified in support of SB 399 on behalf of the American Legion, but noted that the Legion has several concerns about the bill. He reviewed those concerns for the Committee (Attachment 6). There were no questions.

Don Bird, representing Kansas For Life At Its Best, appeared before the Committee in opposition to SB 399 and distributed copies of Attachment 7. In discussing compulsive gambling, Mr. Bird stated that the cost to society is over \$50,000 per person.

Written testimony from Rebecca Rice on behalf of the Wyandotte County Clubowners' Association was distributed to members (Attachment 8).

Concern was expressed about establishing a video lottery program against live casinos in major urban areas.

Vice Chairperson Salisbury reviewed the fiscal note prepared by Division of the Budget on SB 399 (Attachment 9). She told members that the Kansas Lottery estimates the state's annual share of net income and fees to be \$46,323,960 and the first year expenditures to be \$2,414,375. The income would provide transfers of approximately \$43,909,585 to the SGF. The Kansas Bureau of Investigation estimates expenditures of \$1,930,000 the first year and annual expenditures of \$642,470 in successive years.

INTRODUCTION OF BILLS

It was moved by Senator Lawrence and seconded by Senator Rock that bill draft 3 RS 2307 as requested by Senator Lawrence be introduced. The motion carried on a voice vote.

Senator Rock moved, Senator Vancrum seconded, that bill draft 3 RS 2485 as requested by Senator Sallee be introduced. The motion carried on a voice vote.

The Vice Chairperson adjourned the meeting at 12:00 noon.

The next meeting is scheduled for February 17, 1994.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: February 16, 1994

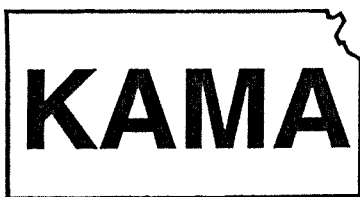
NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
MAMIE RUPNICKI	Cirleville KS	Perkins Band Pott gaming Comm.
Laura Ahester	Delia KS	Potawatomi Gaming Commission
Steve Stan	TOPEKA	KB1
Don Bird	Topeka	KFLA 13
Dan Finch	Topeka	KWIC radio
Ralph Snyder	Topeka	American Legion
Kim Campbell	Topeka	Rebecca Rice
Patrick Sherley	Jessie	GREEN
Tom Burgess	"	Sunflower
JOHN BOTTENBERG	Video Lottery Tech	TOPEKA
Chuck Braske	Video Lottery Tech	Bozeman, MT
Aleg Zernak	Kansas Lottery	Topeka
Ronald Nagb	Garden City, N	KAMA
George Nagb	Garden City,	KAMA
Randy Janssen	KCKs	KAMA
Lester Laursen	K.C.Ks	KAMA
David Peacek	man. KS	KAMA
LINDA McGill	TOPEKA	PETE MCGILL & ASSOC.
Dick Boushky	WICHITA	Sunflower
Jim Allen	Topeka	3-D
Jess Littlejohn	Wichita	KAMA
MARK BLUM	Wichita	KAMA
John Pingan	Topeka	KAMA
Doug Smith	Topeka	KAMA
Bill Whiteman	Chanute	KAMA
Quane Zarger	Shawnee KS	KAMA
George Wingard		Gov Office
David B. Dallan	Topeka	Div of Budget
Vic Braden	TOPEKA	KACC
Tom Bruno	Topeka	Allen & Assoc.
Jerry Young	Las Vegas, Nevada	IGT
George Barber	Topeka	IGT
Dan Harnes	Topeka	3D Entertainment
BOB WILLIAMS	So. DAKOTA	3D ENTERTAINMENT

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: _____

[illegible]



"The voice of the Kansas coin-operated machine industry."

KANSAS AUTOMATIC MERCHANDISING ASSOCIATION, INC.

5332 NW 25th Street
Topeka, KS 66618
(913) 232-1050 or (913) 234-3686

Testimony on SB 399

by

Stan Chilton, Wichita, Kansas

and

Mike Dalsing, Kansas City, Kansas

For Kansas Automatic Merchandising Association, Inc. (KAMA)

February 16, 1994

Mr. Chairman, Honorable Committee Members, I am Stan Chilton and this is Mike Dalsing and we wish to speak for the Kansas Automatic Merchandising Association, Inc. KAMA is a state wide association of automatic vending and coin-operated video, jukebox, and amusement machine operators. We are co-chairmen of a video lottery committee of KAMA. I have owned Chilton Vending Company in Wichita, Kansas for over 47 years furnishing coin-operated amusement machines and jukeboxes for central and northeast Kansas. Mike Dalsing owns Wyandotte Music, a company that has been in business in the Kansas City, Kansas area for over 45 years.

We would like to speak in favor of SB 399 which provides for the small independent Kansas businesses to participate in the operation of video lottery machines.

Our KAMA members are vitally concerned about SB 399 because when a Video Lottery Terminal is placed side by side with any of our present coin-operated amusement machines, the VLT will cannibalize 50 to 70% of the amusement machines earnings. An amusement only or video machine just

SWAM
February 16, 1994
Attachment 1

cannot compete against a VLT that offers equal amusement plus a chance to win cash. Of course when our existing amusement machines are removed entirely to make room for several VLT's, 100% of the amusement machines income is lost, but most of this amount will then be transferred to the VLT. These figures are backed up by a University of Wisconsin study on the economic impact of VLT's on operators of amusement machines.

But there is a good reason for a VLT program to include the small independent business owner and operator of existing amusement machines and that is market penetration. Because of competition the operators have almost 100% market penetration. There is hardly any existing retail location in Kansas that wants a pinball, video game or pool table that doesn't already have one. As any smart businessman an operator is always looking for new places to install machines.

By including operators such as KAMA members in a VLT program more VLT's can be installed quicker and into more retail locations than any other method of VLT operations with the operator bearing the \$6,000 cost for each VLT. Results from operator/state partnership of VLT's (South Dakota, New Brunswick, Canada, Louisiana) show from 3 to 10 times per capita VLT earnings than the only other state or single source owned and operated VLT programs.

In Kansas we have Club Keno in operation and video lottery terminals are practically the same game, but VLT's earn much more because of better chances to win and player interaction with the game.

KAMA is in favor of SB 399. KAMA is not in favor of a VLT operation if State owned or any single source program, to the exclusion of the existing private sector Kansas small business operators.

Thank you for allowing our testimony. We will be happy to answer any questions you may have.

CURRENT VIDEO LOTTERY PROGRAMS

MONTANA

(fiscal year 1993)

Implemented:	July 1985
Structure:	VLTs operate in stand-alone mode (no central system), owned and operated by the private sector (coin operators).
State Share of Revenue:	15% tax on net machine revenue
Games:	Poker and Keno
Limits:	Maximum bet is \$2.00. Maximum prize for Poker is \$100.00; Keno is \$800.00 with a \$2.00 bet.
Implementation Time:	N/A
Net Revenue Per VLT per Week:	\$283 (estimate)
Number of VLTs:	14,481 (based on number of permits issued)
Population:	805,000
Current Annual Net Revenue Estimate:	\$213,102,396
Lottery Contact:	Rick Ask, 406-442-7325

SOUTH DAKOTA

(week ending 11/27/93)

Implemented:	October 1989
Structure:	Centrally controlled computer system owned and operated by the State Lottery. VLTs authorized by the State and owned and maintained by the private sector (coin operators).
State Share of Revenue:	35% of net revenue (previous rates were 25% and 22.5%)
Games:	Poker, Keno, Bingo, Black Jack
Limits:	Maximum bet is \$2.00. Maximum prize is \$1,000.00.
Implementation Time:	Seven months from passage of Legislation.
Net Revenue per VLT per Week:	\$364
Number of VLTs:	7,382
Population:	696,000
Current Annual Net Revenue Estimate:	\$139,726,496

SWAM
February 16, 1994
Attachment 2

Lottery Contact:

Curt Everson, 605-773-5770

ATLANTIC LOTTERY CORPORATION

(New Brunswick, Nova Scotia, PEI, Newfoundland)

(month ending 10/31/93)

Implemented: December 1990 (New Brunswick)
Structure: Lottery owns and operates centrally controlled computer system with separate provincial data bases. Lottery purchased VLTs from 8 manufacturers in Nova Scotia and Newfoundland; private sector (operators) purchased VLTs in New Brunswick and PEI.
ALC Share of Revenue: Newfoundland and Nova Scotia is 65%; New Brunswick is 30%; PEI is 35%.
Games: Poker, Keno, Bingo, Black Jack, Line-Up Games
Limits: Maximum bet is \$2.00. Maximum prize is \$1,000.00 (\$500 in New Brunswick).
Implementation Time: Three months from contract award.
Net Revenue per VLT
per Week: C\$581
Number of VLTs: 6,987
Population: 2,233,853
Current Annual Net
Revenue Estimate: \$211,055,399
Lottery Contact: Vincent Brunnett, 506-853-5800

OREGON

(week ending 11/13/93)

Implemented: March 1992
Structure: Centrally controlled computer system owned and operated by the Lottery in conjunction with the State Police. VLTs leased from four manufacturers by the Lottery, and installed and maintained by the Lottery.
State Share of Revenue: 65% of net revenues (32% of the State's share is allocated for operating costs).
Games: Poker
Limits: Maximum bet is \$2.00. Maximum prize is \$600.00.
Implementation Time: Five months from draft RFP.
Net Revenue per VLT
per Week: \$761

Number of VLTs: 5973
Population: 2,767,000
Current Annual Net
Revenue Estimate: \$236,455,284
Lottery Contact: Steve Caputo, 503-373-0250

LOUISIANA

(week ending 11/13/93)

Implemented: July 1992
Structure: Centrally controlled computer system owned and operated by the State Police. VLTs are owned and maintained by the private sector (operators).
State Share of Revenue: 22%
Games: Poker
Limits: Maximum bet is \$2.00. Maximum prize is \$500.00.
Implementation Time: Twelve months from Legislation.
Net Revenue per VLT
per Week: \$645
Number of VLTs: 11,787
Population: 4,408,000
Current Annual Net
Revenue Estimate: \$395,095,974
Lottery Contact: Sgt. Ronnie Lewis, 504-925-1900

RHODE ISLAND

(week ending 11/13/93)

Implemented: September 1992
Structure: Centrally controlled computer system owned and operated by vendor. VLTs owned and maintained by four manufacturers at the State's two parimutuel facilities only.
State Share of Revenue: 33%
Games: Poker, Black Jack
Limits: Maximum bet is \$2.50. Maximum prize is \$1,000.00.
Implementation Time: Three months from RFI.
Net Revenue per VLT
per Week: \$319 (not all terminals active at one seasonal location).
Number of VLTs: 1,159 800/400
Population: 993,000

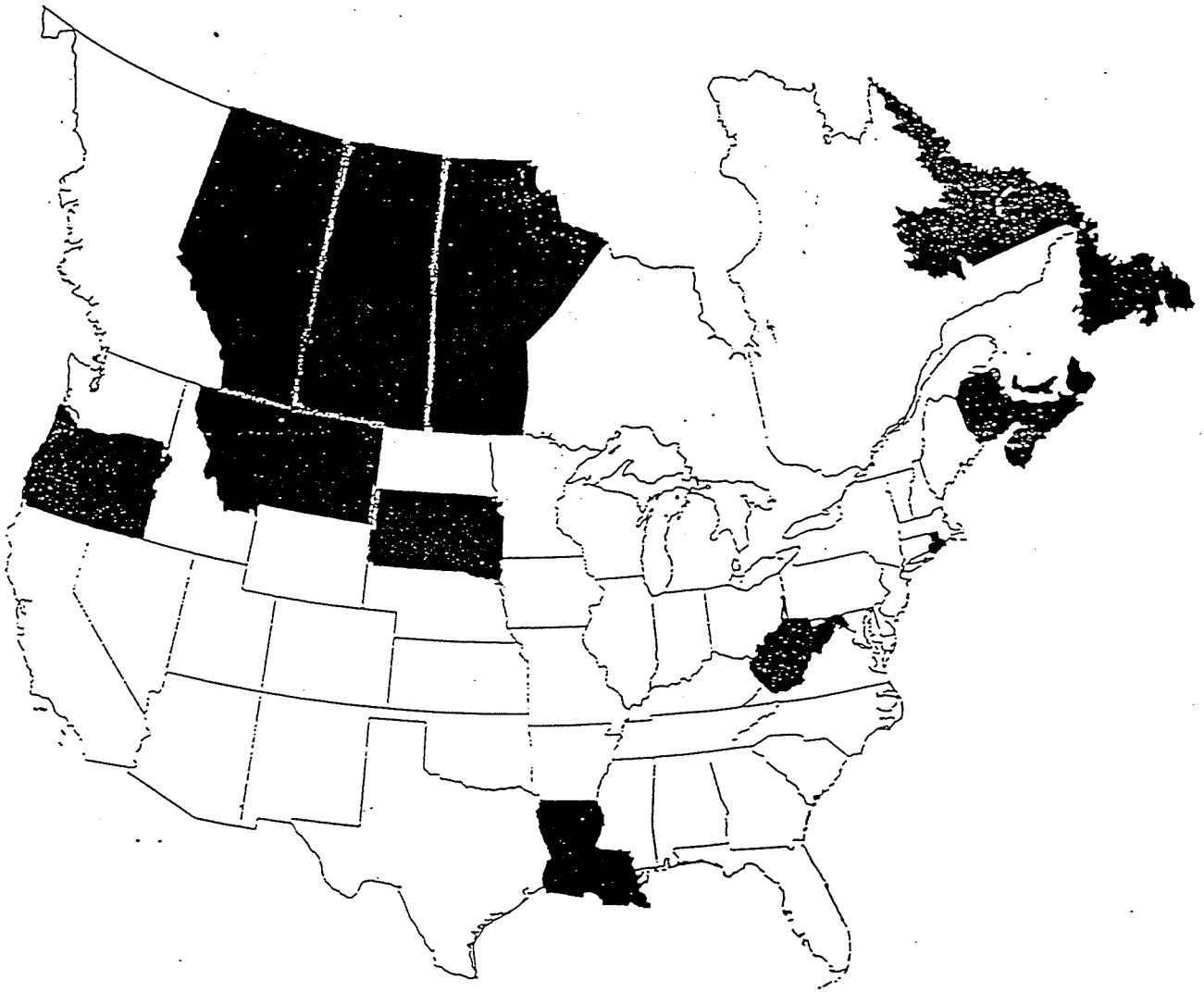
Current Annual Net
Revenue Estimate: \$19,250,907
Lottery Contact: Bill DiMuccio, 401-463-6500

ALBERTA

(week ending 12/5/93)

Implemented: September 1992
Structure: Centrally controlled computer system and VLTs owned
and operated by the Lottery.
State Share of Revenue:
Games: Poker, Keno, Line-Up Games, Black Jack
Limits: Maximum bet is \$2.50. Maximum prize is \$1,000.00.
Implementation Time: Extensive test prior to contract.
Net Revenue per VLT
per Week: C\$1,750
Number of VLTs: 3,502
Population: 2,237,724
Current Annual Net
Revenue Estimate: C\$318,682,000
Lottery Contact: Don Waldorf, 403-461-5686

Video Gaming in North America



By the end of 1992, video gaming programs were approved or operating in thirteen states and provinces across the United States and Canada. These include the states of Louisiana, Montana, Oregon, Rhode Island, South Dakota, and West Virginia and the provinces of Alberta, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, and Saskatchewan.

SWAM
February 16, 1994
Attachment 3

Current Video Gaming Structures - Locations and Games

State/Province	Locations	Number of Machines Per Location	Game Type(s)	Maximum Award	Maximum Bet
United States:					
Louisiana	Bars/Taverns Racetracks OTBs Truckstops	3 Unltd Unltd 50	Poker	\$500	\$2.00
Montana	Bars/Taverns	20	Poker Keno	\$100 \$800	\$2.00
Oregon	Bars/Taverns	5	Poker	\$600	\$2.00
Rhode Island	Parimutuel Facilities (2)	Unltd	Poker Blackjack	\$1,000	\$2.50
South Dakota	Bars/Taverns	10	Poker Keno Blackjack Bingo	\$1,000	\$2.00
West Virginia	Racetrack (1)	Unltd	Poker Keno Line-up	\$1,000	\$1.25
Canada:					
Alberta	Bars/Taverns	10	Poker Keno Blackjack Line-up	\$1,000	\$2.50
ALC (includes New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island)	Bars/Taverns (plus non-liquor locations in New Brunswick)	5	Poker Keno Blackjack Bingo Line-up	\$1,000 \$500 in NB	\$2.50
Manitoba	Bars/Taverns	2 (min)	Poker Keno Blackjack Bingo Line-up	\$1,000	\$2.50

Current Video Gaming Program Structures - Oversight and
State's Share of Revenue

State/Province	Year Begun	Regulatory Agency	Approach to Machine Operation	State's Share of Revenue	Est. Annual State/Prov. Revenue (millions)
United States:					
Louisiana	1992	State Police	Private Industry	22.5%	\$60
Montana*	1986	Department of Justice	Private Industry	15%	\$25
Oregon	1992	Lottery	Government	65%	\$100
Rhode Island	1992	Lottery	Facilities Mgmt.	38%	\$10
South Dakota	1989	Lottery	Private Industry	35% (36% as of 7/1/93)	\$50
West Virginia**	1990	Lottery	Facilities Mgmt.	20%	\$1

DC, 10/1/92

GAMBLING INVOLVEMENT AND PROBLEM GAMBLING
IN MONTANA

Rachel A. Volberg, Ph.D
Gemini Research
353 Mountain Street
Albany, NY 12209
(518) 432-8937

September 31, 1992

SWAM
February 16, 1994
Attachment 4

TABLE OF CONTENTS

I.	Acknowledgements	i
II.	Executive Summary	ii
III.	Introduction	1
IV.	Methods	2
	A. Sampling Design	3
	B. Response Rates	3
	C. Comparing Montana with Other States	3
V.	Gambling in Montana	5
	A. Non-Gamblers in the General Population	5
	B. Gambling Involvement in the General Population	5
	1. Reasons for Gambling	9
	2. Favorite Gambling Activities	9
	3. Recent Changes in Gambling Involvement	9
	C. Expenditures on Different Types of Gambling	10
VI.	Problem and Probable Pathological Gambling in Montana	12
	A. Comparing Prevalence Rates with Other States	12
	B. Current Prevalence Rates in Montana	13
VII.	Discussion	14
	A. Gambling Involvement Across States	14
	B. Problem and Pathological Gambling Across States	15
	1. Demographics	16
	2. Gambling Involvement	16
	3. Scoring on the South Oaks Gambling Screen Items	17
	C. Retrospectives on Gambling Careers	19
VIII.	Summary and Conclusion	24
IX.	References	25

EXECUTIVE SUMMARY

This report presents the findings of a state-wide survey of gambling involvement and gambling problems in Montana. A large sample of adult residents over the age of 18 (N=1,020) were interviewed about the types of gambling they have tried, the amounts of money they spend on gambling, and about problems related to their gambling. The results of the survey are comparable with the results of similar surveys carried out in other states.

Key Findings

- ♠ The lifetime prevalence rates of problem and pathological gambling in Montana are much higher than the rates found in Iowa and slightly higher than in South Dakota. The lifetime prevalence rates in Montana are lower than prevalence rates found in the Northeast of the United States. As with lifetime rates, the current prevalence rates of problem and probable pathological gambling in Montana are higher than in South Dakota.
- ♣ The lifetime prevalence rate of problem gambling in Montana is 2.3% and the lifetime prevalence rate of pathological gambling is 1.3% of the adult population. Based on these figures, we estimate that between 8,000 and 18,600 adult residents of Montana have been problem gamblers at some time in their lives. In addition, we estimate that between 3,500 to 11,500 adult residents of Montana may have been pathological gamblers at some time in their lives.
- ♥ The current prevalence rate of problem gambling in Montana is 1.5% and the current prevalence rate of pathological gambling is 0.7% of the adult population. Based on these figures, we estimate that between 1,100 and 7,000 adult residents of Montana are currently probable pathological gamblers. We estimate that an additional 4,400 and 12,900 adult residents of Montana are currently problem gamblers.
- ♦ In Montana, for the first time, there is no significant difference between lifetime problem and probable pathological gamblers in terms of gender. Lifetime problem and probable pathological gamblers in Montana are just as likely to be women as the general population.
- ♠ The only significant difference between lifetime problem and probable pathological gamblers and the general population in Montana is in terms of age. Lifetime problem and probable pathological gamblers in Montana are significantly more likely to be under the age of 30 than the general population.

ACKNOWLEDGEMENTS

I would like to thank the residents of Montana who were interviewed in this survey for giving their time and contributing to our knowledge of gambling and gambling-related problems in Montana. I would also like to thank the Montana Department of Corrections and Human Services for initiating this study, Professor Joe Floyd and the staff of Eastern Montana College who carried out all of the interviews, and Eric Silver of Policy Research Associates who helped with the analysis of the data.

- ♣ The most popular types of gambling among Montana respondents who have ever gambled are lottery games, charitable gaming, and gaming machines. Live keno and bingo, bets with friends, horse race wagering and sports pools are also popular among Montana respondents.
- ♥ Montana respondents most frequently cite fun or entertainment as their main reason for gambling. Other important reasons include winning money, socializing and to support worthy causes.
- ♦ Gaming machines and non-instant lottery games in Montana attract the greatest monthly gambling expenditures. Wagering on horse races is characterized by the highest proportion of players who spent over \$50 per month.
- ♠ Problem and pathological gamblers in Montana are more likely to have played gaming machines and less likely to have wagered on sports or card games than problem and probable pathological gamblers in other states.

Future Directions

This study provides a solid foundation for future policy making and planning for services for problem and pathological gamblers in Montana. Consideration must now be given to educating Montana residents about the potential problems associated with gambling, to providing treatment services for those individuals who experience problems related to their gambling, and to ensuring that adequate and continuing funds for such efforts are made available.

In the future, it will be important to consider what steps can be taken by state agencies, mental health and substance abuse treatment professionals, educators and gaming industries to minimize the rates of problem and pathological gambling in Montana. Particular consideration should be given to developing prevention, education and treatment services aimed at women and youthful gamblers.

INTRODUCTION

In the 1970s, as states experienced increasingly serious financial problems, state legislatures around the country began to legalize many types of gambling. Between 1975 and 1990, 33 states authorized state-run lotteries (LaFleur & Hevener 1991). Although growth in the availability of casino-style gambling was initially slow, expansion has been rapid in the past three years. Saloons with card games and slot machines are now legal in South Dakota as well as in Colorado. Riverboat gambling is now legal in four states, including Iowa, Illinois, Louisiana and Mississippi. Since 1990, five states have legalized video lottery terminals and at least seven more state legislatures are considering their legalization. In the wake of the federal Indian Gaming Regulatory Act of 1988, nine states have established compacts with Native American groups to allow casino-style gambling on reservation lands and another thirteen states have compacts pending (Mikelberg 1992). In 1991, Americans legally wagered \$304 billion on all types of gambling, including parimutuels, lotteries, casinos, bookmaking, cards, bingo, charitable gaming and on Indian reservations (Christiansen 1992).

With the increasing availability of legal gambling, the public has become more aware of the phenomenon of pathological gambling. Awareness has been raised largely through media reports of the gambling-related problems of such major collegiate and professional sports figures as Art Schlichter, Pete Rose and Chet Forte (Eskenazi 1990; Keteyian 1986; Sokolove 1990). In 1980, the American Psychiatric Association included pathological gambling in its Diagnostic and Statistical Manual for the first time (American Psychiatric Association 1980). This official recognition of the problem as a mental illness served as the foundation for the development of professional mental health services for problem and pathological gamblers. By 1991, there were 13 states providing funds for the treatment of problem and pathological gambling (National Council on Problem Gambling 1991).

In the wake of the spread of gambling in Montana, and in response to issues raised both by opponents of legalized gambling and by other groups concerned with gaming regulation, the Montana Department of Corrections and Human Services elected to fund a survey of the prevalence of problem and probable pathological gambling in the state. The results of that survey are reported here. The report reviews the methods used to collect the data, discusses gambling involvement by Montana residents, identifies the prevalence of problem and probable pathological gambling among the adult population of Montana and compares these results with similar studies carried out in other parts of the United States.

Sampling Design

For the Montana survey, a sample of telephone numbers was purchased from Survey Sampling, Inc. of Fairfield, Connecticut. The numbers in this sample were proportional to the actual incidence of prefixes and working blocks of telephone numbers in the state. Listed and unlisted telephone numbers were included in the sample. Random selection of respondents within households identified through the purchased sample was used. Up to five attempts were made to contact each number and up to five callbacks were made to complete an interview with each selected respondent.

Demographic data from the sample were compared with data from the 1990 United States census in order to determine whether the sample was representative of the population of Montana. There is only one difference of note between the sample from this survey and the census data. While nearly 5% of the adult population of Montana is classified by the Census Bureau as Native American, only 3% of the respondents in the sample indicated that they were Native Americans. The impact of this difference is likely to be conservative since non-White respondents are more likely to score as problem or probable pathological gamblers.

Response Rates

Response rates are calculated in a variety of ways to take account of different dispositions of attempts to contact telephone-owning households. In the case of Montana, dispositions that were coded as "No Answer" were excluded from the calculation of the response rate on the recommendation of Professor Floyd. Excluding "No Answers" from the calculation is based on the assumption that only individuals who had the opportunity to agree or refuse to be interviewed for this survey should be counted in the response rate.

Using this formula, the response rate in Montana was 63% which compares well with response rates in other states where similar surveys have been done. Exclusion of "No Answers" from the response rate is likely to yield conservative prevalence rates since a proportion of these households may contain a problem or pathological gambler who is chronically unavailable to answer the telephone.

Comparing Montana with Other States

As noted, the demographic characteristics of respondents in the Montana survey were compared to 1990 census data to determine whether the sample was representative of the general population. The sample accurately reflects the demographics of the general population in terms of gender, age, marital status, religious background and household income. The sample does not completely reflect the Native American population in the state of Montana.

To compare gambling involvement and prevalence rates of problem and probable pathological gambling in Montana with those in other states, it is necessary to understand differences in the demographics of respondents in each of these states. As the following table makes clear, respondents from the Northeastern states of Maryland, Massachusetts, New Jersey and New York are more ethnically diverse, somewhat younger, less likely to be married, less likely to have a Protestant religious background, and much less likely to have an annual household income under \$25,000 per year than respondents in Montana.

METHODS

The survey in Montana builds on work carried out in other parts of the United States as well as internationally. All but two of the prevalence surveys of problem and pathological gambling carried out in the United States have used the South Oaks Gambling Screen (SOGS) (Lesieur & Blume 1987). Prevalence surveys using the SOGS have been completed in California, Connecticut, Iowa, Maryland, Massachusetts, New Jersey and New York (Volberg 1991; Volberg & Steadman 1988, 1989, 1992). Prevalence surveys using a revised version of the same questionnaire have recently been completed in South Dakota (Volberg & Stuefen 1991), Texas and New Zealand (Abbott & Volberg 1991).

In all of these surveys, respondents were contacted and interviewed by telephone. The number of interviews completed in each state was determined by balancing available resources, confidence intervals and the size of each state's population. Research based on the South Oaks Gambling Screen represents the largest existing database on gambling involvement, problem gambling and pathological gambling in the general population in the United States or internationally.

The South Oaks Gambling Screen is a 20-item scale derived from the diagnostic criteria for pathological gambling (American Psychiatric Association 1980). In developing the SOGS, a large pool of variables were subjected to discriminant analysis. The results of this analysis were cross-tabulated with assessments of independent counselors. The scoring system was designed to minimize the number of false-negative and false-positive cases. The instrument has been found valid and reliable in distinguishing pathological gamblers among hospital workers, university students, high school students, prison inmates and inpatients in alcohol and substance abuse treatment programs (Lesieur & Blume 1987; Lesieur, Blume & Zoppa 1986; Lesieur & Klein 1985, 1987).

The surveys in Montana, South Dakota and Texas used a revised version of the instrument used in earlier surveys. In revising the South Oaks Gambling Screen, the preliminary section of the questionnaire was expanded in order to collect more detailed information about gambling frequency and estimated expenditures in the general population. In addition, the SOGS items were expanded to assess both lifetime and current prevalence of problem and pathological gambling. This revised version has been designated SOGS-R (Abbott & Volberg 1992) to distinguish it from the original version used in earlier surveys and from a modified version of the SOGS (SOGS-M) that was used in a survey in Minnesota (Laudergan, Schaefer, Eckhoff & Pirie 1990). To determine if these changes had any impact on reported prevalence rates, the SOGS-R was tested in Iowa where an earlier prevalence survey had been carried out. The difference in the prevalence rates for these two surveys was 0.1% (Volberg & Stuefen 1991).

The survey in Montana was carried out in three stages. In the first stage, Dr. Volberg and Professor Joe Floyd of Eastern Montana College met with staff from the Montana Department of Corrections and Human Services, the Gambling Control Division, the Horse Racing Commission and the Lottery Commission to finalize the questionnaire. In the second stage, data collection was carried out by Eastern Montana College staff under the direction of Professor Floyd. Professor Floyd provided Dr. Volberg with the Montana data for the third stage of the project which included analysis of the data and preparation of this report.

GAMBLING IN MONTANA

For each different type of gambling, respondents were asked whether they had ever tried this type of gambling, whether they had tried it in the past year, and whether they participated regularly (once a week or more) in this type of gambling. Chi-square analysis was used to test for statistical significance.

Non-Gamblers in the General Population

As in other states, there was a sizable proportion of the Montana sample (14%) who said that they never participated in any of the 16 gambling activities included in the questionnaire. In contrast to other states, men were just as likely as women to have never gambled (13% vs 14%). Older individuals were only slightly more likely than younger respondents to have never gambled (14% vs 11%). High school graduates, individuals with a Protestant religious background, and those with annual household incomes under \$25,000 per year were significantly more likely to have never gambled.

Gambling Involvement in the General Population

The most popular types of gambling among Montana respondents were the state's lottery games, charitable gaming, and gaming machines. Other popular types of gambling among Montana respondents were live keno and bingo, bets with friends, horse race wagering and sports pools. A conversion rate is used to assess how likely respondents are to become regular players if they have ever tried a gambling activity. The conversion rate for each type of gambling is determined by dividing the number of respondents who said that they gambled once a week or more by the number of respondents who had ever tried each type of gambling. The following table shows lifetime involvement and conversion rates for the most popular types of gambling among Montana respondents.

TABLE 2
Lifetime Involvement and Conversion Rates
for Different Types of Wagering

Type of Wagering	Ever Tried	Conversion Rate
Instant Lottery Games	63%	16%
Charitable Gaming	56%	3%
Montana Gaming Machines	53%	16%
Other Lottery Games	50%	33%
Bets with Friends	37%	3%
Live Keno or Bingo	36%	7%
Horse Races	31%	1%
Sports Pools	28%	5%
Montana Casino Card Games	5%	14%

The respondents from Montana look much more like those from Iowa and South Dakota. Respondents from these three states are equally likely to be White, married, and to have an annual household income under \$25,000 per year. Respondents from Montana are more likely to be male than those from other states and more likely to have graduated from high school. Respondents from Montana are most similar to respondents from Iowa in terms of Protestant religious background and most similar to respondents from South Dakota in terms of age.

TABLE 1
Demographic Characteristics of General Population Samples
in Surveys of Problem Gambling

Demographic Variables	East Coast* (N=3500)	Iowa (N=750)	South Dakota (N=1560)	Montana (N=1020)
Male	45%	41%	44%	49%
Non-White	20%	4%	3%	4%
Under 30	25%	21%	17%	16%
High School Graduate	88%	87%	87%	92%
Unmarried	47%	37%	34%	36%
Protestant	28%	58%	70%	56%
Annual HH Income Under \$25,000	28%	44%	46%	41%

* Includes Maryland, Massachusetts, New Jersey and New York.

Montana Casino Card Games (Figure 6)

Overall, only 5% of the respondents had ever wagered on card games in a Montana casino. Recent participation, in the past year, was 2% while less than 1% of the respondents said that they wagered on card games in Montana casinos regularly. It is interesting to note that despite the low rate of lifetime wagering on card games in Montana casinos, the conversion rate from those who have ever played to those who play regularly (14%) is quite high. Only the conversion rates for lottery play and Montana gaming machines are higher.

Sports Pools (Figure 7)

Overall, 28% of the respondents had ever wagered on sports pools including Calcutta pools and sports tab games. Recent participation, in the past year, was 17% while 1.5% of the respondents said that they wagered on sports pools regularly. That is, 5% of the residents who have ever wagered on sports pools have become regular weekly players. While lifetime participation in sports pools is highest among respondents between the ages of 30 and 49, the conversion rate to regular wagering on sports pools is highest among respondents under the age of 30 and among those over the age of 65.

Bets with Friends or Co-Workers (Figure 8)

Overall, 37% of the respondents had ever wagered on the outcome of sports or other events with friends, acquaintances or co-workers. Recent participation, in the past year, was 24% while 1.2% of the respondents said that they wagered regularly on the outcome of events with friends or co-workers. This type of wagering is most popular among respondents under the age of 30 and the conversion rate from lifetime participation to regular play is also highest among respondents in this age group.

Sports Betting with a Bookie (Figure 9)

Only 1.6% of the respondents had ever wagered on sports through a bookie. Recent participation, in the past year, was even lower (0.3%) while only one respondent claimed to wager on sports through a bookie on a weekly basis. Montana respondents between the ages of 50 and 64 are most likely to have ever wagered on sports through a bookie.

Horse Racing (Figure 10)

Overall, 31% of the respondents had ever wagered on horse or mule races, whether on track, off track or through a bookie. Recent participation, in the past year, was 10% while less than one percent (0.4%) of the respondents said that they wagered on horse or mule races regularly. Respondents between the ages of 40 and 49 were most likely to have ever wagered on horse races while those between 30 and 39 were most likely to do so regularly.

While overall conversion rates are highest for lottery games, Montana gaming machines and card games, these rates are quite variable according to the age of the respondent. Conversion rates by age group for the most popular types of gambling are shown in Figures 1 through 10.

Instant Lottery Games (Figure 1)

Overall, 63% of the respondents had ever played Montana's instant lottery games. Recent participation, in the past year, was 46% while 10% of the respondents said that they played instant lottery games regularly. That is, 16% of those who have ever tried Montana's instant lottery games have become regular players. Instant lottery games are most popular among respondents aged 30 to 39 although the conversion rate from those who have ever played to those who play regularly is highest for respondents aged 50 to 64.

Other Lottery Games (Figure 2)

Overall, 50% of the respondents had ever bet on lottery games besides instant lottery. Recent participation, in the past year, was 46% while 16% of the respondents said that they played lottery games regularly. That is, 33% of those who ever played lottery games have become regular weekly players. Lottery games are most popular among respondents aged 50 to 64 and the conversion rate is also highest for players in this age group.

Live Bingo or Keno (Figure 3)

Overall, 36% of the respondents had ever played live bingo or keno games. Recent participation, in the past year, was 19% while only 2% of the respondents said that they played live bingo or keno regularly. That is, 7% of the respondents who had ever played live bingo or keno games have become regular players. Montana residents between the ages of 30 and 39 are most likely to have ever played live bingo or keno. Those over the age of 65 are most likely to be regular players.

Charitable Gaming (Figure 4)

Overall, 56% of the respondents had ever spent money on charitable gaming. Recent participation, in the past year, was 40% while only 2% of the respondents said that they spent money on charitable gaming regularly. Only 3% of those who have ever spent money on charitable gaming have become regular weekly participants. Respondents between the ages of 30 and 49 are most likely to have ever participated in charitable gaming.

Montana Gaming Machines (Figure 5)

Overall, 53% of the respondents had ever spent money on gaming machines such as keno, poker or pinball, in Montana. Recent participation, in the past year, was 44% while 9% of the respondents said that they spent money on gaming machines regularly. That is, 16% of those who have ever spent money on gaming machines have become regular weekly participants. Wagering on Montana gaming machines is most popular among respondents under the age of 40 although respondents over the age of 65 are most likely to become regular players.

Other Types of Gambling

Respondents were asked about their participation in a variety of other types of wagering, including high-stakes private card games, fantasy sports leagues, speculative investments, and out-of-state gaming machines and casino games. Very small numbers of respondents had participated in any of these types of wagering. The conversion rates for all of these types of wagering tend to be extremely low.

Out-of-State Gaming Machines

Overall, 40% of the respondents had ever wagered on gaming machines at casinos outside of Montana. Recent participation, in the past year, was 15% while less than 1% of the respondents said that they played gaming machines at casinos outside of Montana on a regular basis. In contrast to gaming machines in Montana, wagering on gaming machines outside of Montana is most popular among respondents aged 50 to 64.

Other Out-of-State Casino Games

Overall, 19% of the respondents had ever wagered on card or dice games in out-of-state casinos. Recent participation, in the past year, was 5% while none of the respondents said that they wagered on out-of-state casino games regularly. As with gaming machines at out-of-state casinos, this low level of regular participation is easily explained by the distances that Montana residents must travel in order to wager on such games regularly. Respondents over the age of 65 were most likely to have played card or dice games at an out-of-state casino in the past year.

Speculative Investments

Overall, 11% of the respondents had ever wagered on speculative investments such as real estate, high risk stocks, option or futures. Recent participation, in the past year, was 5% while only one respondent said that he wagered on speculative investments on a regular basis.

High Stakes Private Card Games

Overall, 4% of the respondents had ever participated in high stakes private card games. Recent participation, in the past year, was 1.4% while only one respondent claimed to participate in high stakes private card games on a regular weekly basis. Montana residents under the age of 30 were most likely to have ever participated in high stakes private card games.

Fantasy Sports Leagues

Overall, only 1.5% of the respondents had ever wagered on fantasy sports leagues. Recent participation, in the past year, was 1.1% while none of the respondents said that they wagered regularly on fantasy sports leagues.

Reasons for Gambling

All respondents who indicated that they had ever taken part in any gambling activities (N=822) were asked to say why they did so. The most frequently cited reason for gambling was for fun or entertainment (45%). Other important reasons included winning money (20%), socializing (13%) and to support worthy causes (10%). Just over 1% of the respondents who gambled said that they did so to distract themselves from everyday problems.

Reasons given by Montana respondents for their participation in gambling activities differ most by gender, race, education and income. For example, women are more likely to say that they gamble to support worthy causes while men are more likely to say that they gamble for fun or entertainment. White respondents are less likely than non-White respondents to say that they gamble for excitement and challenge or to win money. Respondents with less than a high school education are more likely than those with higher education to say that they gamble in order to win money. Respondents with low annual household incomes are more likely than other respondents to say that they gamble in order to distract themselves from everyday problems.

Questions about reasons for gambling have only been asked in Montana and South Dakota. In South Dakota, reasons given by respondents for their participation in gambling differ most by gender, age and income. In South Dakota, men are more likely than women to say that they gamble for excitement or to win money. In South Dakota, respondents over 65 are less likely than younger respondents to say that they gamble in order to socialize or for excitement while in Montana, respondents over 65 are more likely to say that they gamble for these reasons. South Dakota respondents with low incomes are less likely than higher income respondents to say that they gamble in order to socialize or for entertainment.

Favorite Gambling Activities

Respondents were asked to identify their favorite type of gambling. As Figure 11 illustrates, over a quarter of the respondents who gambled preferred gaming machines such as video bingo, video keno and video poker. Other favorite gambling activities include instant lottery tickets, other lottery games, horse race wagering and live bingo and keno. The expressed preference for gaming machines contrasts with South Dakota, where nearly a quarter of the respondents who gambled indicated that they had no favorite gambling activity.

Recent Changes in Gambling Involvement

Based on information gathered by the University of Montana, there appears to have been a recent increase in the rate of gambling involvement among Montana residents. The 1989 Montana Poll found that 55% of the respondents had participated in some form of commercial gambling in the past year, including buying lottery tickets, wagering on horse races, playing live or video games, and wagering on sports or charitable games (Johnson 1990). In 1992, 73% of the respondents said that they had participated in one or more of these types of wagering in the past year. Even taking different measurement techniques into account, this is a sizable increase in the numbers of Montana residents who have recently participated in commercial gambling activities.

Expenditures on Different Types of Gambling

All respondents who had done any kind of gambling in the past year were asked to indicate how much money they spend on that activity in a typical month. The total monthly expenditure for each gambling activity was calculated by summing the amount of money spent by each respondent on each gambling activity. The total amount spent in a typical month by all respondents on all gambling activities was then calculated. The proportion of total monthly expenditure spent on each gambling activity was calculated by dividing the amount spent on each activity by the total monthly expenditure. Figure 12 illustrates the proportion of the total monthly expenditure associated with the most popular gambling activities in Montana.

Figures provided by the Montana Gambling Control Division were used to assess the reliability of estimates of expenditure provided by respondents in the survey. It should be noted that the figures from the Gambling Control Division are also estimates of expenditures on gambling although these figures are based on actual tax revenues. Average annual expenditures for different types of gambling were developed by multiplying the average monthly expenditure to obtain an annual figure and then multiplying this figure by the adult population of Montana. While the estimated annual expenditure for live bingo and keno is close to the Gambling Control Division figure, the estimated annual expenditure on Montana gaming machines is significantly lower. Estimated annual expenditures for lottery games and horse racing are higher than estimated by the Gambling Control Division.

Differences in estimates of gambling expenditure illustrate the importance of treating the estimated expenditure data from this and similar surveys with caution. These data are better suited for analyzing the relative importance of different types of gambling in the general population than for ascertaining actual spending levels on these types of wagering.

Several adjustments were made in calculating the total monthly expenditure on gambling for Montana. The first adjustment was to exclude a single individual who claimed to spend \$10,000 per month on the stockmarket. Another adjustment was to exclude speculative investments of all kinds from the calculation of total monthly expenditure. Amounts spent on speculative investments constitute 89% of the unadjusted total monthly expenditure. However, these investments are not universally regarded as a gambling activity. In addition, speculative investments reflect very large amounts of money (nearly \$500,000 per month) spent by a small number of respondents (5% of the sample).

A final adjustment was to exclude estimated monthly expenditures on out-of-state gambling in casinos and on gaming machines. Analysis of these data suggests that respondents may have been estimating annual expenditures on these types of gambling rather than monthly expenditures. Expenditures on these types of gambling constitute 46% of the unadjusted total monthly expenditure. Since the timeframe for these estimates appears to be different from estimates for other types of gambling, these amounts were also excluded from the analysis. These adjustments were made in order to explicate the relative gambling expenditures of the majority of Montana respondents.

The total monthly expenditure on all gambling activities was divided by the number of respondents (N=1,020) to obtain an average amount spent per respondent. Using this method, we calculate that respondents spend an average of \$27 on all gambling activities per month. If this figure is taken as an average amount spent on gambling by all individuals over 18 in Montana, we estimate that the total expenditure on gambling activities in the state as a whole is \$190 million per year.

While out-of-state gambling expenditures were excluded from our analysis of estimated monthly expenditures, it is interesting to note that if these amounts are included, the total expenditure on gambling activities is \$353 million. This compares to a figure of \$350 million estimated by the Gambling Control Division. It is likely that some of the difference between Montana respondents' estimated gambling expenditures and the Gambling Control Division's estimates is created by expenditures by out-of-state visitors to Montana.

As with gambling involvement, monthly gambling expenditures vary across demographic groups. Men spend significantly more money gambling (\$36 per month) than women (\$20 per month). In contrast to South Dakota, there are no significant differences among Montana respondents' monthly expenditures on gambling in terms of age. As in South Dakota, the majority of players spend modestly but there is a small group of respondents who spend over \$50 per month. In South Dakota, 10% of the respondents spent over \$50 per month on gambling while 13% of the Montana sample spent over \$50 per month on gambling.

Figure 13 illustrates differences in the distribution of the estimated amounts spent on different gambling activities. Gaming machines and non-instant lottery games in Montana attracted the greatest monthly gambling expenditures. Wagering on horse races was characterized by a high proportion of players who spent over \$50 per month although the total monthly expenditure on horse races is much less than the amounts spent on Montana gaming machines or non-instant lottery games.

PROBLEM AND PATHOLOGICAL GAMBLING IN MONTANA

In order to assess the prevalence of problem and probable pathological gambling in Montana, respondents' scores on the South Oaks Gambling Screen items were tallied. Consistent with other uses of the South Oaks Gambling Screen, respondents scoring 3 or 4 points on the lifetime SOGS items were classified as "lifetime problem gamblers" while respondents scoring 5 or more points were classified as "lifetime probable pathological gamblers."

Comparing Montana Prevalence Rates with Other States

The combined lifetime prevalence rates of problem and pathological gambling in Montana are higher than in Iowa and South Dakota but lower than in the Northeast of the United States.

TABLE 3
Comparing Lifetime Prevalence Rates by State

State	Problem & Pathological Gamblers	Adult Population (approximate)	Sample Size
Massachusetts	4.4%	4 million	750
New York	4.2%	13 million	1,000
New Jersey	4.2%	6 million	1,000
California	4.1%	20 million	1,250
Maryland	3.9%	3 million	750
Montana	3.6%	577,000	1,020
South Dakota	2.8%	500,000	1,560
Iowa	1.7%	3 million	750

According to the 1990 census, the population over 18 in Montana is 576,960 individuals. Calculation of the lifetime SOGS items shows that 1.3% of the Montana sample scored as lifetime probable pathological gamblers and 2.3% of the sample scored as lifetime problem gamblers. Based on these figures, we estimate that between 3,500 and 11,500 Montana residents can be classified as lifetime probable pathological gamblers. In addition, we estimate that between 8,000 and 18,600 Montana residents can be classified as lifetime problem gamblers.

In contrast to every other state where similar surveys have been done, there is only one significant difference between respondents who scored as lifetime problem or probable pathological gamblers and the larger sample. Lifetime problem and probable pathological gamblers in Montana are significantly more likely than the larger sample to be under 30 years of age. Lifetime problem and

probable pathological gamblers in Montana are not significantly more likely to be men than the larger sample. This is notable because of the salience of this demographic variable in every other study of gambling involvement and problem gambling in the general population.

Current Prevalence Rates in Montana

In Montana, as in South Dakota and Texas, current prevalence rates of problem and probable pathological gambling were determined in addition to lifetime prevalence rates. For each of the SOGS items, Montana respondents were asked whether the question applied to lifetime and to the past year. In Texas, a one-year measure of current prevalence was also used while in South Dakota, a 6-month measure was used. Respondents scoring 3 or 4 points on these current SOGS items were classified as "current problem gamblers" while respondents scoring 5 or more points on these items were classified as "current probable pathological gamblers."

Calculation of the current SOGS items shows that 0.7% of the Montana sample scored as current probable pathological gamblers and 1.5% of the sample scored as current problem gamblers. Based on these figures, we estimate that between 1,100 and 7,000 Montana residents can be classified as current probable pathological gamblers. We estimate that an additional 4,400 and 12,900 Montana residents can be classified as current problem gamblers.

Current prevalence rates of problem and probable pathological gambling are slightly higher than similar figures obtained in South Dakota. In South Dakota, 0.6% of the sample scored as current probable pathological gamblers and 0.8% of the sample scored as current problem gamblers.

DISCUSSION

This discussion focuses on comparisons of Montana with other states where similar surveys of gambling involvement and problem gambling have been done. The first section compares gambling involvement in the general population across states. The second section compares problem and probable pathological gamblers across states. The third section compares Montana with two other states where data were collected on lifetime gambling involvement.

Gambling Involvement Across States

Comparison of the following table with Table 1 suggests that there are only slight differences between the general population and the population that gambles in each state. Gamblers in the general population are more likely to be men than the general population. Gamblers living in the Northeast and in Iowa are more likely to be White and unmarried than the general population. Gamblers in Iowa are more likely to have low household incomes than the general population and gamblers in Iowa and South Dakota are more likely to be under the age of 30 than the general population.

TABLE 4
Characteristics of Gamblers in the General Population

Gamblers in the General Population	East Coast*	Iowa	South Dakota	Montana
Male	47%	43%	46%	50%
Non-White	16%	2%	3%	4%
Under 30	25%	24%	19%	16%
High School Graduate	89%	88%	91%	93%
Unmarried	45%	36%	33%	35%
Annual HH Income Under \$25,000	30%	48%	46%	40%

* Includes Maryland, Massachusetts, New Jersey and New York.

Comparison of these data with the only national survey of gambling involvement undertaken in the United States (Kallick-Kaufmann 1979) suggests that the demographic characteristics of gamblers have changed in the past seventeen years. Lifetime gambling participation has become more common among women, minorities, young adults, and individuals with lower education and income. These are groups that in the past were much less likely to gamble.

Preferred Types of Wagering Across States

In examining differences among states in relation to participation in gambling, it should be noted that data on gambling involvement from Montana are more detailed than data collected in any other state except South Dakota. We are able to compare gambling involvement in Montana and South Dakota with gambling involvement in other states for only five classes of wagering. In addition, we are only able to analyze these differences for lifetime participation rather than for recent or regular participation.

TABLE 5
Types of Gambling by Gamblers in the General Population

Types of Gambling Ever Tried	East Coast*	Iowa	South Dakota	Montana
Gaming Machines	49%	37%	54%	65%
Bingo	40%	31%	49%	36%
Played Card Games for Money	38%	39%	30%	8%
Parimutuel Wagering (horses and dogs)	37%	33%	30%	30%
Sports Betting (inc. pools, bets w/bookies)	27%	24%	43%	29%

* Includes Maryland, Massachusetts, New Jersey and New York.

Montana respondents are much more likely than respondents from other states to have ever wagered on gaming machines. Gaming machine wagering is lowest in Iowa where access to this type of gambling is most restricted. Respondents from Montana are much less likely than respondents from any other state to have played card games for money. Respondents from Montana are somewhat less likely to have wagered on horse racing than respondents from Iowa and South Dakota and just as likely as those from every state except South Dakota to have wagered on sports.

Problem and Probable Pathological Gambling Across States

The following discussion addresses differences between those who scored as lifetime problem or probable pathological gamblers in different states where similar surveys have been carried out in the general population. Differences in demographics, gambling involvement, personal and interpersonal costs and types of gambling-related debt are highlighted. Again, comparisons are limited to those scoring as lifetime problem or probable pathological gamblers since current prevalence data are only available from Montana and South Dakota. In addition, the numbers of individuals who score as current problem or probable pathological gamblers are too small to yield statistically significant comparisons in many cases.

Demographics of Problem and Probable Pathological Gamblers

To compare the demographics of problem and pathological gamblers, respondents in each state who scored as lifetime problem gamblers were combined with those who scored as lifetime probable pathological gamblers. This approach is based on our concern with determining differences between respondents without gambling problems and respondents with moderate to severe gambling problems.

As the following table makes clear, lifetime problem and probable pathological gamblers in all states are more likely to be male than the general population. However, lifetime problem and probable pathological gamblers in Montana are more likely to be women than those in any other state. In Montana, the ratio of female to male lifetime problem and probable pathological gamblers nearly matches the male to female ratio in general population.

TABLE 6
Comparing the Demographics of Problem and
Pathological Gamblers by State

Demographics of Problem & Pathological Gamblers	East Coast* (N=146)	Iowa (N=13)	South Dakota (N=44)	Montana (N=36)
Male	71%	62%	61%	53%
Non-White	34%	0%	9%	6%
Under 30	34%	39%	32%	33%
High School Graduate	77%	85%	86%	94%
Unmarried	54%	39%	64%	33%
Annual HH Income Under \$25,000	36%	23%	59%	47%

* Includes Maryland, Massachusetts, New Jersey and New York.

Lifetime problem and probable pathological gamblers in every state are more likely to be under the age of 30 than the general population. Lifetime problem and probable pathological gamblers in every state except Iowa are more likely to be non-White and to have annual household incomes under \$25,000 than the general population. Lifetime problem and probable pathological gamblers in South Dakota are more likely to be unmarried than the general population.

Gambling Involvement of Problem and Probable Pathological Gamblers

For the same reasons noted in the discussion of gambling involvement in the general population, gambling involvement among problem and probable pathological gamblers can be compared for only five classes of wagering. In addition, these differences can only be analyzed for lifetime participation.

TABLE 7
Gambling Involvement of
Problem and Pathological Gamblers by State

Type of Gambling	East Coast* (N=146)	Iowa (N=13)	South Dakota (N=44)	Montana (N=36)
Gaming Machines	71%	62%	75%	92%
Bingo	54%	39%	75%	56%
Played Card Games for Money	69%	92%	59%	25%
Parimutuel Wagering (horses & dogs)	62%	62%	55%	53%
Sports Betting	62%	69%	73%	44%

* Includes Maryland, Massachusetts, New Jersey and New York.

There are several differences in the lifetime gambling involvement of problem and probable pathological gamblers in Montana compared to those in other states. Problem and pathological gamblers in Montana are much more likely to have played gaming machines than problem and probable pathological gamblers in other states. Problem and probable pathological gamblers in Montana are much less likely to have wagered on sports or card games than problem and probable pathological gamblers in other states.

Scoring on the South Oaks Gambling Screen

Items in the SOGS are divided into two sections: (1) the personal and interpersonal effects of gambling involvement and (2) borrowing to gamble or to pay gambling debts. Scores on lifetime SOGS items related to these two domains are presented separately.

TABLE 8
Personal and Interpersonal Costs
of Problem and Pathological Gambling by State

Personal & Interpersonal Costs	East Coast* (N=146)	Iowa (N=13)	South Dakota (N=44)	Montana (N=36)
Spend more time or \$ than intended	82%	77%	89%	89%
Felt guilty about way you gamble	75%	92%	80%	58%
People criticized gambling	55%	31%	68%	44%
Claimed to win but in fact lost	35%	31%	30%	20%
Wanted to stop gambling but could not	35%	8%	32%	31%
Hidden evidence of gambling	27%	15%	27%	28%
Go back another day to win back \$	19%	23%	18%	25%
Had family arguments about gambling	19%	---	23%	22%

* Includes Maryland, Massachusetts, New Jersey and New York.

Lifetime problem and probable pathological gamblers in Montana are most similar to lifetime problem and probable pathological gamblers in South Dakota in terms of the personal and interpersonal costs associated with their gambling. Problem and probable pathological gamblers in Montana are somewhat less likely to say that they claimed to be winning at gambling when they lost and to acknowledge feeling guilty about the way that they gamble. They are just as likely as problem and probable pathological gamblers in most other states to "chase" their gambling losses, to spend more time or money than they intended on gambling, to want to stop gambling, and to have hidden evidence of gambling from family and friends.

TABLE 9
Comparing Borrowing Activities
of Problem and Pathological Gamblers by State

Borrowing Activities of Problem & Pathological Gamblers	East Coast* (N=146)	Iowa (N=13)	South Dakota (N=44)	Montana (N=36)
Relatives	22%	8%	30%	14%
Household Money	18%	---	21%	42%
Spouse	13%	---	7%	47%
Banks or Loan Companies	12%	---	7%	6%
Credit Cards	11%	---	11%	22%
Passed Bad Checks	7%	15%	9%	22%
Loan Sharks	5%	---	2%	6%
Cashed Stocks or Bonds	4%	8%	9%	3%
Sold Personal or Family Property	3%	---	11%	11%

* Includes Maryland, Massachusetts, New Jersey and New York.

Problem and probable pathological gamblers in Montana are more likely to have borrowed from household funds, from a spouse, on credit cards, and by passing bad checks than those in any other state. Problem and probable pathological gamblers in Montana are less likely to have borrowed from relatives than those in any state except Iowa. These respondents are also less likely to have cashed stocks or bonds than problem and probable pathological gamblers in Iowa or South Dakota.

Retrospectives on Gambling Careers

In Iowa, Massachusetts and Montana, respondents who had ever gambled were asked several questions about their lifetime involvement in gambling. In all three states, there are significant differences among three groups of respondents, including those who provided information about the age at which they started gambling (Montana N=733), those who had at some time felt nervous about the amounts they were gambling (Montana N=56), and those who scored as lifetime problem or probable pathological gamblers (Montana N=36). In all three states, respondents who became nervous and those who scored as problem or probable pathological gamblers are more likely to be men and under the age of 30 than respondents who gave the age at which they first gambled. In Montana, over half (56%) of the respondents who scored as lifetime problem or probable pathological gamblers claimed that they had never felt nervous about the amounts they were wagering.

As the following table shows, the group that became nervous was significantly more likely to be male than those who had never felt nervous. The group that scored as problem or probable pathological gamblers was significantly more likely to be under the age of 30 than those who had never felt nervous. There were no significant differences, however, between those who had felt nervous and those who scored as problem gamblers.

TABLE 10
Demographic Characteristics of
Those Who Gambled, Those Who Became Nervous
and Problem Gamblers

Demographics	Those Who Gambled and Gave Age (N=733)	Those Who Had Felt Nervous (N=56)	Problem & Pathological Gamblers (N=36)
Male	47%	71%	53%
Under 30	16%	20%	33%
White	96%	95%	94%
Married	65%	59%	67%
High School Graduate	94%	89%	94%
Income Less Than \$25,000/year	40%	39%	47%
5+ Types of Wagering in Past Year	16%	24%	34%

As the next table shows, there are several differences between those respondents who gave the age at which they began wagering, those who became nervous, and those who scored as problem or probable pathological gamblers in terms of lifetime gambling involvement. The group that became nervous was significantly more likely to have played live bingo or keno, to have wagered on gaming machines and card games, and to have bet on the outcome of sports and other events with friends and co-workers than those who gave the age at which they began wagering.

The group that scored as problem or probable pathological gamblers was significantly more likely to have wagered on instant lottery games, Montana gaming machines, card games in Montana casinos, and horse races as well as to have bet on the outcome of sports and other events with friends and co-workers than those who gave the age at which they began wagering. There were no significant differences between those who had ever felt nervous about their gambling and those who scored as problem or probable pathological gamblers in terms of their lifetime involvement in gambling.

TABLE 11
Lifetime Wagering of
Those Who Gambled, Those Who Became Nervous
and Problem Gamblers

Types of Wagering Ever Tried	Those Who Gambled and Gave Age (N=733)	Those Who Had Felt Nervous (N=56)	Problem & Pathological Gamblers (N=36)
Gaming Machines	76%	86%	92%
Instant Lottery Games	73%	82%	92%
Charitable Gaming	66%	71%	67%
Other Lottery Games	59%	61%	72%
Bets with Friends or Co-Workers	42%	66%	61%
Live Keno or Bingo	40%	68%	56%
Horse Races	35%	36%	53%
Sports Pools	31%	45%	44%
Card Games	24%	50%	36%

The following table shows that respondents who became nervous about their wagering, as well as those who scored as problem or probable pathological gamblers, were more likely than other respondents to have started gambling before reaching 14 years of age. Respondents who scored as problem or probable pathological gamblers were also more likely to presently be under 30 years of age. Together, these data suggest that the period of time between starting to gamble and experiencing gambling-related problems is shorter for problem and probable pathological gamblers in Montana than it is for pathological gamblers entering professional treatment programs in the Northeast (Volberg 1992).

Respondents who gave the age at which they started wagering and those who scored as problem or probable pathological gamblers were most likely to have started wagering on gaming machines. Those who had ever felt nervous about their gambling were most likely to have started wagering on card games.

TABLE 12
Starting Age and Types of Wagering of
Those Who Gambled, Those Who Became Nervous
and Problem Gamblers

	Those Who Gambled and Gave Age (N=733)	Those Who Had Felt Nervous (N=56)	Problem & Pathological Gamblers (N=36)
Age When Started Wagering			
14 Years and Under	6%	16%	22%
15 to 17 Years	8%	23%	11%
18 to 24 Years	41%	30%	39%
25 Years and Over	45%	30%	28%
Current Age Group			
Under 30	16%	20%	33%
Over 30	84%	80%	67%
Type of Wagering When Started			
Sports (inc. bets w/friends)	11%	13%	19%
Cards	17%	43%	14%
Gaming Machines	37%	27%	45%

The following table illustrates that, as in Iowa and Massachusetts, the interval between when Montana respondents began wagering and when they became nervous about their wagering was much greater for problem and probable pathological gamblers than for those respondents who became nervous. It is worth noting once again that less than half of the respondents who scored as problem or probable pathological gamblers had ever felt nervous about their gambling.

TABLE 13
Mean Age and Favored Type of Wagering of
Those Who Gambled, Those Who Became Nervous
and Problem Gamblers

	Those Who Gambled and Gave Age (N=733)	Those Who Had Felt Nervous (N=56)	Problem & Pathological Gamblers (N=36)
Mean Age When Started	27	21	21
Mean Age When Became Nervous	---	24	30
Type of Wagering When Nervous			
Cards	---	30%	3%
Sports	---	14%	3%
Gaming Machines	---	23%	25%

Nearly a third of those who had ever felt nervous about their wagering had been playing cards and nearly a quarter had been wagering on gaming machines when this happened. In Iowa, nearly two-thirds of this group (63%) had been playing cards when they became nervous about their gambling and none had been wagering on gaming machines. Wagering on gaming machines was the most common type of gambling that problem and probable pathological gamblers in Montana who became nervous about their gambling were doing when this occurred.

SUMMARY AND CONCLUSION

Lifetime prevalence rates of problem and probable pathological gambling in Montana are higher than prevalence rates in Iowa or South Dakota although they remain below the rates detected in the Northeast of the United States. Current prevalence rates of problem and probable pathological gambling in Montana are higher than current prevalence rates in South Dakota. At a minimum, over 5,500 adults in Montana are currently experiencing moderate to severe problems related to their involvement in gambling.

Lifetime problem and probable pathological gamblers in Montana are more likely to be women than those in any other state. Lifetime problem and probable pathological gamblers in Montana are significantly more likely to be under the age of 30 than the general population. Problem and pathological gamblers in Montana are more likely to have played gaming machines and less likely to have wagered on sports or card games than problem and probable pathological gamblers in other states. Scoring patterns on lifetime SOGS measures in Montana are similar to the pattern exhibited by lower income pathological gamblers in other states (Volberg & Steadman 1992).

The state of Montana has recently legalized a great many types of gambling. The data from this survey indicate that significant numbers of the residents of Montana participate in these as well as other gambling, that they find gambling entertaining and enjoyable, and that they spend moderate amounts of money on gambling. It is clear that the state of Montana benefits from the gambling involvement of its citizens through the revenues raised from legal gambling. However, the results of this survey indicate that there are significant costs associated with gambling involvement among Montana residents, including financial, interpersonal and personal problems.

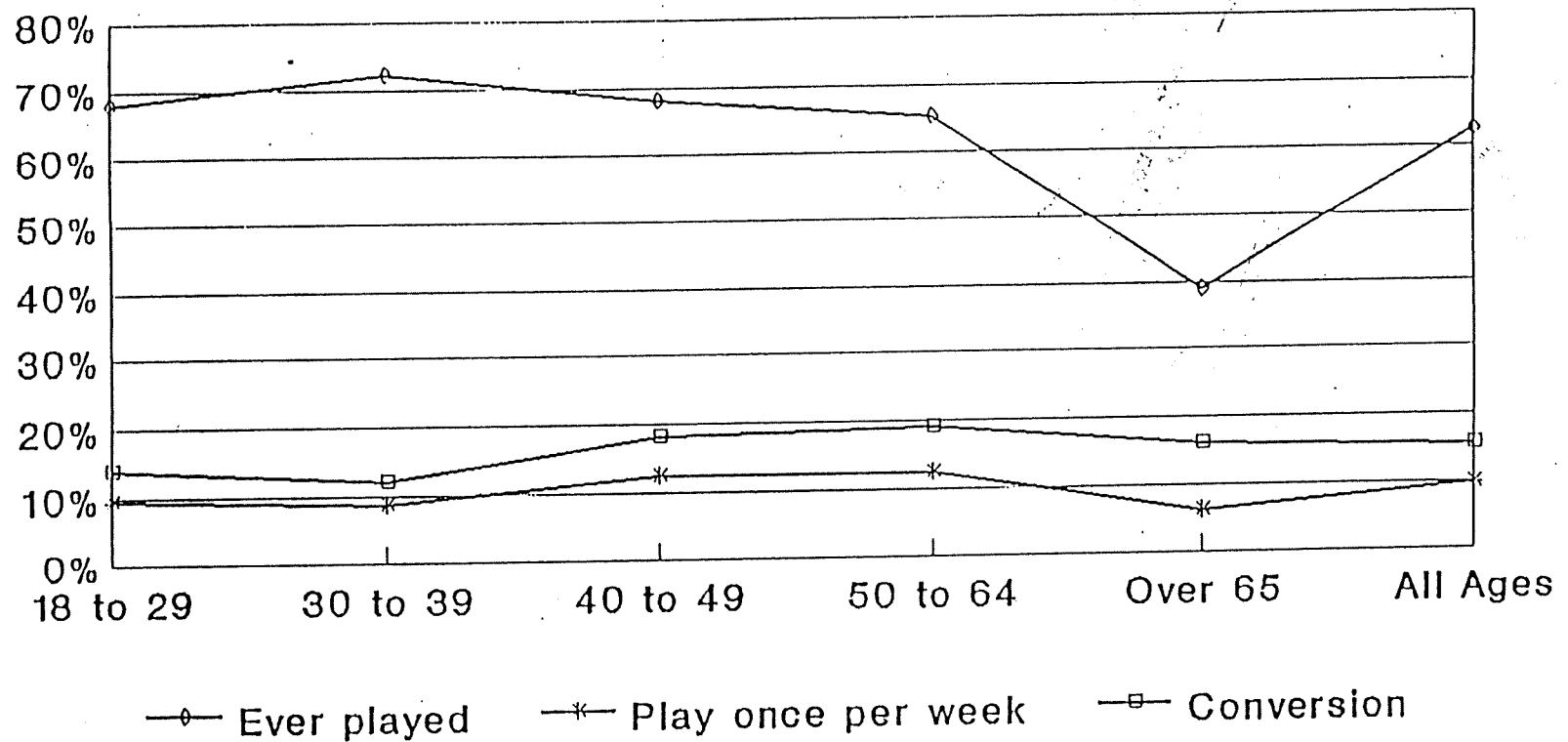
The data presented here provide a benchmark for future assessments of gambling involvement and problem gambling in Montana. These data also provide a foundation for policy making and planning for services for individuals who experience difficulties related to their involvement in gambling. Consideration must now be given to educating Montana residents about the potential problems associated with gambling, to providing treatment services for those individuals who experience problems related to their gambling, and to ensuring that adequate and continuing funds for such efforts are made available. In the future, it will be important for everyone concerned about and involved with legalized gambling in Montana to work together to develop ways to help those individuals who encounter problems related to their gambling.

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Figure 1

Instant Lottery Montana

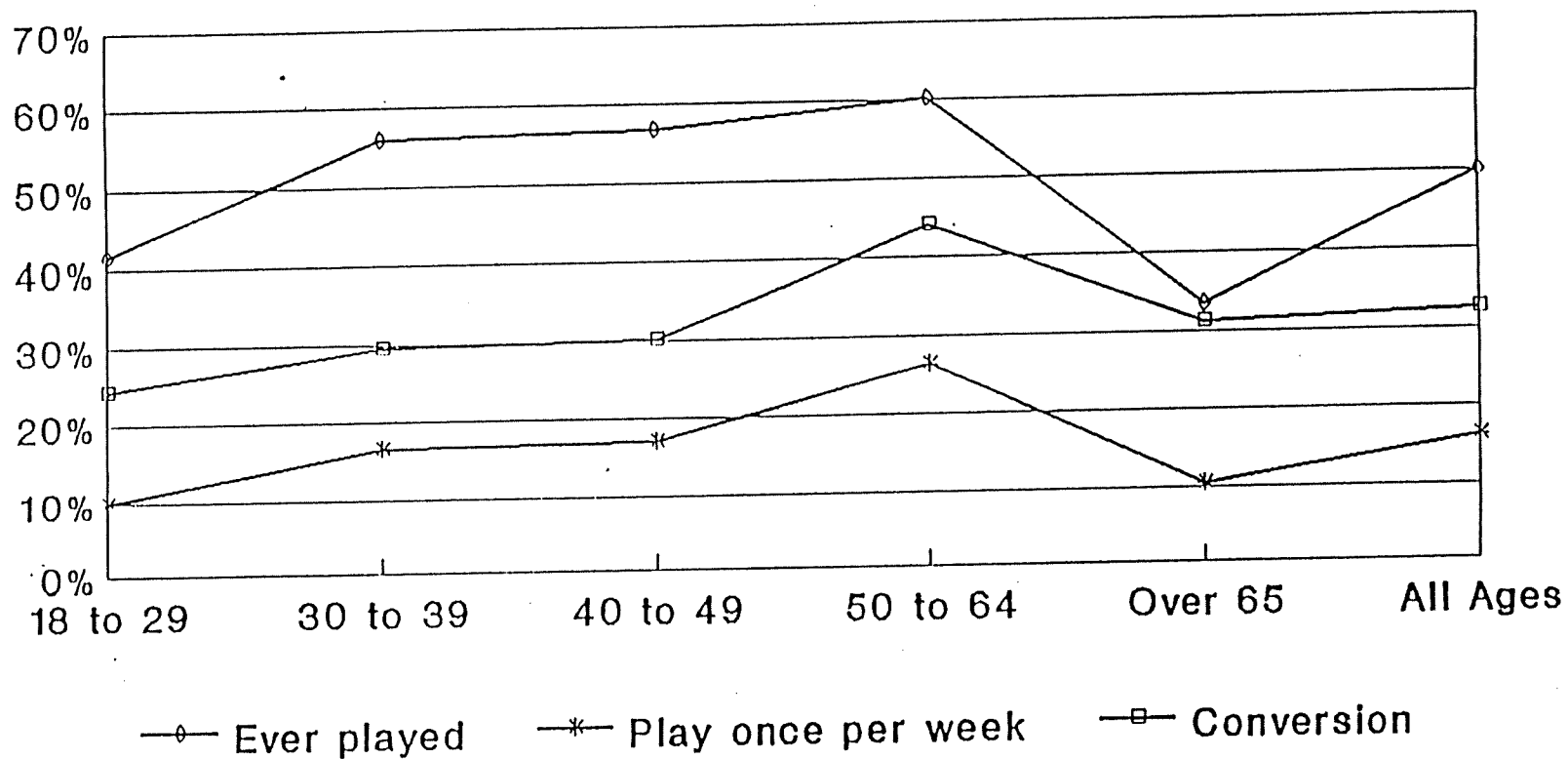


N=1020

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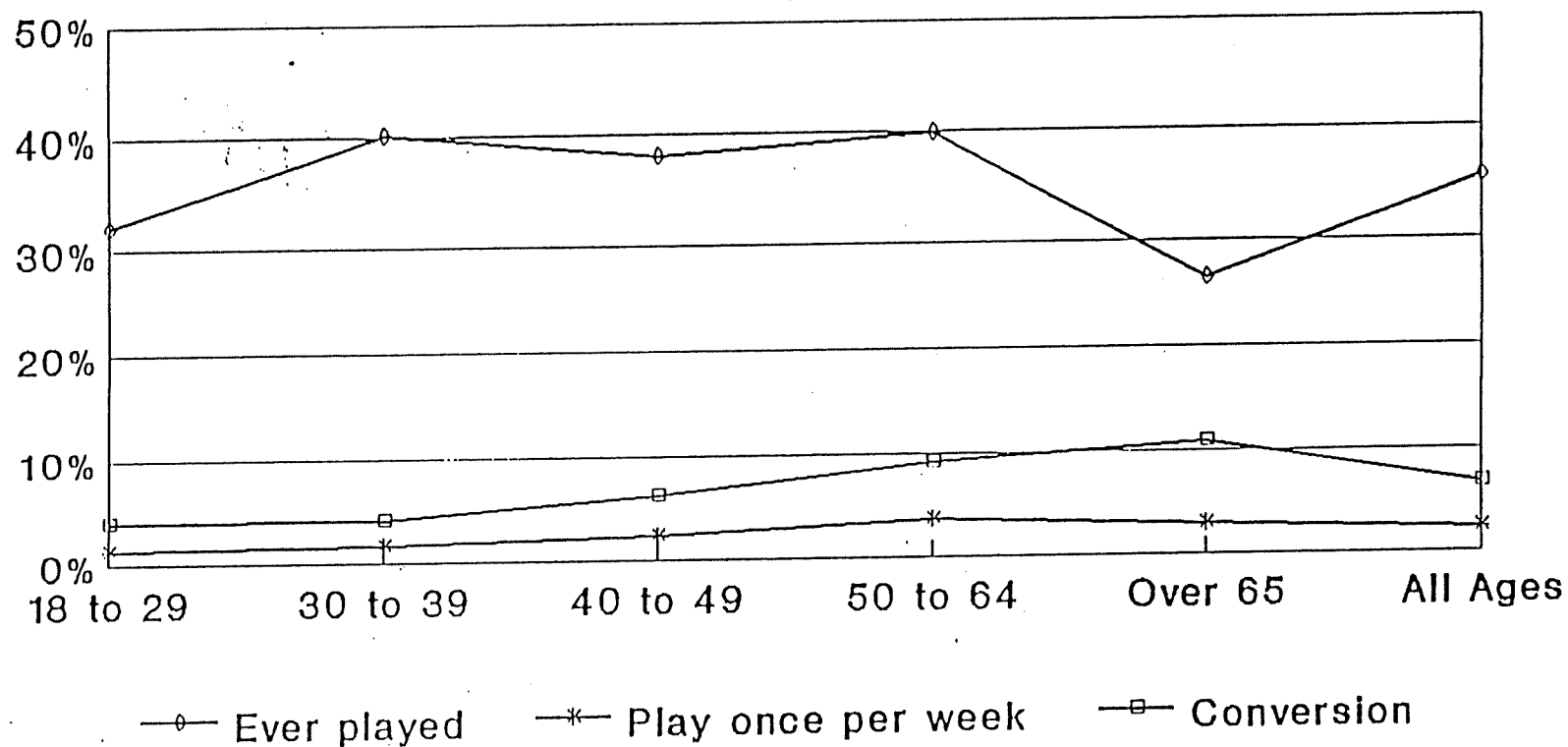
Figure 2

Other Lottery Montana



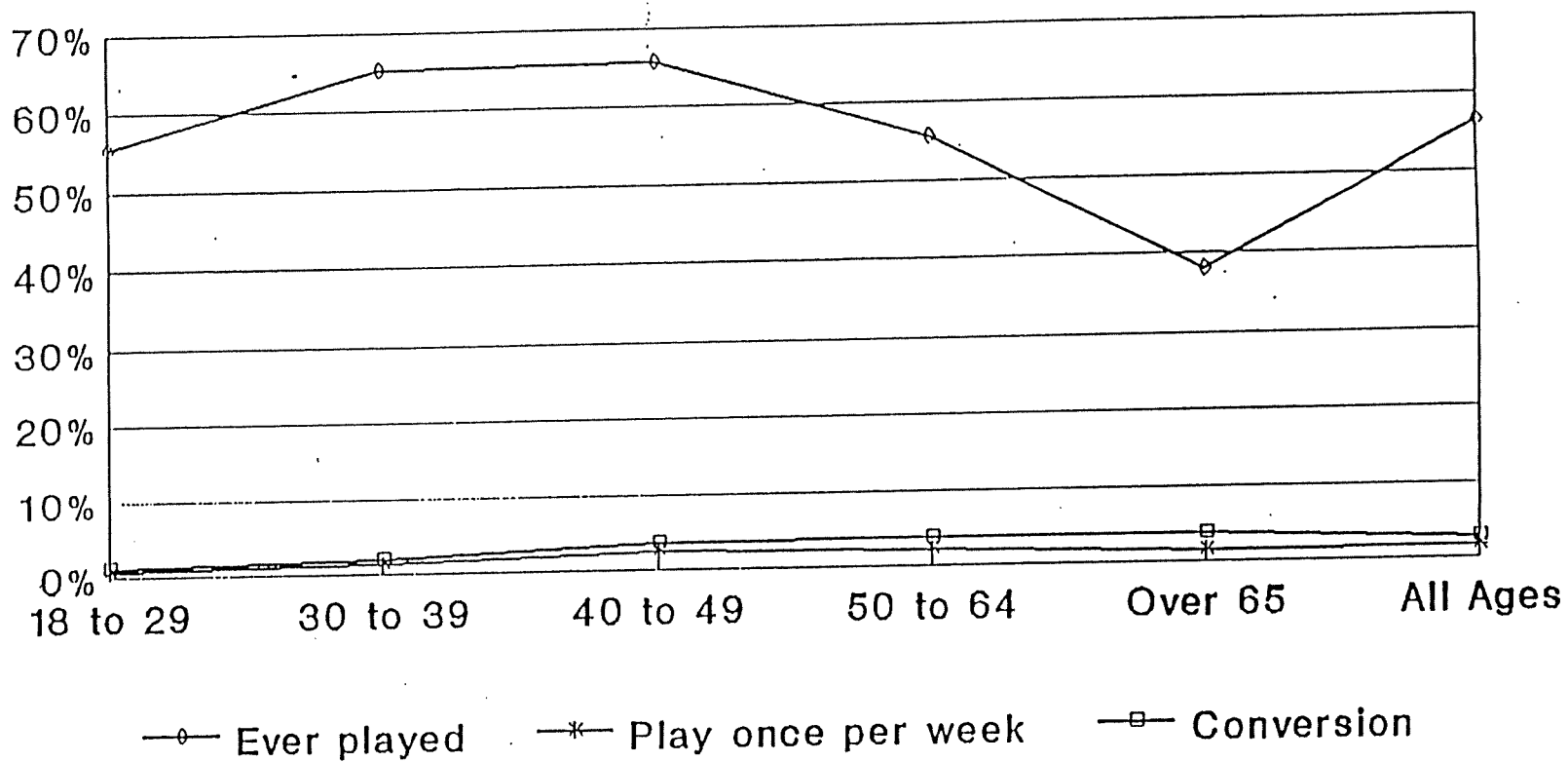
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Figure 3
Live Keno or Bingo
Montana



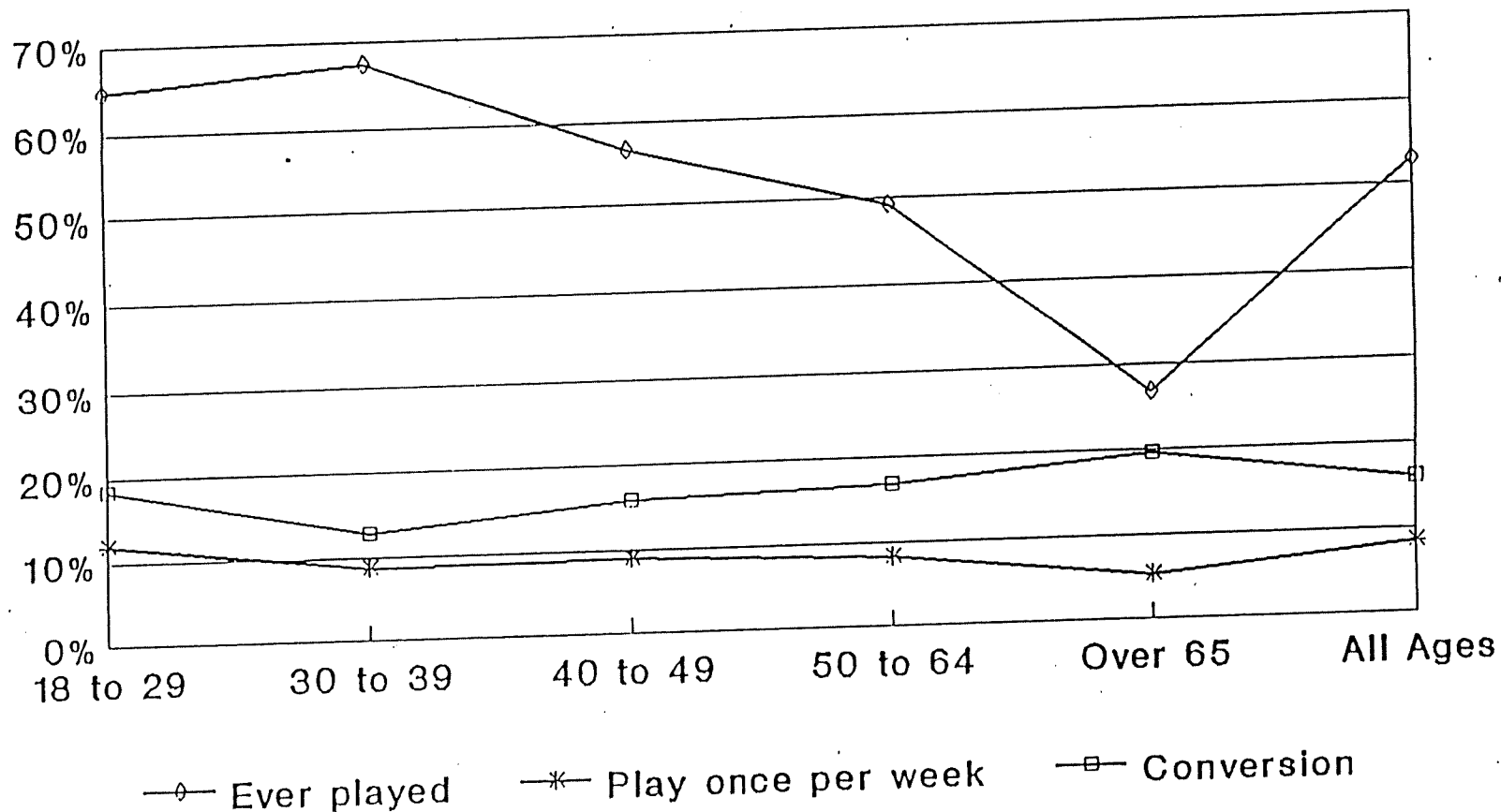
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Figure 4
Charitable Gaming
Montana



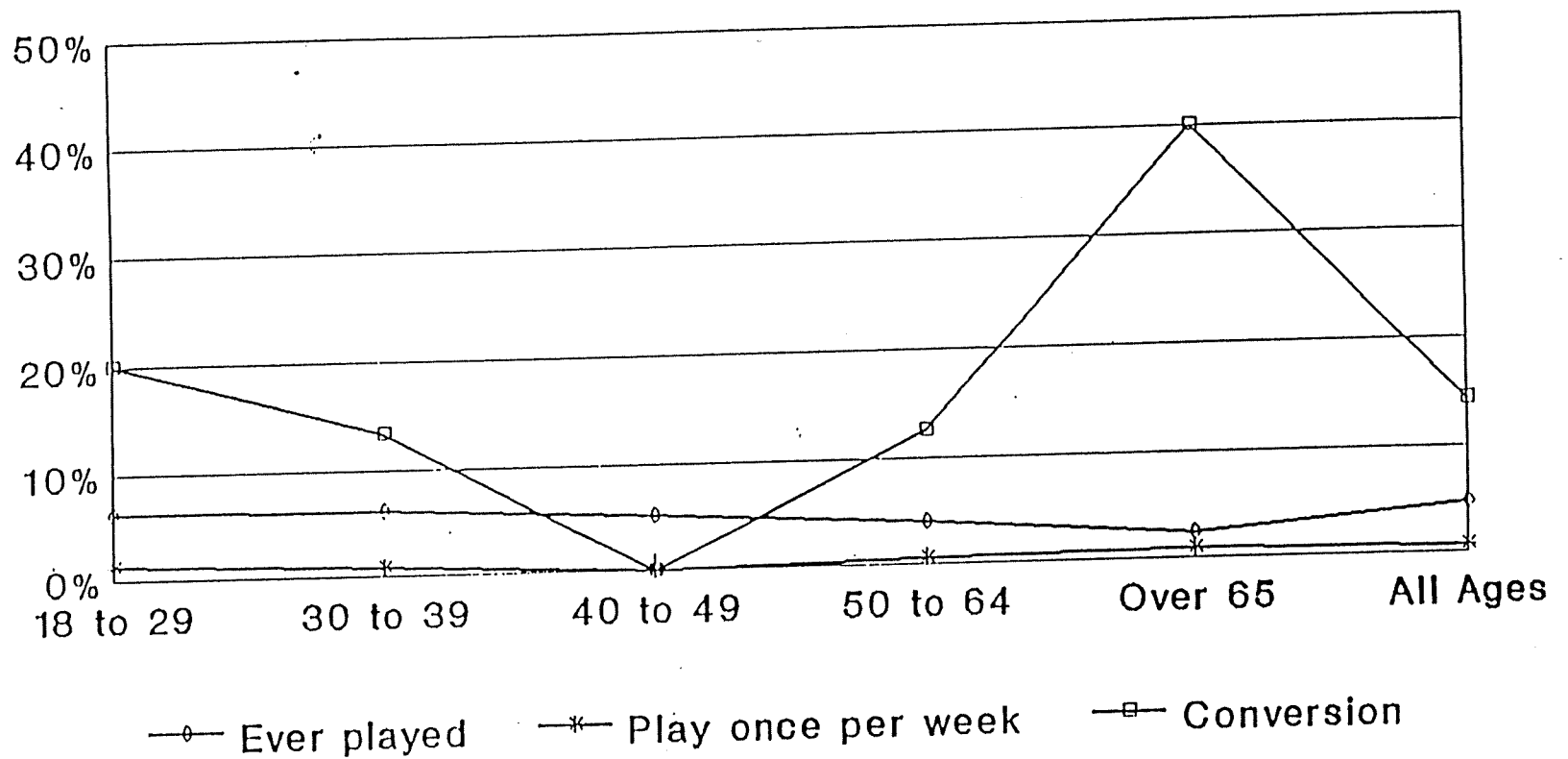
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Figure 5
Montana Gaming Machines



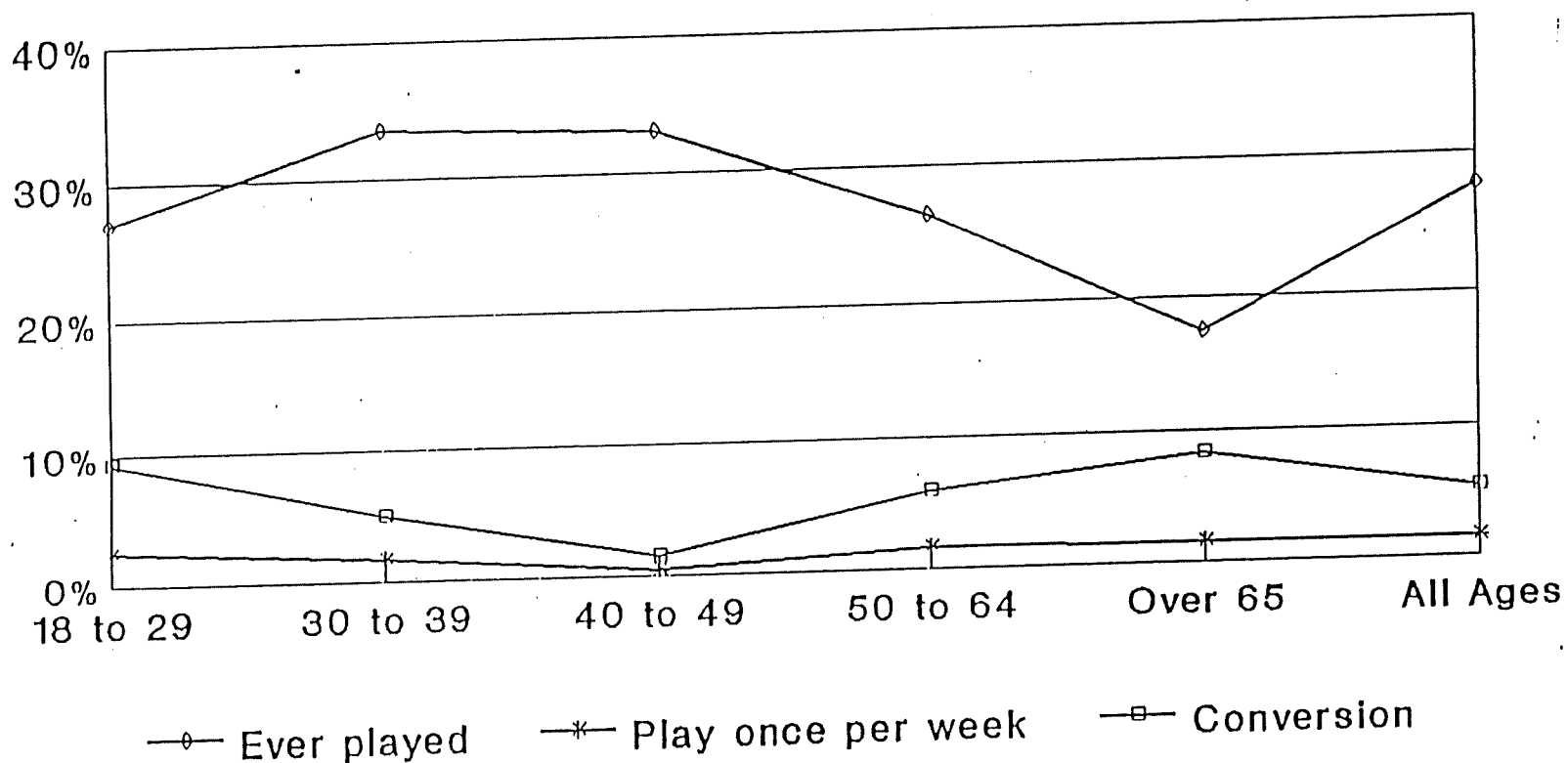
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Figure 6
Card Games
Montana



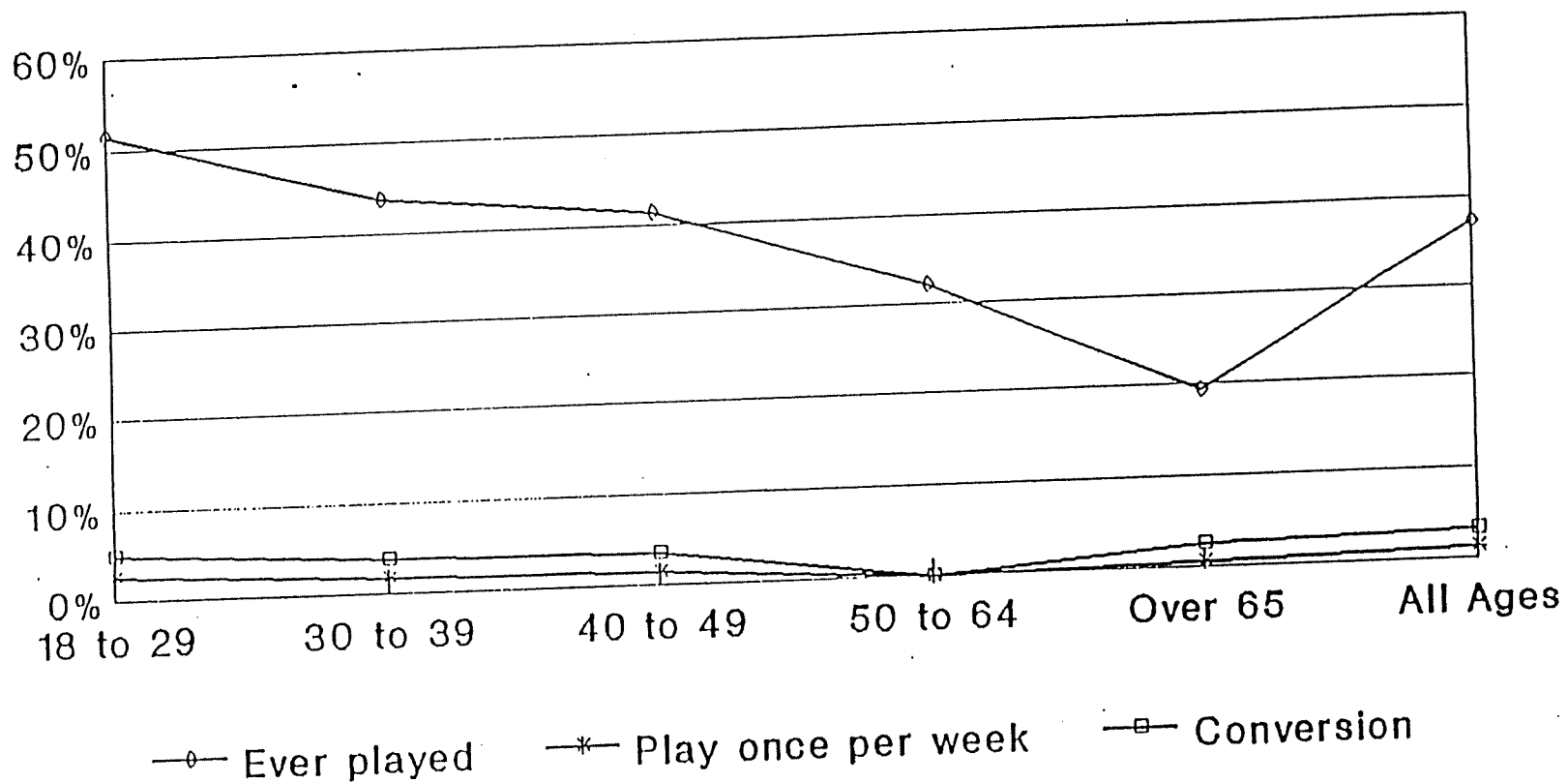
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Figure 7
Sports Pools
Montana



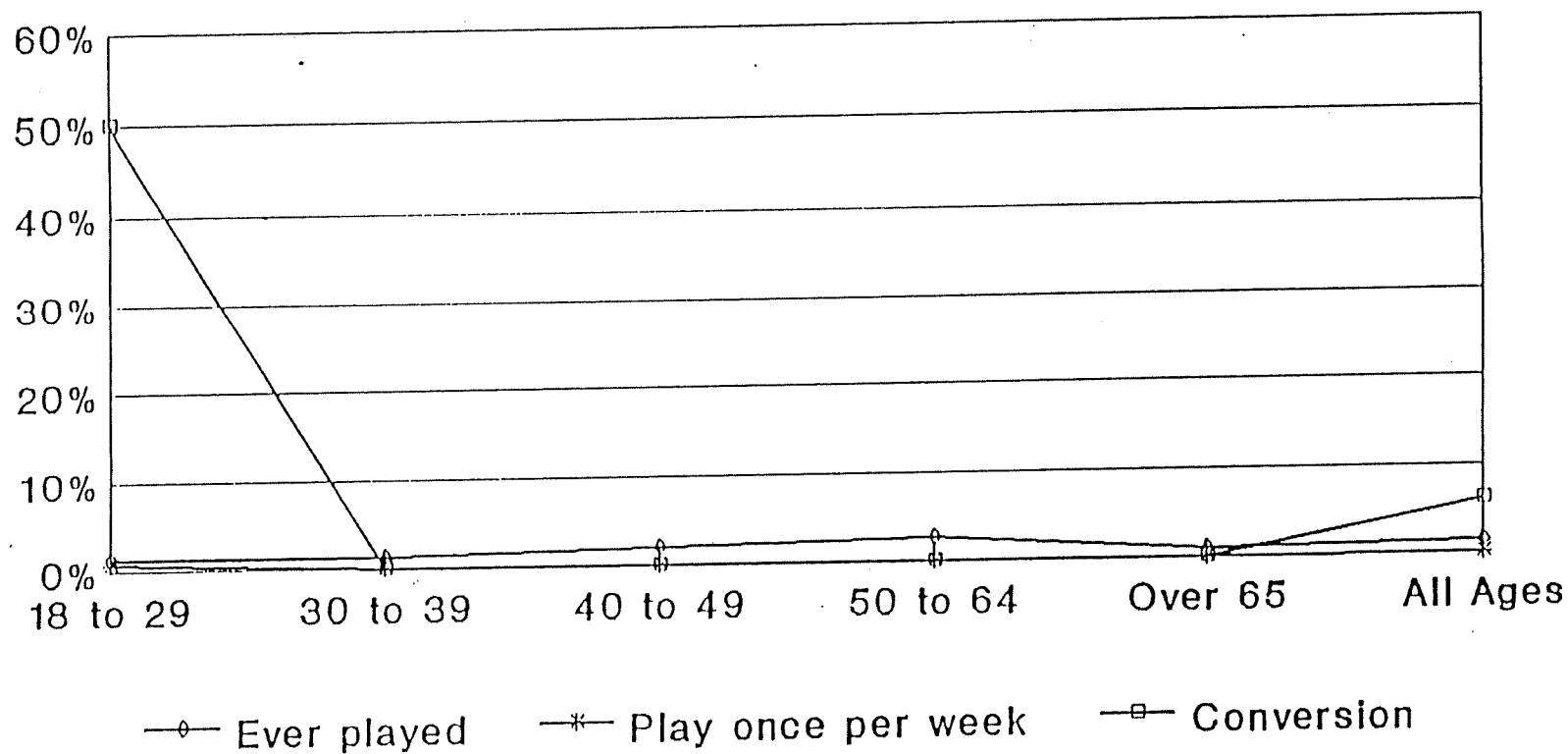
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Figure 8
Outcomes
Montana



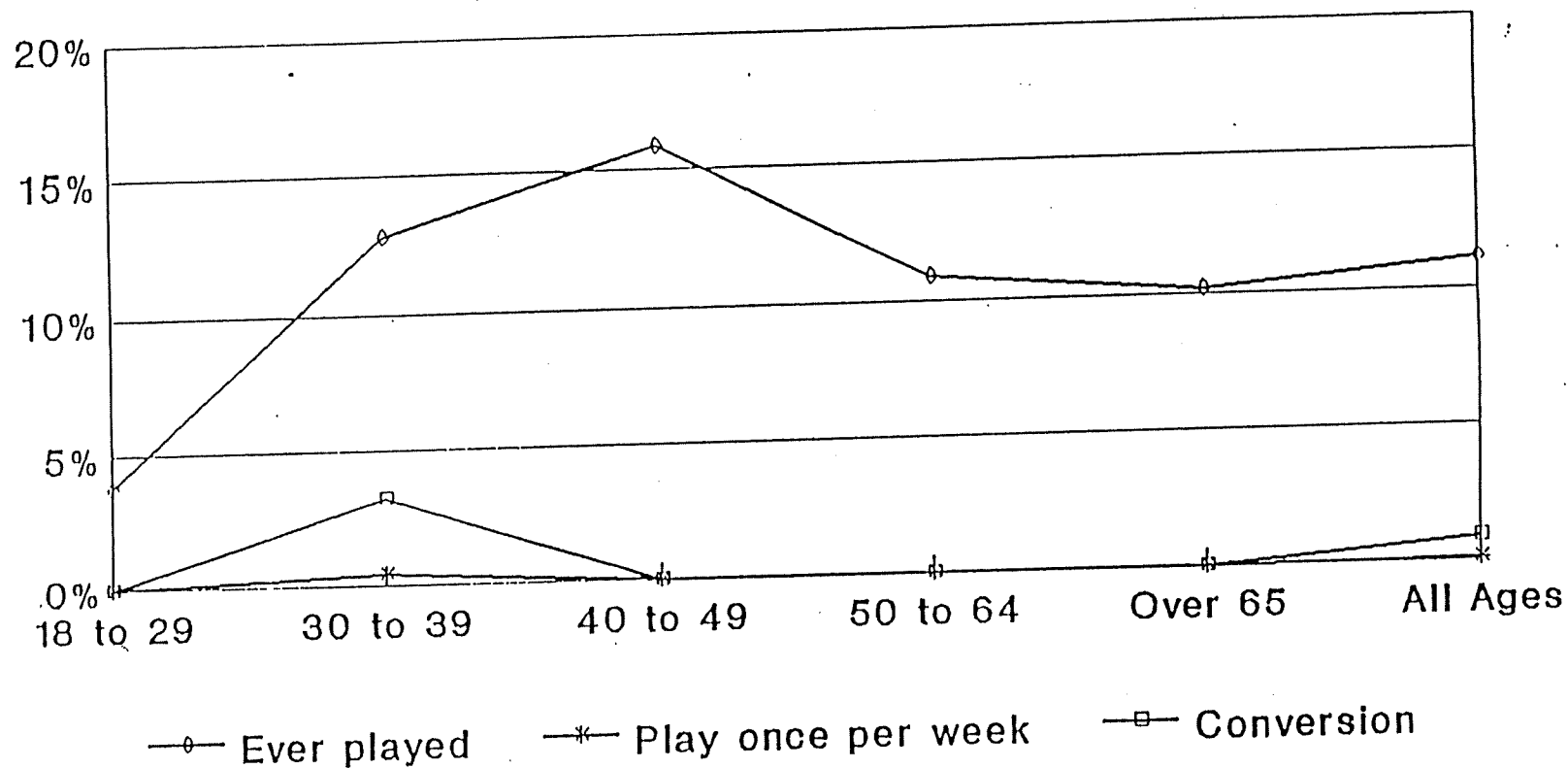
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Figure 9
Outcomes with a Bookie
Montana



N=1020

Figure 10
Horse Racing
Montana



N=1020

Figure 11
Favorite Gambling Activities
Montana

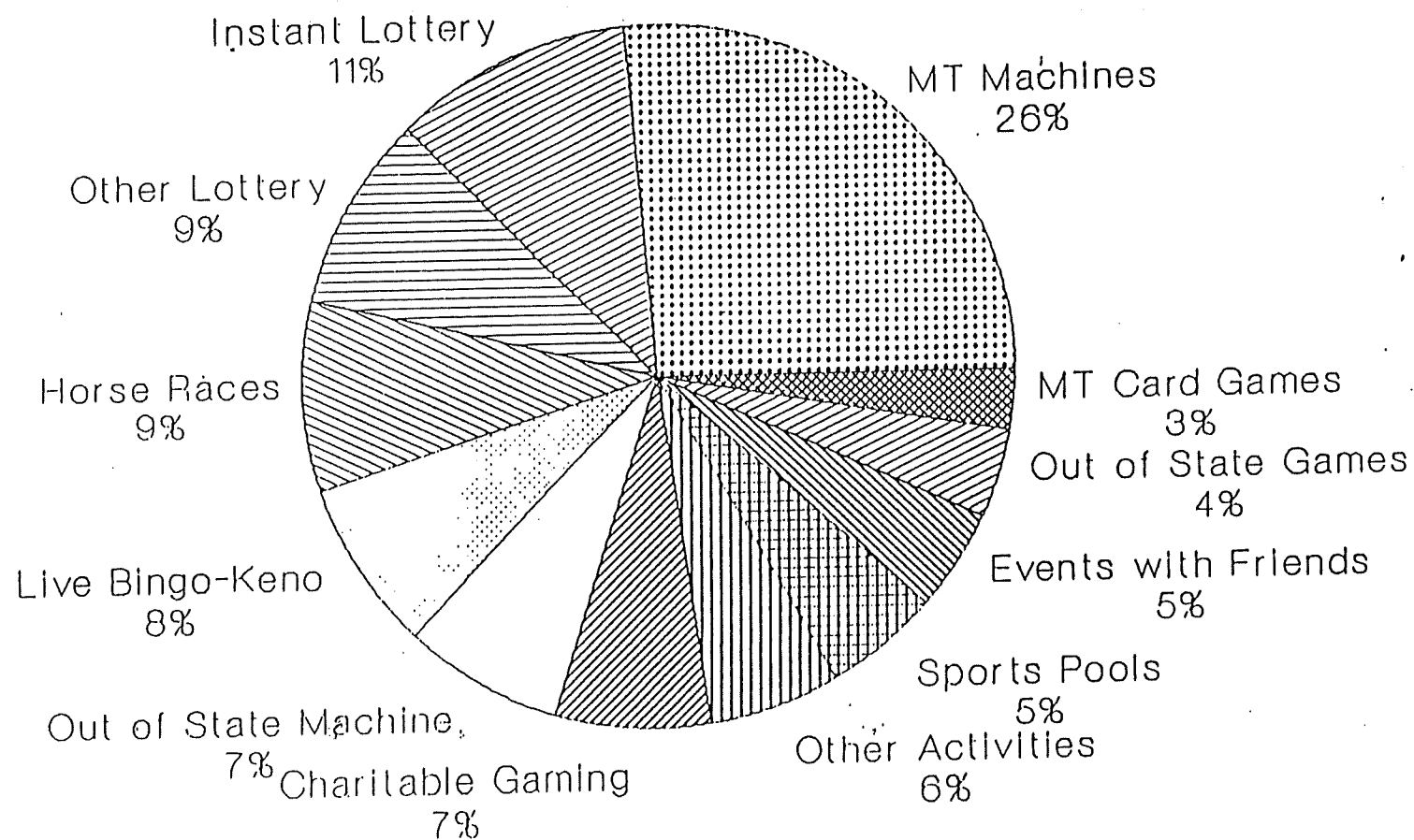
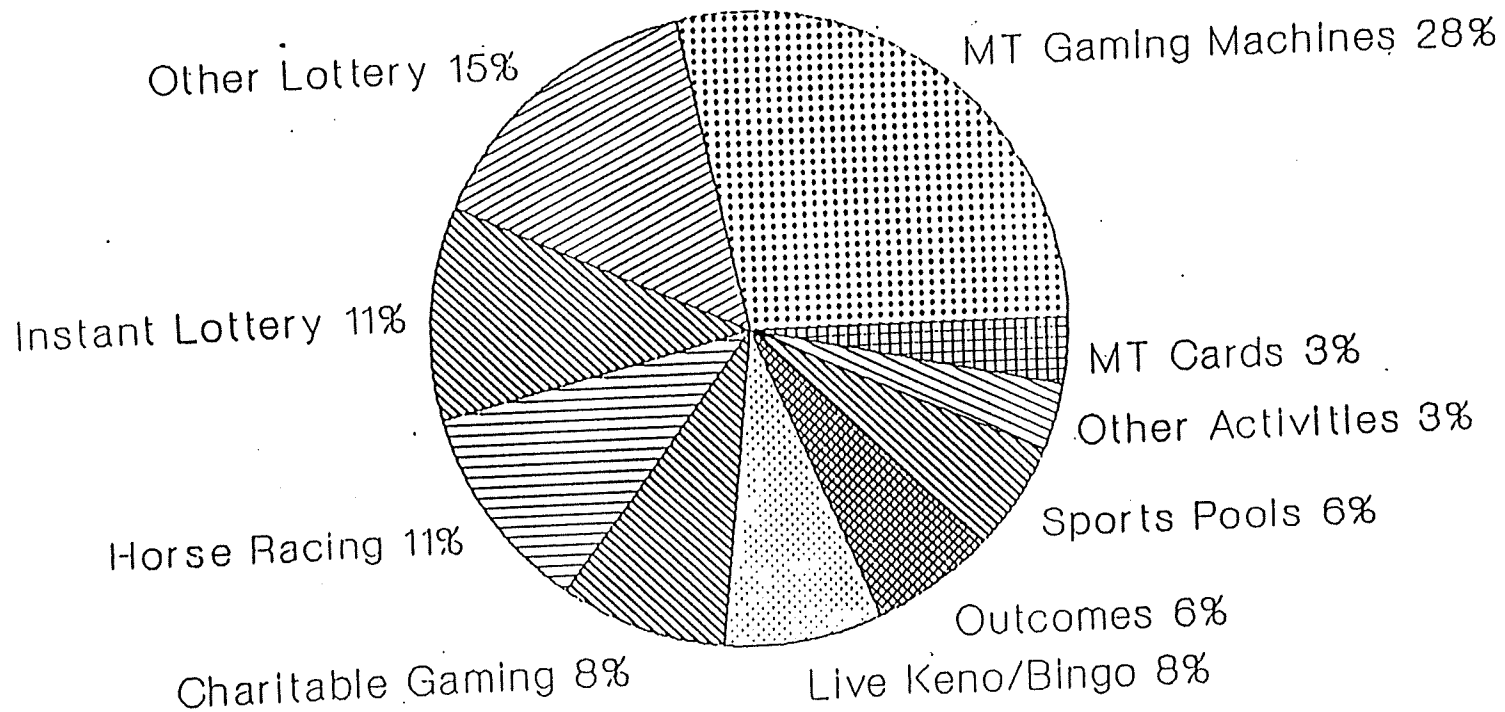


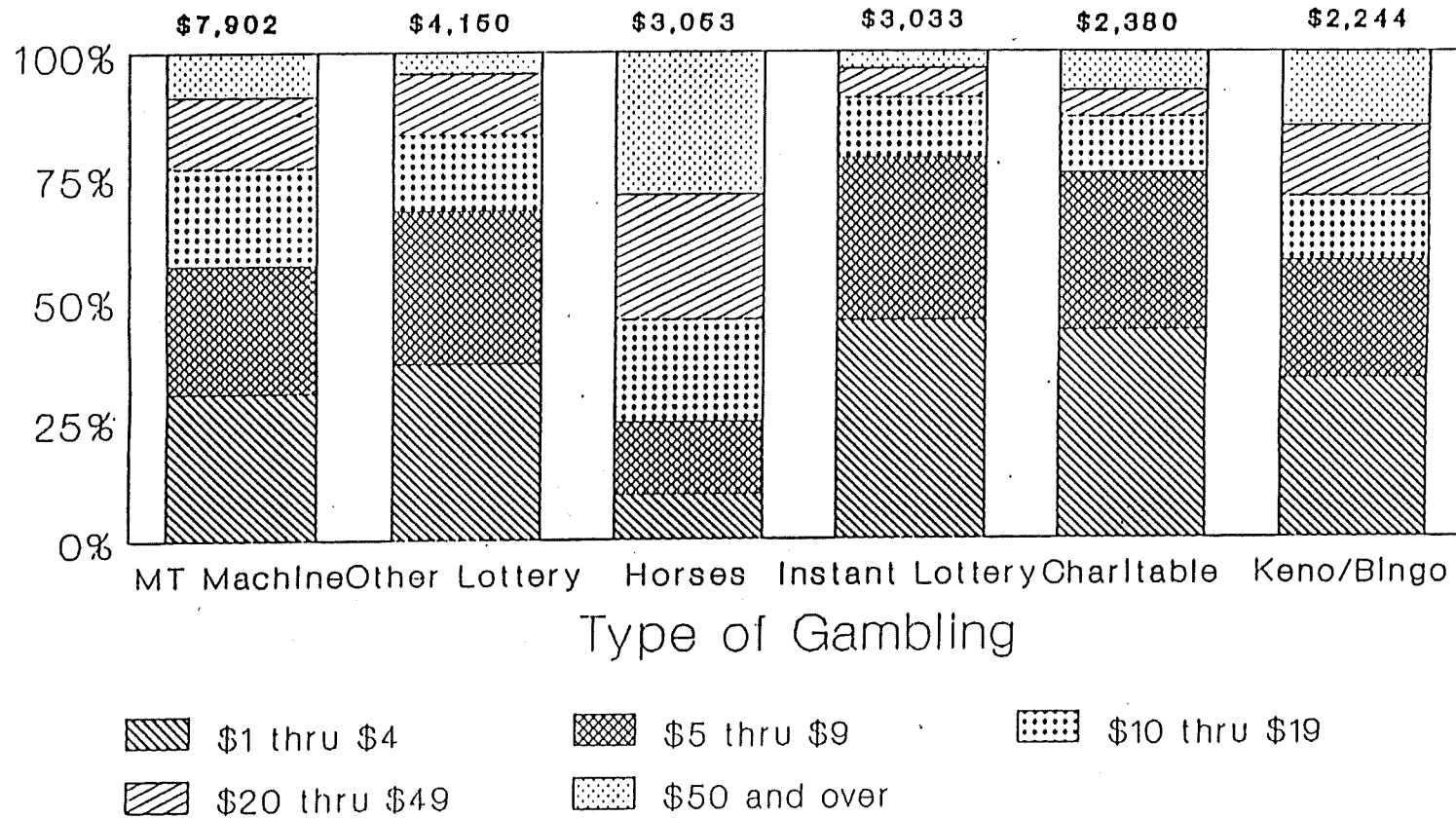
Figure 12
Monthly Expenditures on Gambling



Total Monthly Expenditures - \$28,028

14-43

Figure 13
Distribution of Monthly Expenditures
by Gambling Activity



4-44

TESTIMONY PRESENTED TO THE SENATE WAYS AND MEANS
COMMITTEE of the KANSAS LEGISLATURE

re: SB 399

FEBRUARY 16, 1994

by: Bob Williams

Video Insights

Sioux Falls, South
Dakota

Video Consultant for :

3D Entertainment, Inc.

Dan Hamer, President

Topeka, Kansas

SWAM
February 16, 1994
Attachment 5

Video lottery, one of the newest trends in lottery games, was initially studied in South Dakota as early as 1987. An interim legislative committee studied the prevalence of "grey area" amusement machines in the state and concluded that large amounts of money were being illegally paid; the activities were difficult to prosecute and control; and the industry was operated with virtually no regulation. In order to regulate the gaming activities and allow the state to benefit monetarily from the play, video lottery legislation was introduced on behalf of the interim study committee during the 1988 legislative session. The legislation gave the Lottery the authority to license and regulate video gaming in the state. It failed to receive legislative passage by one vote.

During the summer of 1988, the South Dakota Lottery Commission conducted several public hearings on video lottery. As a result of input received from both the private sector and state legislators, video lottery legislation was again introduced during the 1989 legislative session. The legislation was modified in several respects from the initial bill. The measure passed and became effective July 1, 1989. On October 16, 1989, the South Dakota Lottery became the first state lottery in the nation to license and regulate video gaming activities.

Much of video lottery's success in South Dakota is due to the excellent legislation. Some of the high points of the legislation include:

All video lottery machines are linked under a dial-up central computer communications system that provides full accountability of all monetary and play transactions on a daily basis. This state-of-the-art system was designed specifically for video lottery gaming.

Electronic Funds Transfer collects the state's share of net revenue from operator's accounts every two weeks.

Machine placement is limited to locations with on-premises consumption of alcoholic beverage licenses.

The number of machines per establishment is restricted to no more than ten, to avoid a "casino"-type atmosphere.

Vertical integration is prohibited. For example, a video lottery machine manufacturer may not be licensed as a video lottery machines operator or own, manage or control a licensed establishment. An operator must be a resident of the state.

BACKGROUND

LEGISLATIVE HIGHLIGHTS

The possession of grey area amusement devices is a felony.

Players may receive free games or credits printed on a ticket voucher redeemable for cash. The video lottery machines do not directly dispense coins.

The percentage pay out is established at a minimum of 80%. The vast majority of games, however, have a payback percentage of 90-92%.

The maximum amount that can be played per game is \$2. The maximum pay out is \$1,000, based on a \$2 wager.

ADMINISTRATIVE RULES

Copies of the South Dakota Video Lottery Law, rules, and licensing forms are available upon request. Please send a self-addressed, stamped (\$1.70), 10 x 15 envelope to:

*South Dakota Lottery
ATTN: Information Officer
207 East Capitol Suite 200
Pierre, SD 57501*

Sorry, we will not FAX this information.

The administrative rules, which address all aspects of video gaming activities, were also important to the video lottery's success. One of the more important features of the administrative rules are the comprehensive requirements for machine testing. Each machine model is tested to ensure that it properly communicates with the central system and meets hardware and software specifications for randomness of play and accounting of all play transactions. The administrative rules also list the types of video lottery games authorized by the Lottery Commission as blackjack, poker and keno.

Additionally, this new lottery product involves, for the first time, private sector participation in the ownership and servicing of a lottery product. Described below is a brief outline of the inter-relationship of the private sector in video lottery.

MANUFACTURERS are licensed by the Lottery to assemble or produce video lottery machines for sale or use in South Dakota.

DISTRIBUTORS are licensed by the Lottery to distribute or sell video lottery machines and associated equipment in South Dakota.

OPERATORS are licensed by the Lottery to purchase, maintain and place video lottery machines and associated equipment for public use in licensed establishments in South Dakota.

ESTABLISHMENTS are bars and lounges licensed to sell alcoholic beverages where video lottery machines are located.

The private sector has played an important role in the South Dakota Video Lottery. Of primary importance is the amount of private capital invested in this new industry. In machine purchases alone, over \$25 million in private sector capital was invested in the first year of operations.

Additionally, the private sector brought to the table a well-trained and established service arm, familiar with repairing, marketing and distributing gaming products. Many video lottery operators are associated with the coin operator music and vending industry.

The South Dakota Lottery does not regulate the contract terms for machine placement and percentage splits of net machine income between operators and establishments. The only condition placed upon contracting parties is that they both be licensed by the Lottery. Although contracts are not filed with the Lottery, the common industry practice is to divide the net machine income reduced by the amount of the state's percentage (36%) on a 50-50 basis between the operator and establishment.

Video lottery has had a positive impact on South Dakota's economy. It is estimated that video lottery has created over 2,500 jobs in the hospitality and amusement industry.

As mentioned previously, the Lottery's role in video lottery is to license and regulate video gaming in the state. The Lottery performs no advertising or marketing functions for video lottery. Aside from licensing all the private sector participants and conducting machine testing, the Lottery oversees day-to-day video lottery operations. This includes tracking all machines entering and leaving the state, the daily monitoring of every video lottery machine in the state, and performing field inspections. Daily video machine polling allows the Lottery to extract accounting and security information.

Video Lottery's first year of operation was unquestionably a success. From our small, rural state populated by 700,000 people came a working model of the lottery game of the future. The state's share of net revenue (amount played minus amount paid) far surpassed original projections. In fiscal year 1990, with slightly over eight months of operation, the state garnered \$10.4 million in video lottery revenues. In FY91, net machine income totalled \$107 million with revenues to the state of \$25 million. Net machine income in FY92 totalled \$128 million with revenues to the state of \$36.9 million. In

THE PRIVATE SECTOR

LOTTERY LICENSES AND REGULATES

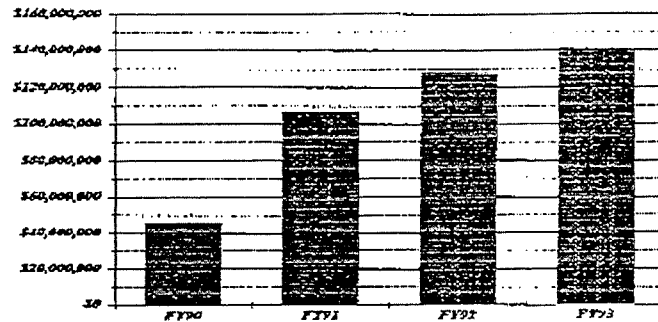
NET REVENUES

*Cash In (Gross) less Credits
Paid Out in cash equals Net
Revenue.*

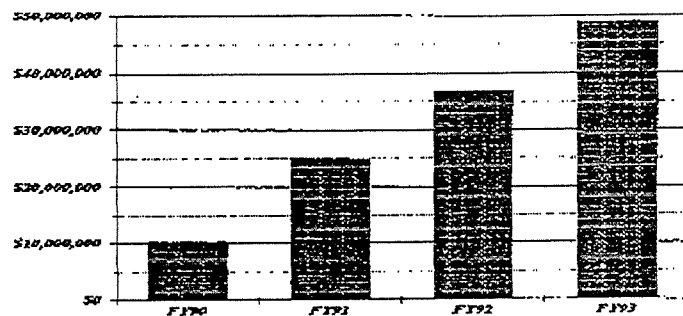
**The state percentage is
based on net machine
income.*

STATE'S SHARE

FY93, net machine income totalled \$140.9 Million with revenues to the state of \$49 million.

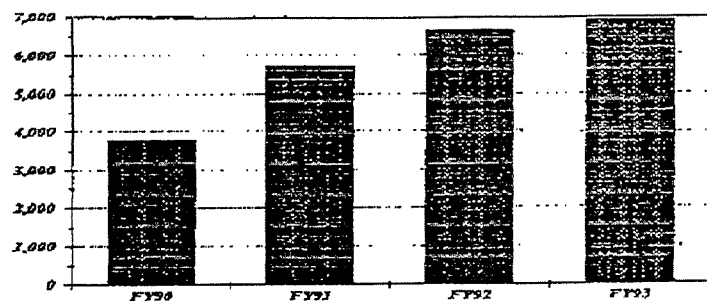


First-year research conducted by Lottery staff revealed that the median per machine net income was \$18,000; the original estimate was \$15,000. As a result of the Lottery's success, the Lottery Commission voted to increase the state's share of net revenue from 22.5% to 25%, effective January 1, 1991. On January 6, 1992, the state's percentage was increased to 35%. The state's percentage was increased to 36% for one year starting July 1, 1993, with the extra one percent to be used to offset additional Medicaid costs. The remainder of net machine income after the state's share is divided between the operator and the establishment where the video lottery machine is located.



TERMINAL GROWTH

The video lottery industry in South Dakota remains strong, outdistancing state revenues from the sale of instant and lotto games five fold. Weekly net revenue continues to show slight growth averaging \$2.7 million, which equates to \$3.86 in per capita weekly net machine income.



FY93
(July 1, 1992, through June 30, 1993)

Net Revenue:	\$142,000,000
State's Share of Net Revenue	\$48,900,000
Number of Establishments:	1354
Number of Operators:	112
Number of Distributors:	5
Number of Manufacturers:	8
Number of Terminals:	6,928

Video lottery games are coin-operated games of chance played on a video screen.

Although video lottery is a new lottery product, video gaming is not new to South Dakota. Video amusement machines offering similar games existed in virtually every community in the state. Commonly referred to as "gray machines," they were legal, provided no monetary prizes were awarded for credits won. The video lottery legislation became effective on July 1, 1989, and prohibited all "gray machines" previously operating in the state. The games began operation on October 16, 1989.

Machines that play for nickel and/or quarter increments are currently authorized.

The maximum bet that may be placed on a video lottery machine is \$2.00 per game.

The maximum payout per game is \$1,000. The vast majority of prizes are paid in smaller amounts.

The games currently authorized by the Lottery Commission include draw poker, keno, blackjack and bingo.

Poker is king among video lottery players, with Joker Poker being the most popular. Bingo gets the least play. Multiple games may be played on one terminal; currently, eight types are the largest number offered by a manufacturer in our market.

No. Players can win credits redeemable for cash or free games. Video lottery machines are not slot machines in that they do not directly dispense money to winners. Winning video lottery players

SUMMARY OF VIDEO INFORMATION

COMMONLY ASKED QUESTIONS

What are video lottery games?

When did Video Lottery start in South Dakota?

How much does it cost to play?

What is the maximum amount a player can bet?

How much can I win?

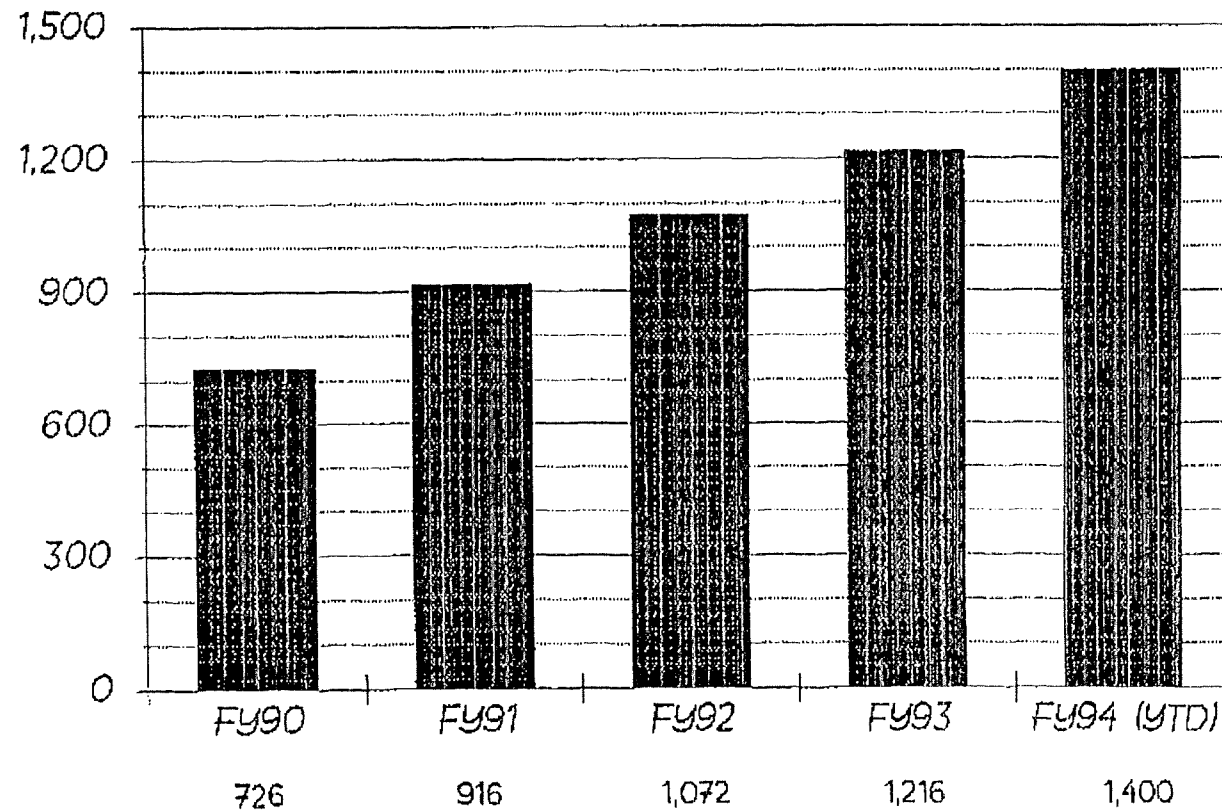
What types of games are available?

What are the most popular types of video lottery games?

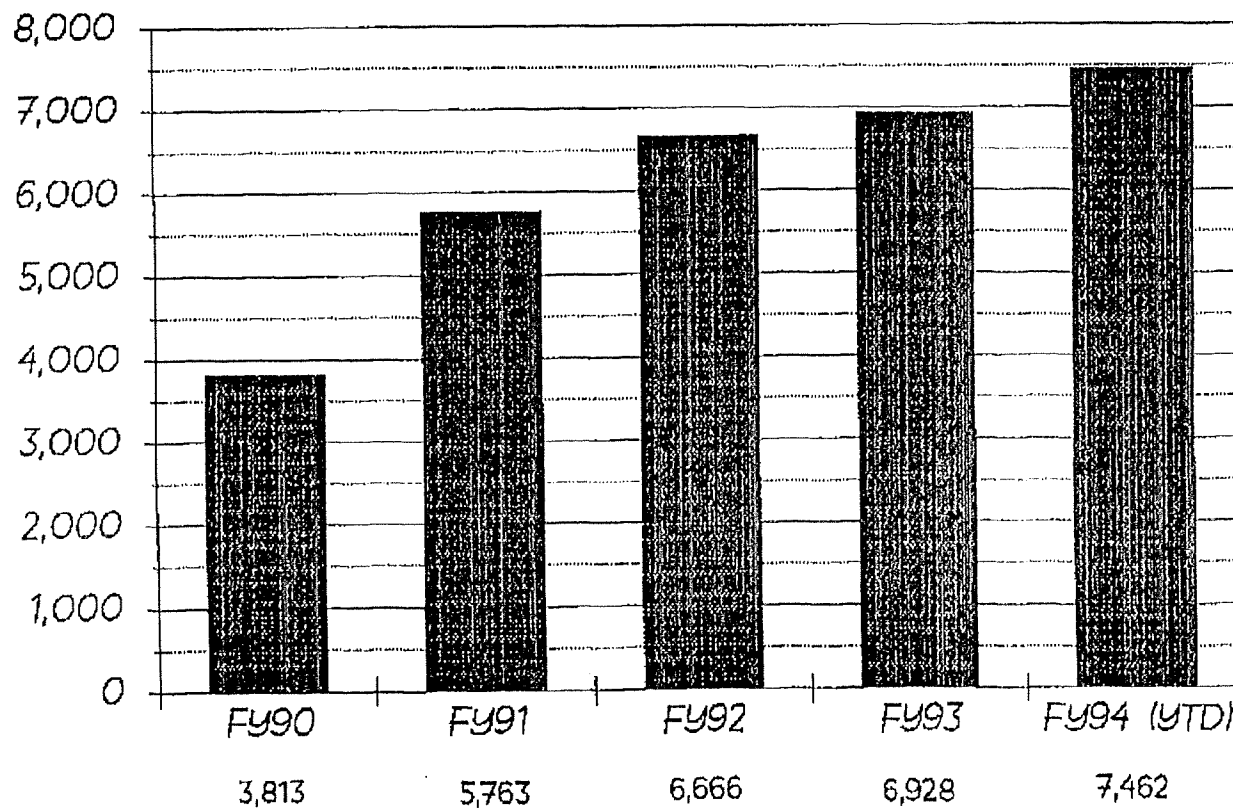
Do the machines dispense cash?

	<p>can press a button on each machine to print a voucher showing the number of credits won and the dollar amount of those credits to be paid by the retailer.</p>
<p><i>Who pays the winners?</i></p>	<p>The retailer where the machines are located is responsible for paying the winners.</p>
<p><i>Where can the games be played?</i></p>	<p>Video lottery machines are located in bars and lounges licensed for the on-sale consumption of alcoholic beverages, including both liquor, wine and malt beverages.</p>
<p><i>What is the payout on video lottery games?</i></p>	<p>The minimum prize payout percentage is guaranteed to be at least 80%.</p>
<p><i>What about security?</i></p>	<p>As with other Lottery games, security is a top priority with South Dakota video lottery. Every manufacturer, distributor, operator and establishment applying for a license must pass stringent background and credit checks before being granted a license. The video lottery machines themselves undergo thorough testing procedures to ensure randomness of play and compliance with all game requirements. Each video lottery machine is connected to a central computer system which polls each machine daily for auditing and security compliance purposes.</p>
<p><i>What are the restrictions placed on the various types of licenses?</i></p>	<p>The law prohibits a manufacturer and distributor from being an operator or owning a licensed establishment in the state. An operator must be a resident of the State of South Dakota. Operators may own establishments licensed for video lottery machine placement. Establishments must be bars or lounges maintained and operated primarily for the selling, dispensing and consumption of alcoholic beverages on the premises that may also include the sale and service of food. Machines must be located in an age restricted area where persons under 21 years of age may not enter unless accompanied by a parent or guardian.</p>
<p><i>What is the state's share of video lottery proceeds?</i></p>	<p>The Lottery is charged to maximize revenues to the state from net machine income (money put into a video lottery machine minus credits paid out in cash). The state's percentage of net machine income is established by the Lottery Commission at 36%.</p>
<p><i>What other games does the lottery offer?</i></p>	<p>Instant scratch, Powerball, and Dakota Cash are also available.</p>
<p><i>How much revenue has been generated by video lottery?</i></p>	<p>In the first fiscal year, (10-16-89 to 6-30-90) video lottery generated \$10.4 million for the state general fund. In FY1991, video lottery generated \$25.4 million for the state general fund. In FY1992, state revenues from video lottery totalled \$36.9 million. In FY93, video lottery generated \$49 million for the state general fund.</p>

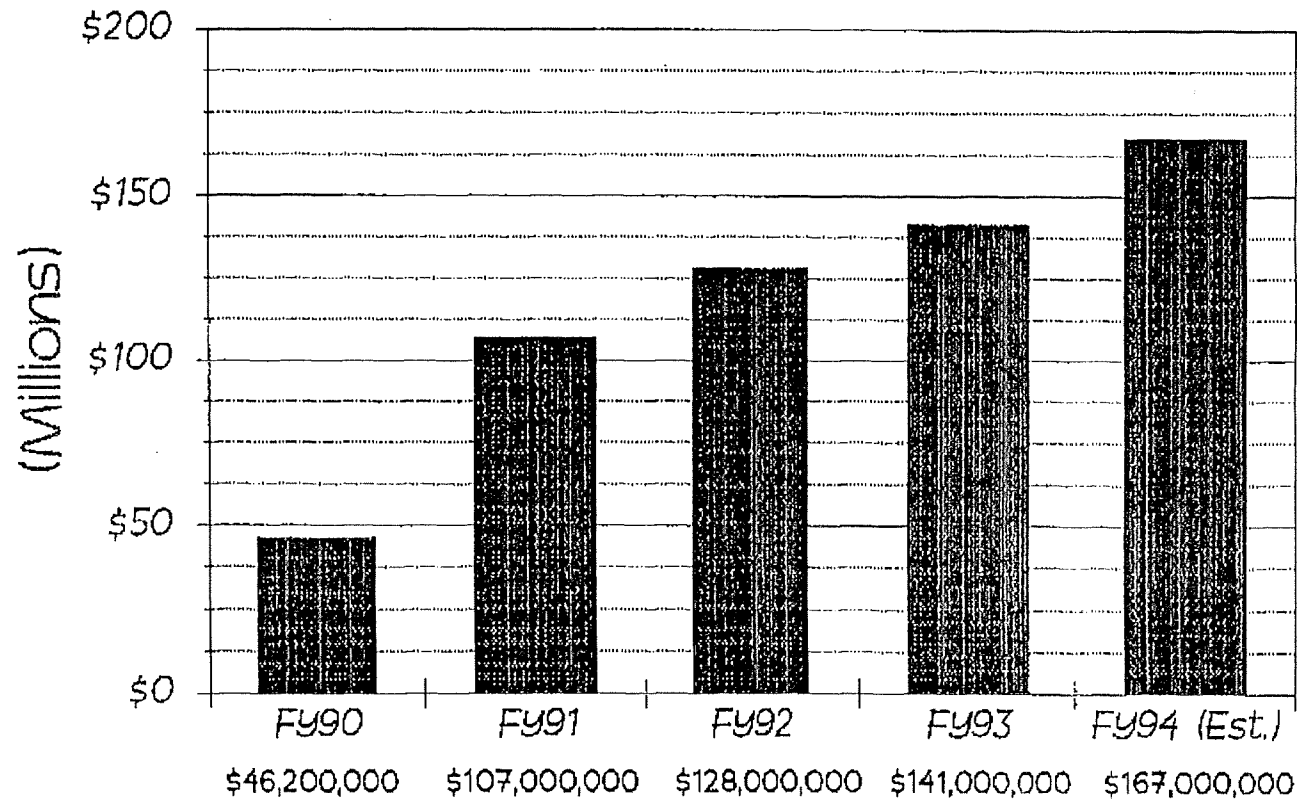
South Dakota Video Lottery Establishments



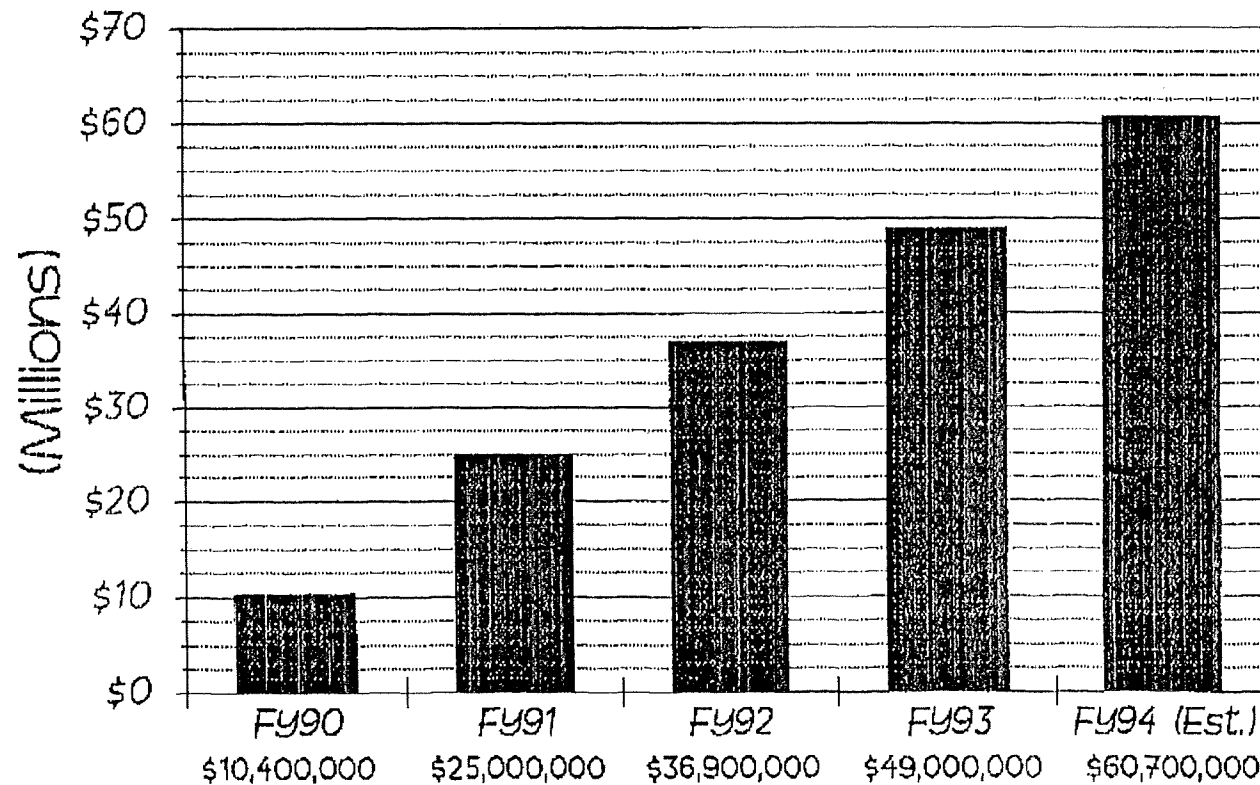
South Dakota Video Lottery Number of Terminals



South Dakota Video Lottery Net Machine Income



South Dakota Video Lottery State's Share



SUMMARY OF SOUTH DAKOTA GAMING STUDY

This report summarizes the research findings performed by the Business Research Bureau in September, 1991 to estimate the participation in various types of gaming, the prevalence of problem and pathological gambling, and the social and economic impacts of gaming in the state of South Dakota.

PREVALENCE OF PROBLEM AND PATHOLOGICAL GAMBLING

- ♦ The current prevalence rate of problem and pathological gambling in South Dakota is 1.4% of the adult population, in contrast to the 2.8% lifetime prevalence rate. It is estimated that approximately 8,000 adults in South Dakota have experienced moderate to severe problems related to their involvement in gambling at some time in their life.
- ♦ The lifetime prevalence rate of problem and pathological gambling in South Dakota is lower than prevalence rates in the Northeast United States (4.2%) but slightly higher than in Iowa (1.7%).
- ♦ Over half (52%) of the respondents who scored as lifetime problem or pathological gamblers did not score as problem or pathological gamblers in the past 6 months.

REASONS FOR GAMBLING ALL GAMBLERS IN SOUTH DAKOTA

Reasons for Gambling	Percentage Responding
Entertainment	71%
Socializing	50%
Winning Money	48%
Excitement or Challenge	47%
Curiosity	43%
Worthy Cause	31%

EXPENDITURES ON GAMBLING ALL GAMBLERS IN SOUTH DAKOTA

In a typical month, an average of \$23.30 is spent per person on all gambling activities in South Dakota.

Demographically, men spend twice as much (\$32/month) as women (\$16/month).

People under 30 years of age spend more (\$53/month) than do people over 30 (\$21/month).

**TYPES OF GAMBLING
ALL GAMBLERS IN SOUTH DAKOTA**

Types of Gambling	Ever Tried
South Dakota Scratch & Match	56%
Bingo	49%
Sports Pools	43%
Video Lottery	42%
Lotto	39%
South Dakota Slot Machines	38%
Out-of-State Slot Machines	35%
Card Games	30%
Pulltabs	30%
Parimutuel Wagers (Horses or Dogs)	30%
Bets with Friends or Workmates	24%
Out-of-State Scratch & Match	20%
Charitable Gaming or Casino Evenings	20%
Dice Games	12%

**SUMMARY OF SOCIOECONOMIC IMPACT
OF GAMING IN SOUTH DAKOTA**

This analysis highlights several areas identified with but not necessarily caused by gaming. Firm causal connections can only be safely determined with additional experience with the industry.

ECONOMIC FINDINGS

The dramatic growth of the gaming industry has produced substantial increases in employment in associated businesses. Nearly 2,500 more workers are employed in eating and drinking establishments, vendor-operated businesses and the government. This accounts for at least \$22 million in industry earnings.

Retail sectors which are dependent on discretionary personal income tend to have been impacted as consumer spending may have shifted toward gaming activity.

Approximately \$60 million in taxable sales previously spent on other products and services are now spent on gaming. This amount represents only 1.4% of all statewide retail and service taxable sales of \$4.3 billion. From 1990-1991, inflation alone accounted for an

increase of nearly 5% in total taxable retail sales, more than three times the amount substituted for gaming.

If the \$60 million shifted to gaming was taxed instead at the 4% sales tax rate, it would generate \$2.4 million in sales taxes. If that \$60 million of spending was diverted solely into video lottery play, state fiscal receipts would be \$21 million, which is \$18.6 million net increase in state revenue.

State revenues in fiscal year 1991 from gaming taxes comprised more than \$30 million, or 6.2% of the total general fund financing. This is equivalent to a .5% general sales and use tax on items currently covered under that tax.

SOCIAL FINDINGS

Social assistance programs analyzed in this survey do not appear to have been adversely impacted in connection with gaming. Aid to Families with Dependent Children assistance requirements may even have been favorably impacted. Counties most heavily involved with gaming tended to show decreases in households using this assistance; much the same can be said in the case of food stamp assistance.

Child abuse and neglect caseloads have not been noticeably influenced by gaming activity.

Small claims filings increased in 1990-1991. However, the amount of the increase has also occurred in at least one pre-gaming year.

Because of limitations on disclosure surrounding each filing, it is not possible to pinpoint specific reasons concerning the events that lead to bankruptcy. Several other explanations have been mentioned, including credit card and medical expenses as two of the leading causes of the increase in Chapter seven bankruptcy filings during the last two years. Two years experience in gaming is insufficient to establish any causal connection and that a more detailed study of individual bankruptcy cases is warranted.

No adverse impact has taken place with respect to real estate foreclosure rates. This is likewise true in regard to unpaid property tax assessments.

GAMBLING TREATMENT PROGRAM

The state has approved \$200,000 in funding for gambling addiction treatment. The Department of Human Services will contract with community mental health centers across the state to provide treatment services. The proposed treatment program provides eight weeks of intensive out-patient therapy, in addition to participation in Gamblers' Anonymous.

SENATE WAYS AND MEANS COMMITTEE
TESTIMONY BY RALPH L. SNYDER, ASSISTANT ADJUTANT
KANSAS AMERICAN LEGION
ON SENATE BILL 399

RE: Video Lottery

On behalf of the more than 90,000 members of the Kansas American Legion, American Legion Auxiliary and Sons of The American Legion, I wish to express my sincere appreciation for the opportunity to address your committee in favor of Senate Bill 399. My name is Ralph Snyder and I am the State Assistant Adjutant of the Kansas American Legion

The American Legion department of Kansas is on record as being in favor of Video Lottery, however we do have several concerns regarding Senate Bill 399. Chief among those concerns, listed in the order they appear in SB 399, but not ranked in the order of our concerns are:

(I) Page 2, lines 30 through 34 describing a "Truck Stop". Our concern is the lack of definition which constitutes paved parking (gravel vs blacktop or sand vs concrete). We believe the word paved should be defined. Also the revenue from the sale of diesel fuel, in our opinion should indicate either wholesale or retail sales.

SWAM
February 16, 1994
Attachment 6

(II) Page 6, lines 39 through 41. There seems to be a contradiction in ages. That is; no one under 21 years of age is allowed to enter the Video Lottery area unless accompanied by a 21 year old parent, guardian or spouse; however a lottery retailer can be 18 years of age. We believe retailers of Video Lottery should be at least 21 years of age.

(III) Page 13, lines 35 through 37 prohibit video lottery machines from being played in those establishments which are licensed for Bingo when Bingo is not being played. We concur with the intent of this portion of SB 399 in that it would prevent the establishment of what would amount to a video lottery casino. However language should be adopted which would permit veterans and fraternal organizations which conduct Bingo allowing for the placement of video lottery machines in an area not covered by the Bingo license. That is; many Posts, Lodges, etc. only license a portion of their building for Bingo and the remainder of the building is used exclusively for their members and guests of members who are on the premises. This is usually a bar, lounge or restaurant area.

We feel if video lottery machines are allowed in the same area of a building where Bingo is conducted it will tend to touch off another "war" between Bingo Parlors and owned establishments (those who used to lobby for more days Bingo could be played vs the majority of Bingo licensees which conduct Bingo once or twice a week in their own buildings). You may recall the legislature approved Instant Bingo last year as a compromise between these two groups.

(IV) Page 19, lines 26 through 43, and page 20 lines 1 through 5. This area addresses the number of machines allowed at various establishments.

1. We feel there should be a limit on the number of machines located at racetracks. We think 50-100 machines, depending on the facility is more than adequate.
2. We agree with the no limit of machines for the State Fair Board.

3. Veterans and fraternal organizations are non-profit, charitable organizations and should not be placed in the same category as for profit "truck stops". We feel a 50 machine allowance is a shallow attempt by some to gain veteran and fraternal organization's support of SB 399. We are also concerned such a large number of machines would 'invite' the establishment of, (or conversion of legitimate Posts and Lodges into) nothing more than gambling fronts thus causing problems for the State and our organizations.

We feel a maximum of 15-20 machines should be allowed in veterans and fraternal organization's establishments and no more than 10 machines at "truck stops", which given our concerns in item I above, seem more consistent.

4. As mentioned in item III, we do not believe video lottery should be played in the same licensed area as Bingo. Bingo Parlors should, however be allowed to establish an area adjacent to the Bingo area which would otherwise conform to the standards required for a video lottery license. Such an area, separate from the Bingo area, would provide a more controlled atmosphere regarding the age of those playing video lottery.

(V) Page 21, lines 38 through 42. We feel a split in video lottery revenues should **not** include a percentage of every machine's profit benefiting race tracks. There is no justification for 3% of the revenue derived from a machine in Salina, Dodge City, Goodland or any place else being earmarked for a racetrack.

Thus we see no need for a racetrack assistance fund which would benefit a small group of people who projected great revenues to the State of Kansas and who now seek what amounts to as public assistance.

We also believe and ask that retailers be allowed to own machines **if** the retailer purchases a maintenance contract equal to, or greater than, that which is required by all other machines.

We feel 40% to the State of Kansas, 2% to Cities and 2% to County Governments where the machines are located, 28% to operators and 28% to retailers is a much more equitable split than currently provided by Senate Bill 399.

The testimony I've provided to you today, explains The American Legion's position on video lottery. It is a position arrived at after our attempt to look at video lottery from all sides; the State's, operator's, Bingo licensee's, etc., including the social impact video lottery will have on Kansas society. We feel our proposals, if adopted, will be fair to everyone.

In closing we ask that you give our concerns serious consideration. Again The American Legion is in favor of Video Lottery but we feel SB 399, in its present form, is too broad and needs to be pared back in many areas. I'm sure you agree it will be much easier to expand the video lottery laws in the future by providing for more machines at more locations, than it would be to tighten up the laws later.

TO: The Honorable August Bogina, Chairperson
Senate Ways and Means Committee

FROM: Don Bird
Kansans For Life At Its Best

DATE: February 16, 1994

RE: Senate Bill No. 399

Thank you for the opportunity to participate in the committee's hearings on the video lottery.

The timing is interesting for me as I have just returned from a conference in Nashville held by the National Coalition Against Legalized Gambling at which we were privileged to be addressed by the Attorney General from Michigan (who is by the way an outspoken opponent to legalized gambling). This experience combined with some of the reading I've been doing lately raises some serious questions about the wisdom of adding video lottery to Kansas.

While at the conference, we reviewed a video of the 20/20 program previously aired on national television which covered at length the South Dakota situation and conveyed a powerful message about the harmful effects of video lottery and video poker. (I would be glad to put my hands on a copy for anyone interested in viewing it.) What seemed to stand out is the highly addictive nature of this form of gambling especially for women.

Illinois State University Professor Henry Lesieur, who has studied gambling extensively, seems to also support that notion. He argues that the most addictive types of gambling are those that involve control or give the illusion of control. Video poker, a form of video lottery, gives that illusion, he says, though the odds are carefully programmed into the machine.

One good illustration is the experience of the video lottery in Nova Scotia. Things got so out of hand, that they removed over two-thirds of their machines. For those not familiar with the story, I've included a copy of an article run in The Wichita Eagle.

I also would refer you to the February, 1994 issue of the State Legislatures magazine which carried an article "It's Not a Miracle, It's a Mirage" in which the author notes that "the potential revenue from gambling is relatively limited when viewed in the overall context of a state budget." Its benefits, he concludes, "need to be weighed against its regressivity and the social costs that are often associated with it." We would concur.

SWAM
February 16, 1994
Attachment 7

Province unplugs gambling

Slots boosted government revenue, busted citizens

By Anne Swardson

Los Angeles Times/
Washington Post Service

HALIFAX, Nova Scotia — Two years ago, this economically depressed eastern corner of Canada joined dozens of cities, states and provinces across North America and legalized gambling to raise money.

The form of gambling allowed in Nova Scotia was video slot machines, installed throughout the province in bars, gas stations, bowling alleys and convenience stores. Anyone of age could play them, and almost everyone did. The money started rolling in.

On Jan. 20, Nova Scotia's premier, under public pressure, gave up that windfall and agreed to unplug 2,500 of the machines. Critics said they had addicted — and impoverished — thousands of Nova Scotians in the cause of raising revenue for the government.

"It looked like a lifeline. But my feeling is it was a lifeline with a terrible hook at one end," said the Rev. John Boyd, minister of the First Baptist Church in Halifax and one of many people who asked the government to shut down the machines.

Five provinces in Canada operate or allow casinos, or are moving toward doing so, and provincial governments also profit from lotteries in the same way U.S. states do. Bingo is big in the west. The government of Ontario is reported to be considering installing 15,300 video slot machines in bars, racetracks, bingo halls, airports and tour boats.

The appeal of revenue from gambling is that — unlike increased taxation — it is voluntary. Like many U.S. states, most Canadian provinces face big budget deficits and taxpayers unwilling to shoulder a greater burden.

At first, the video machines seemed to be just the ticket for Nova Scotia, a peninsula and island of about 900,000 people situated due east of Maine. With an unemployment rate in double digits, higher taxes were politically unpalatable to close the budget deficit of about \$160 million.

Some machines had been operating illegally all along, so when the government and its lottery authority took control of them in May 1991, the action was presented as stamping out crime, not raising revenue.

Soon, however, the coffers started filling up. Payouts to the treasury from gambling — Nova Scotia also participates in a regional lottery — jumped 43 percent from the first year the machines were legalized to the second. By the second year of legal operation, the machines were bringing in more than \$40 million a year to the government and another \$20 million or so to the store owners who operated them.

The machines paid out 85 percent of their take in winnings. No skill was required to play. All a gambler needed was a steady supply of loonies — the Canadian \$1 coins bearing a loon — to play the machine.

Then stories began appearing in the local news media about people who were dropping so many loonies on video gambling that they did not have enough money for groceries or rent. Premier Donald Cameron said friends who operated stores told him of customers cashing paychecks or social-security checks and using all the money for gambling.

Other store owners said people would spend all day in front of the machines, leaving their children to roam the store unattended. As new figures showed that about \$4 million

a week was going into the machines, a local psychologist warned that gambling had become "epidemic" in the region.

Kay Peters, 46, said her husband, Roy, 49, lost nearly \$80,000 in the video machines during a nine-month period ending in August 1991. He was a collection agent for a company and was fired when he "borrowed" company money to gamble, she said. He was placed on two-year probation, and the couple had to sell their \$160,000 house to pay the money back.

Peters and her husband used to be the only attendees at meetings of the new local chapter of Gamblers Anonymous. Now there are 20 or 30 people each week, and other branches have sprung up in nearby Dartmouth and other towns.

Teachers and school administrators said students were asking for help in treating their gambling addiction, even though use of the machines is supposed to be prohibited to those under 19. Organized labor called for a ban on the machines, as did municipal councils around the province. Opposition politicians and newspaper editorials began saying this was no way for a government to finance itself.

Cameron's government resisted for a while. But finally the premier, facing re-election in a few months, announced that the machines would be pulled out of stores, bowling alleys and gas stations. Of the 2,500 machines now operating, about 1,000 in bars and other places off limits to minors will be allowed to remain.

TESTIMONY PRESENTED TO THE
SENATE WAYS AND MEANS COMMITTEE
re: SB 399

February 16, 1994

by: Rebecca Rice
Legislative Counsel for the Wyandotte County Private Club Association

Thank you Mr. Chairman and members of the committee. I appreciate the opportunity to present this written testimony on behalf of the Wyandotte County Private Club Association.

The Wyandotte County Private Club Association is not opposed to a state run video lottery but does believe Senate Bill 399 is unfair to retailers. This legislation represents a departure from the standard relationship between entertainment machine distributors and property owners (retailers).

Typically, retailers and distributors/owners have shared equally in the receipts from recreational machines after the deduction of sales tax. Providing a much higher percentage to machine distributors/owners does not indicate the partnership of responsibility shared by machine owners ("video lottery operators") and property owners ("video lottery retailers"), whose actual possession of video lottery equipment creates certain as yet unknown duties and/or responsibilities.

We would ask this committee to examine the percentages under New Section 18 (*see page 21*) to determine whether the retailer is being shortchanged. If the percentage is too low, the incentives for retailers to "police" concurrent gambling, in conjunction with machine play but outside the state system, may be unsatisfactory. The percentage must be sufficient to encourage the retailer to make patrons play the machines in a legal manner, as well as fulfill the many regulatory requirements associated with the possession of video lottery equipment.

Last, it seems premature to do anything in this area until the issue of casinos has been settled.

Thank you for considering this testimony.

SWAM
February 16, 1994
Attachment 8

299

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E
State Capitol Building
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Joan Finney
Governor

Gloria M. Timmer
Director

April 20, 1993

The Honorable Lana Oleen, Chairperson
Committee on Federal and State Affairs
Statehouse, Room 136-N
Topeka, Kansas 66612

Dear Senator Oleen:

SUBJECT: Fiscal Note for SB 399 by Senate Committee on
Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note
concerning SB 399 is respectfully submitted to your committee.

SB 399 would authorize the Kansas Lottery to offer video
lottery. Video lottery machines could offer a variety of games,
including poker, blackjack, bingo, and keno. Players would have to
be at least 21 years old, and winning players would receive free
games or credits redeemable for cash. The maximum wager would be
\$2 per game, and the maximum prize would be \$1,000 per game.

On average, between 85 percent and 95 percent of video lottery
wagers would be paid back as prizes. Of the net video lottery
income, the state would receive 40 percent. All fees and the
state's share of net income (less operating costs) would be
credited to the State General Fund. The retailer would receive 20
percent of net income, the operator 37 percent, and the Racetrack
Assistance Fund, which is created by the bill, 3 percent. Monies
in the Racetrack Assistance Fund would be paid to race track
facility owners proportionally, based on the ratio of the
parimutuel tax collected at each facility compared to the total
parimutuel taxes collected.

The Kansas Lottery estimates the state's annual share of net
income and fees to be \$46,323,960 and first-year expenditures to be
\$2,414,375. This income would provide transfers of approximately
\$43,909,585 to the State General Fund. The Lottery's fee estimates

SWAM
February 16, 1994
Attachment 9

assume three manufacturers at \$20,000 each, three distributors at \$5,000 each, operators with 8,500 machines at \$150 each, and 1,700 retailers at \$100 each.

State Share of Net Income	\$44,803,960
Manufacturer Fees	60,000
Distributor Fees	15,000
Operator Fees	1,275,000
Retailer Fees	<u>170,000</u>
Total	\$46,323,960

The estimate of the state share of video lottery net income is based on the experience of Oregon, the only state with both Club Keno and video lottery. According to the Kansas Lottery, Kansas's propensity to wager is assumed to be 55 percent of an Oregonian's, based on per capita sales of state lottery products in Kansas compared with per capita sales of state lottery products in Oregon. Adjusting Oregon net income by the assumed Kansas propensity to wager and by the Kansas 1990 population would provide total net income of \$112,009,900, of which 40 percent, or \$44,803,960, would be the state share.

	<u>Kansas</u>
Video Lottery p/c Net Income (Oregon)	\$ 82.20
Relative Propensity to Wager	.55
Estimated p/c Net Income (Kansas)	\$ 45.21
Kansas Population	2,477,547
Total Net Income	\$112,009,900
Lottery Share (40% of Net Income)	\$ 44,803,960

An estimate of sales tax receipts generated by the bill is not provided, based on the assumption that video lottery sales would be exempt from such taxation in accordance with KSA 74-8721.

The Lottery's expenditure estimate is detailed below. Expenditures for capital outlay and many of the background checks would not be recurring costs.

Computer/Software	\$1,500,000
Background Checks	425,000
12 FTE Positions	394,755
Other Operating Expenditures	<u>94,620</u>
Total	\$2,414,375

Based on the net income estimate of \$112,009,900, receipts to the Racetrack Assistance Fund would total an estimated \$3,360,297 (\$112,009,900 x .03). Expenditures from the fund would total a like amount. Based on the FY 1992 parimutuel taxes collected, \$2,412,693 would be paid to the Woodlands in Kansas City, and \$947,604 would be paid to the Wichita Greyhound Park.

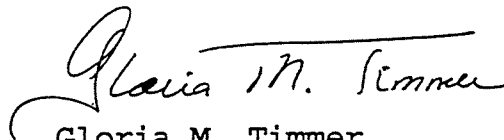
The Honorable Lana Oleen, Chairperson
April 20, 1993
Page 3

The Kansas Bureau of Investigation (KBI) estimates expenditures of \$1,930,000 in order to complete background investigations on manufacturers, distributors, and operators. The estimated expenditures would presumably be financed from the State General Fund. The estimate is based on conducting 440 investigations for a total of 74,000 hours of agent time and 4,300 hours of clerical support time.

After initial background investigations are completed, the KBI estimates annual expenditures of \$642,470 to establish a unit to continue criminal investigations, assistance to lottery security and enforcement of regulations. These costs include \$393,515 for salaries and wages of 9.0 FTE positions (including 7.0 FTE Special Agent positions), \$210,810 for other operating expenditures and \$38,145 for one-time capital outlay costs.

The KBI estimate of expenditures is based on the assumption that it would be responsible for conducting certain background investigations and for enforcement of regulations regarding video lottery. However, SB 399 does not specifically require the KBI to do either. Thus, the Division of the Budget estimates that expenditures for the KBI as a result of SB 399 could be minimal.

Sincerely,



Gloria M. Timmer
Director of the Budget

cc: Marsha Pappen, KBI
Jim Giordono, Lottery
Frances Snell, Racing

399.fn