

Approved: 2-3-97
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 24, 1997 in Room 123-S of the Capitol.

All members were present except: Senator Feliciano (excused)

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Janet Henning, Committee Secretary

Conferees appearing before the committee: Julian Efird, Fiscal Analyst, KLRD
Kevin Scott, Director of Administration, Kansas Lottery
Myron Scafe, Director of Racing, Racing Commission
Tracy Diel, Director of Gaming

Others attending: See attached list

Senator Salisbury moved, Senator Salmans seconded, that bill draft 7 RS 0433 be introduced as requested by Senator Salisbury. The motion carried on a voice vote.

Senator Kerr then introduced Julian Efird, Fiscal Analyst, Kansas Department of Legislative Research who gave an overview of lottery, parimutuel, and gaming (Attachment 1). Mr. Efird told the Committee of lottery sales for a period from 1988 to 1998. (Attachment 1-1). Lottery sales have increased from \$68 million in 1988 to a projected \$185 million in 1998.

Kevin Scott, Director of Administration, Kansas Lottery, told the Committee that lottery sales through the first six months of this fiscal year are down slightly, approximately 3 1/2% versus last year. Instant tickets are down approximately 7% this year. The pull tab games are down approximately 20%. Powerball is a game which has been operated since 1988 and is down compared to last year's figures by 18%. Overall, Powerball which is operated in 20 states and the District of Columbia, is down approximately 21 to 22%.

The three games which are up in revenues are: Kansas Cash, previously Cash Lotto, revenues are up 44%. The Pick 3 game revenues are up approximately 6.7%. Keno revenues are up approximately 2 1/2%.

Myron Scafe, Executive Director of Racing, Racing Commission, explained to the Committee there are currently three race tracks in Kansas. Camptown track in Frontenac opened in May, 1995 and closed in October, 1995. The track is currently in foreclosure in county court.

Senator Kerr inquired as to who would own Camptown and was advised by Mr. Scafe that it is unknown but possibly could be Casino Magic. Mr. Scafe was requested to obtain the information and report back to the Committee.

Mr. Scafe presented to the Committee a report from Wichita Greyhound Park which illustrated the total attendance and mutuel handle for a period from 1989 to and through 1996 (Attachment 2). It was reported that Greyhound Park has received a \$300,000 loan from their financiers in order to keep operating. Officials with Greyhound Park approached the Racing Commission and requested that the charitable contribution of 1% be lowered to 1/2 of 1% which would go to charity and the remaining 1/2 of the 1% would go for advertising and promotions. The Racing Commission allowed Greyhound Park a one year agreement only.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on January 24, 1997

Mr. Scafe advised the attendance and handle for the Woodlands is down. It is the understanding of Mr. Scafe that the Woodlands has filed Chapter 11 and have until June 1, 1997 to file a reorganization plan. It was stated that Mr. William Grace, St. Joseph, Missouri has purchased the majority of the loans for the Woodlands. There are five banks involved and Mr. Grace now controls the loans from three banks and about 75% of the loans. Mr. Grace owns approximately 14-15 different companies, including a riverboat in St. Joseph, Missouri, an Indian casino in Arizona, and has a contract with the Iowa tribe in Kansas to build a casino.

Mr. Scafe advised the Committee that statistics were being furnished for both Wichita Greyhound Park and the Woodlands (Attachment 3 and Attachment 4) which illustrates the handle and attendance.

In response to the question from Senator Kerr, Mr. Scafe advised the stockholders for Wichita Greyhound Park are Herb Meissner and Harold Ripps. The Committee was also advised that Mr. Meissner and Mr. Ripps have a dog track in Wisconsin. Mr. Meissner is believed to be from Alabama and has a track there.

Tracy Diel, Director of Gaming, informed the Committee that there are currently four compacts with the resident tribes in Kansas: the Iowa, Sac and Fox, Pottawatomie, and Kickapoo. This allows the tribes to engage in Class III gaming on their reservations (Attachment 1-3).

The Sac and Fox are scheduled to open their permanent facility approximately February 26, however, it is anticipated this will be the first of March. This will give the State of Kansas two full time casinos north of Topeka. A temporary facility for the Pottawatomie tribe, which is under construction near Mayetta, will be operating approximately 171 slot machines and will employ between 500-750 people. The Kickapoo tribe is building a second expansion and will employ approximately 100 people. The Sac and Fox will begin their expansion immediately upon opening up their present location. The Iowa tribe has either contracted with or is about to contract with Mr. Grace, previously discussed.

In response to questions, Mr. Diel explained there are five full-time and one part-time employee with the State Gaming Agency. The three enforcement agents are responsible for monitoring the casinos i.e., dealing with money, operations of the machines. In addition, the agents are responsible for background investigations for category I and category II. There are three categories of workers: category I is for management type employees, category II are the dealers, slot technicians, and category III are housekeepers, cooks, etc. The tribes themselves deal with category III. The other two categories are under contract with the State of Kansas and backgrounds are currently being conducted by the K.B.I. It is projected in the budget for next year that those agents would come into the State Gaming Agency so that there would be a better turnaround time with the backgrounds being completed. The compact states that if a background is not completed within 90 days, then the person submitting the application can go to work. It is anticipated that the State Gaming Agency would conduct the background for category II. The category I (key management positions) would require more of a nationwide check and would still require the K.B.I. conducting those backgrounds.

Senator Kerr advised the Committee of the subcommittee assignments.

It was requested by Senator Salisbury to amend the January 16 minutes to read as follows:

The third phase of the needs assessment was to fully understand what are the *types of juvenile offenders being sent to our present youth centers system.*

Senator Petty moved, Senator Downey seconded to amend the minutes of January 16. The motion carried on a voice vote.

It was moved by Senator Lawrence and seconded by Senator Morris that the minutes of January 15 and January 16 be approved. The motion carried on a voice vote.

The meeting was adjourned at 12:15 p.m.

The next meeting is scheduled for January 27, 1997.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: January 24, 1997

NAME	REPRESENTING
RANDY TOWNSEND	LEGISLATIVE Post-Audit
LEAEY DieI	State Gaming Agency
Kevin Scott	KANSAS Lottery.
GARY SAVILLE	✓ ✓
Amia R. Bell	Intern Sen. Cristrap / Biggs
Elaine Frisbie	Division of the Budget
Peggy Forbes	Div. of Personnel
Ken HARJO	RACING & GAMING Commission
Myra Ekke	✓ ✓ ✓
Steve Montgomery	Ks. Greyhound Kennel Owners' Assoc.
Jan Powell	R. A. E.
Frances Wood	Woman's Christian Temporal Union Kansas Churches of the Nazarenes
Melody Jennings	Amy Howell - Intern
Dwight L. Jennings	visitor
Mae Jennings	"
Marilyn Salmons	visitor
Charlesm Junker	KANSAS American Legion
Amy Campbell	R Rice Law Office
Dan Hamer	visitor

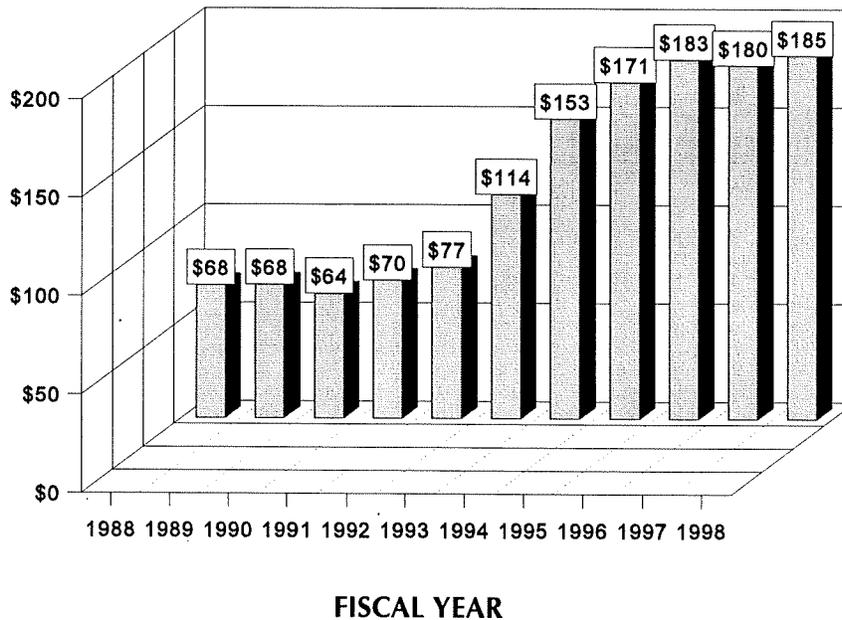
BACKGROUND INFORMATION ON GAMING

Kansas Lottery

Article 15, Section 3c of the *Kansas Constitution* authorizes a state-owned and operated lottery. The Legislature has provided for the Kansas Lottery by statutory enactment. The 1995 Legislature extended the agency until July 1, 2002, at which time it would be abolished unless continued by an act of the Legislature. K.S.A. 74-8710(a) allows by rule and regulation the establishment of the types of lottery games to be conducted, including but not limited to instant lottery, online and traditional games, but not including games on video lottery machines. The Kansas Lottery has established multiple types of games using instant scratch tickets; on-line games including PowerBall, Cash Lotto, Club Keno and Pick 3; and Pull Tabs.

Lottery Sales: FY 1988 to FY 1998

(In Millions of Dollars)



Note: FY 1997-98 are Agency's estimated sales for all Lottery games.

Senate Ways and Means Committee

Date 1-24-97

Attachment # 1

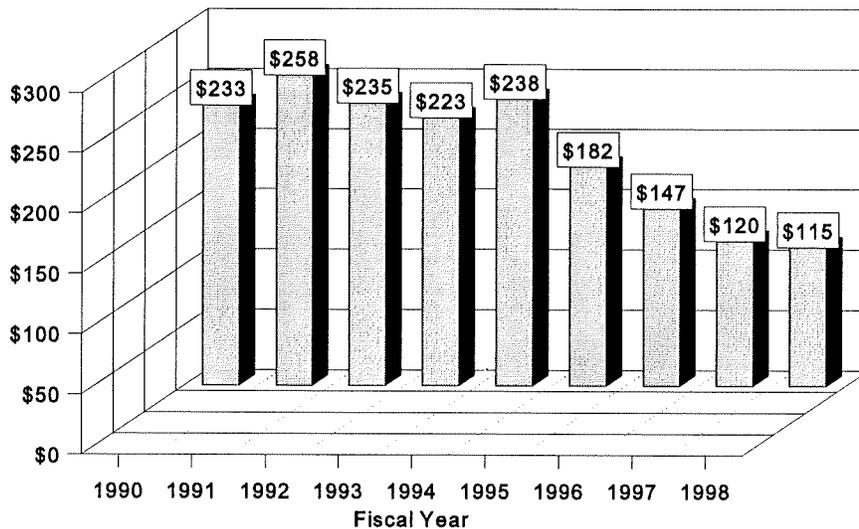
Kansas Racing and Gaming Commission

The Kansas Racing Commission was redesignated as the Kansas Racing and Gaming Commission on July 1, 1996, when the State Gaming Agency was attached for administrative and budget purposes. A portion of the budget request reflects the expenditures associated with this entity.

Racing Operations. The Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. The Commission issues racing dates, promulgates racing regulations as required to maintain public confidence in the parimutuel wagering system, ensures the safety and welfare of racing animals, monitors the public health and safety at Kansas race tracks, and encourages the growth of the horse and greyhound breeding industry. The amount of parimutuel wagering has declined in recent years and two of the state's three major tracks are involved in bankruptcy or foreclosure proceedings. Projections for FY 1997 and FY 1998 show a continued decline in betting.

Parimutuel Handle: FY 1990 to FY 1998

(In Millions of Dollars)



State Gaming Agency Operations. The 1996 Tribal Gaming Oversight Act statutorily created the State Gaming Agency in order to fulfill the duties in the gaming compacts and to enforce the provisions of the compacts and state laws, including general criminal statutes and specific criminal gaming statutes in the Tribal Gaming Oversight Act. Through the end of calendar year 1996, two casinos have been opened in Kansas under provisions of the compacts. The Kickapoo casino, located on the tribe's land in southern Brown County, opened in May 1996. The Pottawatomi casino, located on tribal land in Jackson County, opened in October 1996.

**Governor's Gaming Revenues Recommendations
Impact on SGRF and SGF**

FY 1996	Lottery	Racing	Total
Sales/Handle	\$182,666,000	\$147,253,692	\$329,919,692
Resources	190,613,528	5,190,949	195,804,477
Expenditures	126,797,163	1,939,129	128,736,292
Balance	63,816,365	3,251,820	67,068,185
Transfers:			
KBI	124,008	372,023	496,031
SGRF	57,990,539	2,476,790	60,467,329
SGF	**	**	10,467,329
EDIF			42,500,000
CIBF			5,000,000
JCFF			2,500,000
Balance	5,701,818	403,007	--

Gaming Activity

KBI: Annual Determination
SGRF: Cap of \$50 Million
SGF: Excess over \$50 Million
EDIF: 85% of SGRF
CIBF: 10% of SGRF
JCFF: 5% of SGRF

FY 1997	Lottery	Racing	Total
Sales/Handle	\$180,000,000	\$120,306,266	\$300,306,266
Resources	185,894,060	4,140,354	190,034,414
Expenditures	125,556,011	2,051,414	127,607,425
Balance	60,338,049	2,088,940	62,426,989
Transfers:			
KBI	162,396	395,965	558,361
SGRF	55,373,000	1,495,982	56,868,982
SGF	**	**	6,868,982
EDIF			42,500,000
CIBF			5,000,000
JCFF			2,500,000
Balance	4,802,653	196,993	--

Gaming Activity

KBI: Annual Determination
SGRF: Cap of \$50 Million
SGF: Excess over \$50 Million
EDIF: 85% of SGRF
CIBF: 10% of SGRF
JCFF: 5% of SGRF

FY 1998	Lottery	Racing	Total
Sales/Handle	\$184,700,000	\$115,388,728	\$300,088,728
Resources	190,444,514	3,964,245	194,408,759
Expenditures	129,174,224	2,784,090	131,958,314
Balance	61,270,290	1,180,155	62,450,445
Transfers:			
KBI	274,261	400,002	674,263
SGRF	56,676,196	474,653	57,150,849
SGF	**	**	7,150,849
EDIF			42,500,000
CIBF			5,000,000
JCFF			2,500,000
Balance	4,319,833	305,500	--

Gaming Activity

KBI: Annual Determination
SGRF: Cap of \$50 Million
SGF: Excess over \$50 Million
EDIF: 85% of SGRF
CIBF: 10% of SGRF
JCFF: 5% of SGRF

Tribal Gaming	FY 1996	FY 1997	FY 1998
SGF Transfers			
Loan	\$145,976	\$366,941	\$434,676
Repay	91,297	421,620	434,676
Balance	54,679	0	0

Loan: Annual Determination

KANSAS GAMING ACTIVITY AND SGRF TRANSFERS

FY 1996 Actual

REVENUES	July	Aug	Sept	Oct	Nov	Dec	Subtotals
Racing Handle							
Kansas City	\$7,971,678	\$8,998,799	\$7,265,839	\$5,543,593	\$6,704,702	\$5,152,378	\$41,636,989
Frontenac	2,532,377	2,432,177	2,291,443	1,656,006	518,973	0	9,430,976
Wichita	5,207,945	4,941,789	5,097,601	4,286,592	4,728,038	4,549,255	28,811,220
Others	233,925	0	0	0	0	0	233,925
Totals	\$15,945,925	\$16,372,765	\$14,654,883	\$11,486,191	\$11,951,713	\$9,701,633	\$80,113,110
Lottery Sales							
Instant	\$6,558,289	\$6,536,055	\$6,820,589	\$5,982,419	\$6,791,662	\$7,638,385	\$40,327,399
On-Line	7,671,648	8,068,349	8,021,596	7,813,195	9,718,586	9,284,188	50,577,562
Pull Tabs	55,140	99,698	38,844	53,760	84,176	44,484	376,102
Totals	\$14,285,077	\$14,704,102	\$14,881,029	\$13,849,374	\$16,594,424	\$16,967,057	\$91,281,063
Total Gaming	\$30,231,002	\$31,076,867	\$29,535,912	\$25,335,565	\$28,546,137	\$26,668,690	\$171,394,173
SGRF TRANSFERS							
Racing	\$188,811	\$378,651	\$373,454	\$299,243	\$182,225	\$130,294	\$1,552,678
Lottery Regular	4,254,934	4,285,523	4,411,899	4,463,640	4,153,012	4,977,985	26,546,994
Lottery Special	843,947	0	0	843,947	0	0	1,687,894
Totals	\$5,287,692	\$4,664,174	\$4,785,353	\$5,606,830	\$4,335,237	\$5,108,279	\$29,787,566

FY 1997 Reported

REVENUES	July	Aug	Sept	Oct	Nov	Dec	Subtotals	Pct. of Gov. Est.
Racing Handle								
Kansas City	\$6,269,019	\$7,114,740	\$6,468,462	\$5,615,319	\$5,297,753	\$4,492,520	\$35,257,813	
Frontenac	0	0	0	0	0	0	0	
Wichita	3,960,742	3,961,402	3,737,217	3,498,531	3,665,523	3,388,281	22,211,696	
Others	135,179	0	0	0	0	0	135,179	
Totals	\$10,364,940	\$11,076,142	\$10,205,679	\$9,113,850	\$8,963,276	\$7,880,801	\$57,604,688	47.9%
Lottery Sales								
Instant	\$5,644,492	\$6,906,974	\$5,538,418	\$5,446,217	\$7,559,157	\$6,172,616	\$37,267,874	
On-Line	7,518,148	8,312,863	8,201,218	10,665,159	8,392,614	9,153,241	52,243,243	
Pull Tabs	37,824	70,428	50,388	48,840	41,748	41,736	290,964	
Totals	\$13,200,464	\$15,290,265	\$13,790,024	\$16,160,216	\$15,993,519	\$15,367,593	\$89,802,081	49.9%
Total Gaming	\$23,565,404	\$26,366,407	\$23,995,703	\$25,274,066	\$24,956,795	\$23,248,394	\$147,406,769	49.1%
SGRF TRANSFERS								
Racing	\$131,313	\$99,458	\$203,833	\$195,614	\$19,304	\$82,492	\$732,014	48.9%
Lottery Regular	4,439,855	4,059,143	4,701,756	4,240,432	4,969,267	4,918,007	27,328,460	49.4%
Lottery Special	0	0	0	0	0	0	0	
Totals	\$4,571,168	\$4,158,601	\$4,905,589	\$4,436,046	\$4,988,571	\$5,000,499	\$28,060,474	49.3%
Percent +/- Last Year								
Racing	-30.5%	-73.7%	-45.4%	-34.6%	-89.4%	-36.7%	-52.9%	
Lottery Regular	4.3%	-5.3%	6.6%	-5.0%	19.7%	-1.2%	2.9%	
Lottery Special	-100.0%	--	--	-100.0%	--	--	--	
Totals	-13.6%	-10.8%	2.5%	-20.9%	15.1%	-2.1%	-5.8%	
Amount of Difference	(\$716,524)	(\$505,573)	\$120,236	(\$1,170,784)	\$653,334	(\$107,780)	(\$1,727,091)	

NOTE: The prior month's revenue activity (parimutuel handle or lottery sales) generally determines the subsequent month's transfer.

1-4

Wichita Greyhound Park Statistics and Economic Impact

September 7, 1989 - December 31, 1996

*Received 1/24/97
9:30 AM*

TOTAL ATTENDANCE - 4,203,442
TOTAL MUTUEL HANDLE - \$482,309,159

BY CALENDAR YEAR

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995*</u>	<u>1996*</u>
Performances:	133	424	448	435	415	415	415	385
Attendance:	306,525	762,661	740,663	630,022	527,287	497,000	424,083	315,201
Mutuel Handle:	\$25,104,320	\$74,280,861	\$77,231,268	\$69,645,371	\$66,040,344	\$62,923,902	\$59,805,764	\$47,277,329
Average Attendance:	2,304	1,799	1,653	1,448	1,271	1,198	1,021	819
Average Handle:	\$188,754	\$175,191	\$172,391	\$160,104	\$159,133	\$151,624	\$144,110	\$100,955

ECONOMIC IMPACT

Charitable Contributions	\$5,051,461
Purse Money to Greyhound Owners & Breeders	\$22,881,832
Total Payroll (approximately 250 jobs)	\$25,233,950

Taxes:

State Pari-Mutuel Tax	\$18,073,616
State Sales and Liquor Tax	\$2,008,652
County Real Estate & Property Tax	\$3,762,512
Admissions Tax	\$596,945

Taxes on Customer Winnings

Federal: \$5,246,758	
State: \$1,339,692	<u>\$6,586,450</u>

Total Taxes \$31,028,175

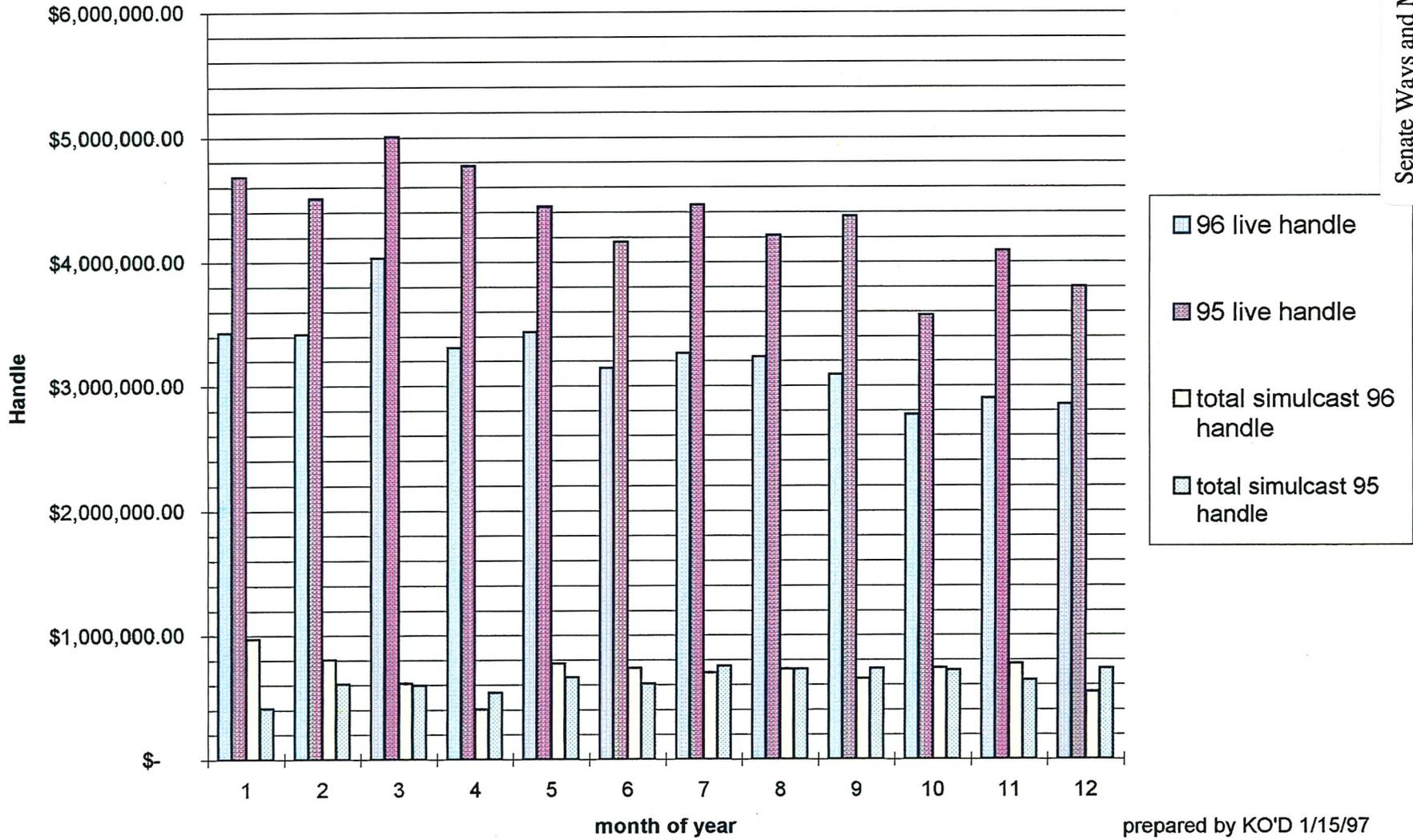
*Includes Simulcasting - \$7,698,478 - 1995
\$8,409,643 - 1996

Senate Ways and Means Committee

Date *1-24-97*

Attachment # *2*

KANSAS RACING & GAMING COMMISSION
WGP Live/Simulcast handle 95/96 by month



prepared by KO'D 1/15/97

Senate Ways and Means Committee

Date 1-24-97

Attachment # 3

3-2

KANSAS RACING & GAMING COMMISSION

WGP Handle Comparison 96, 95, & 94

simulcast handle
live handle

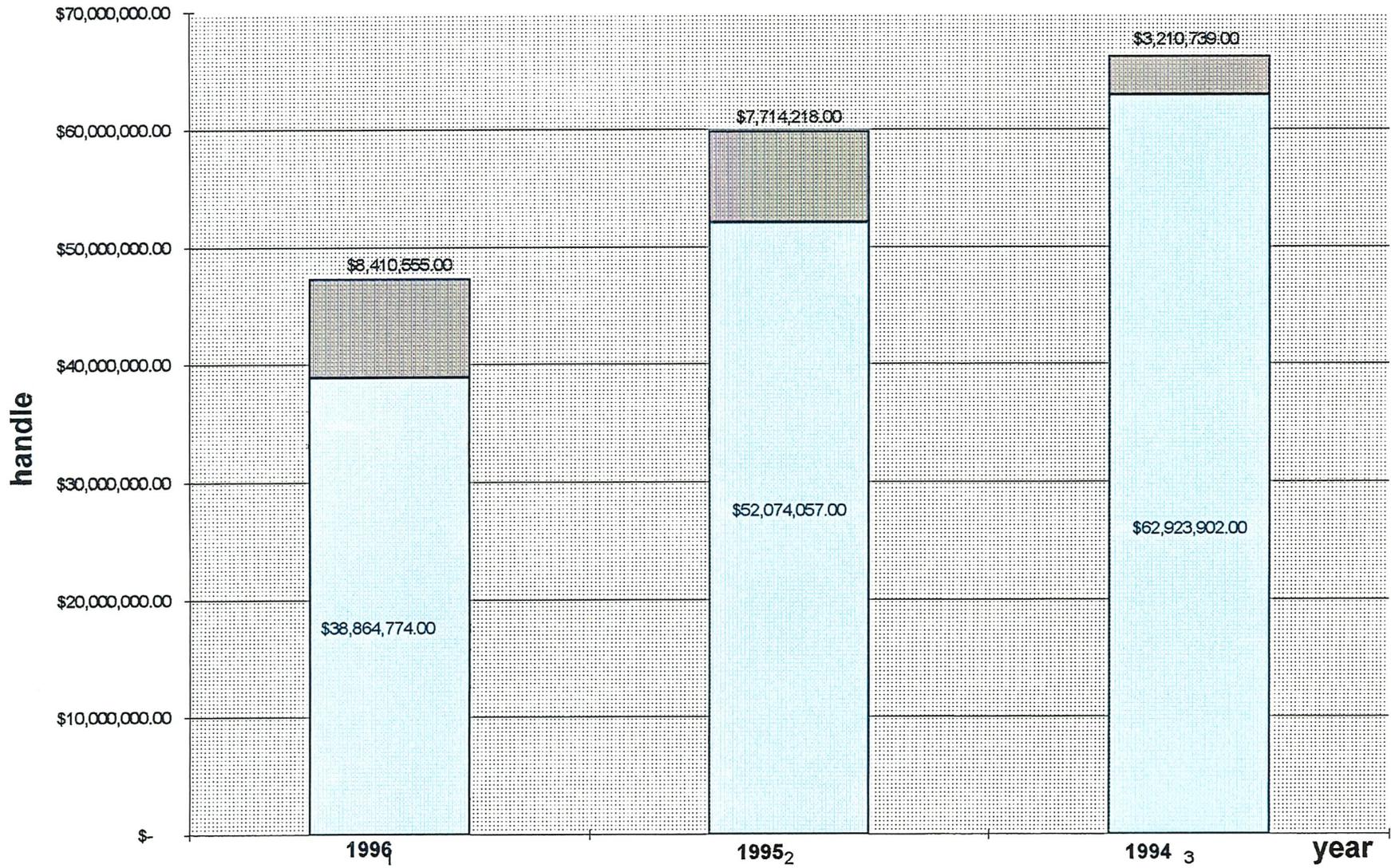
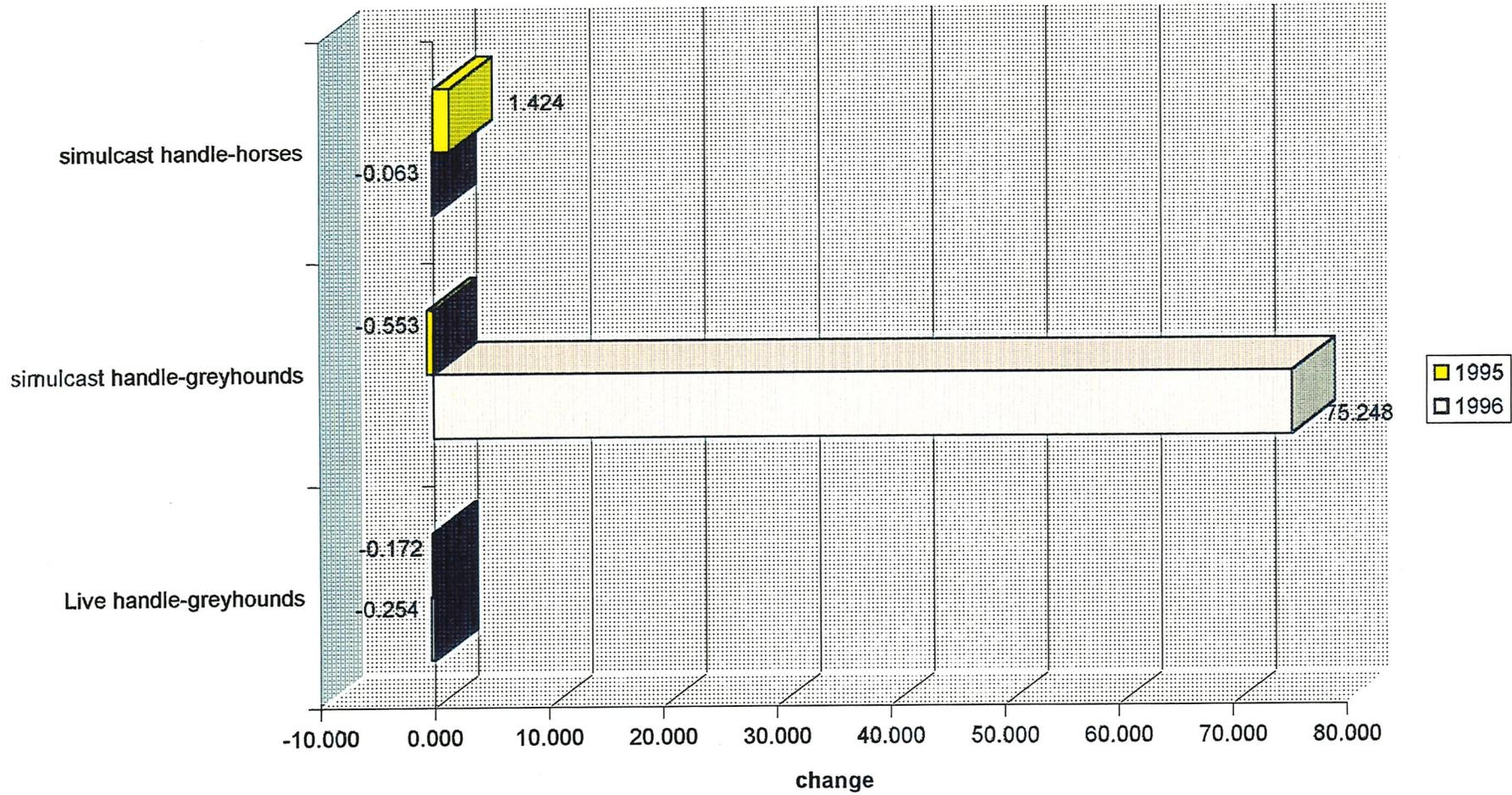


Chart7

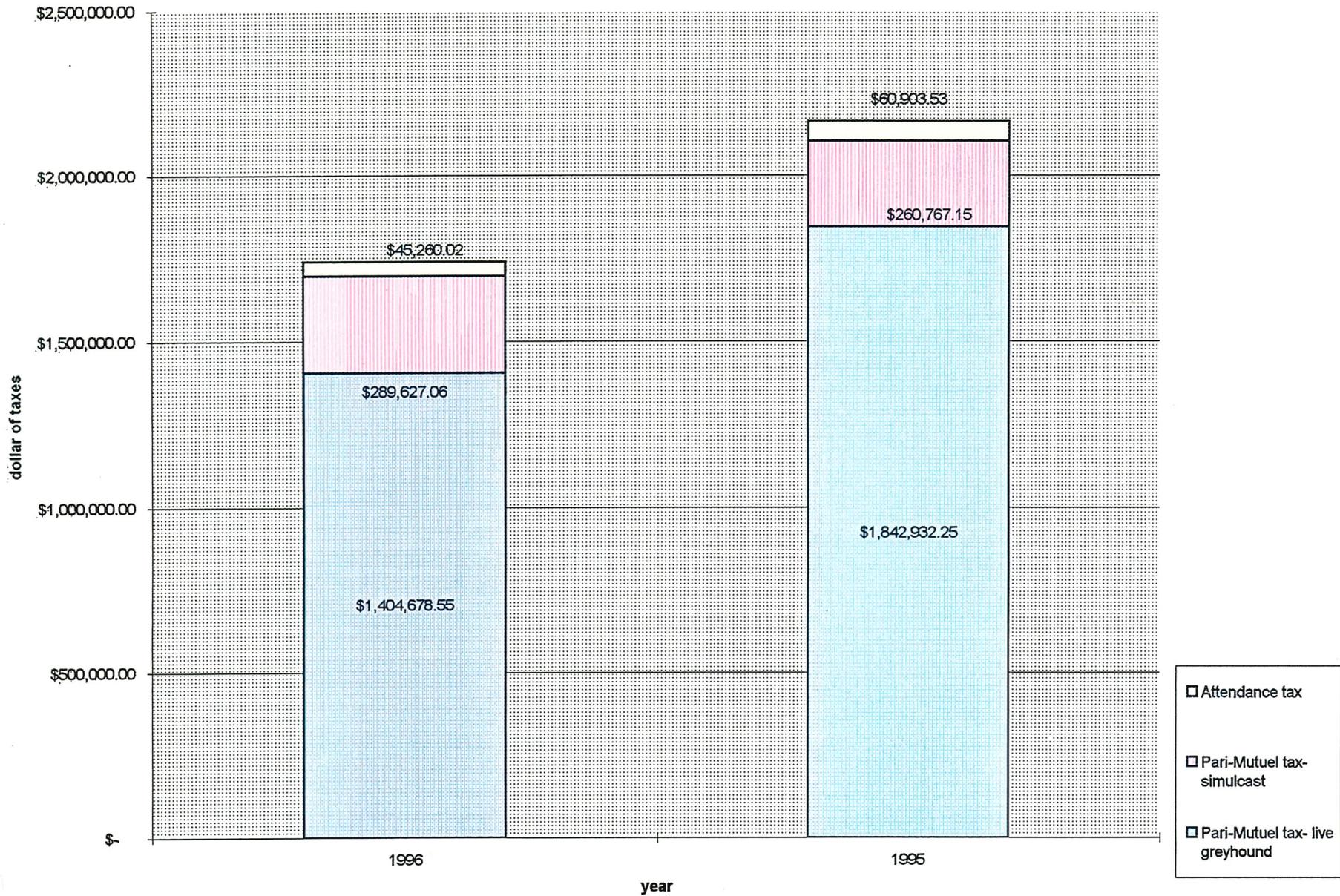
Kansas Racing & Gaming Commission
WGP % change for 94 to 95 & 95 to 96

3-28



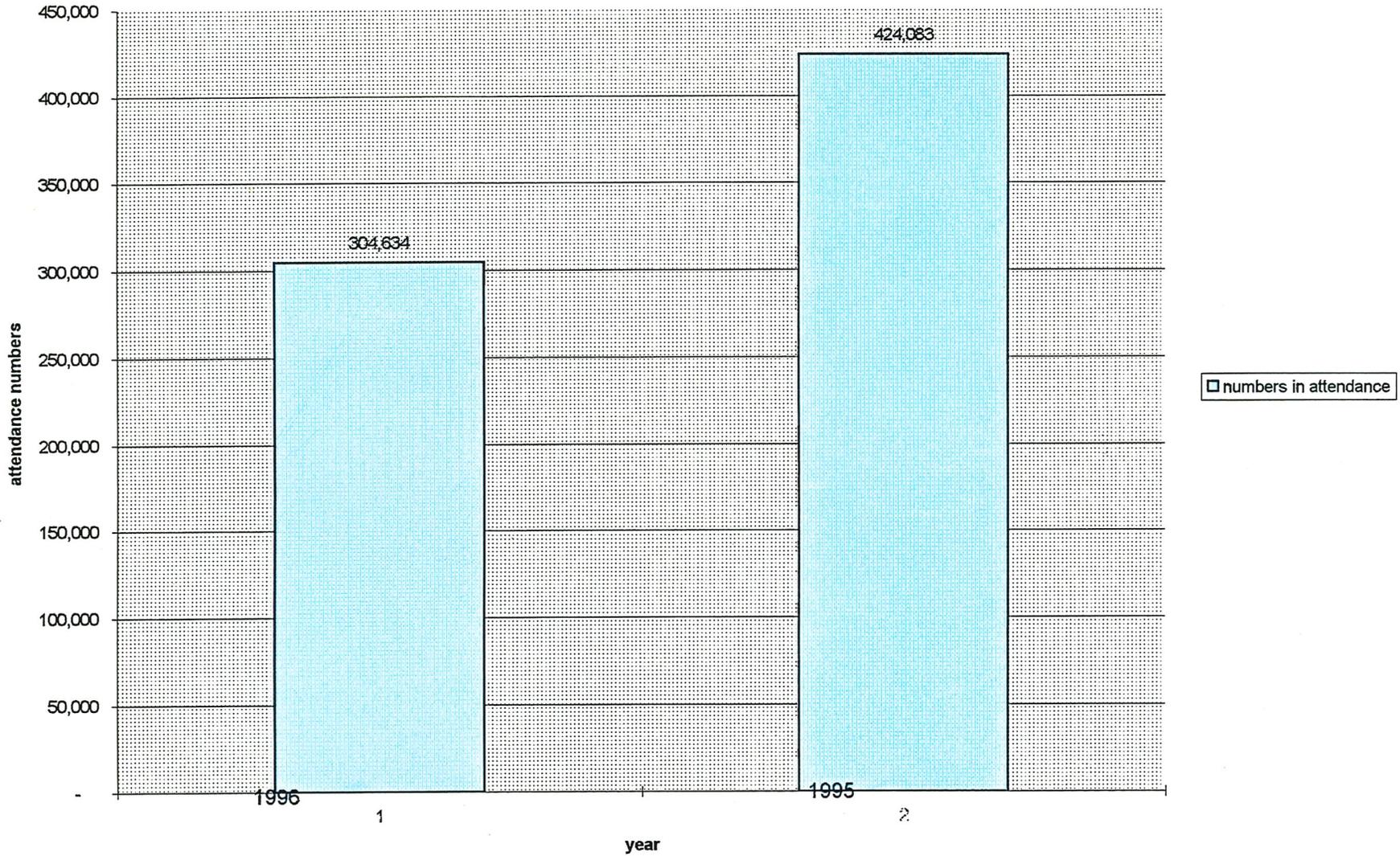
**Kansas Racing & Gaming Commission
Pari-Mutuel & Attendance tax comparison 96, 95 WGP**

3-4



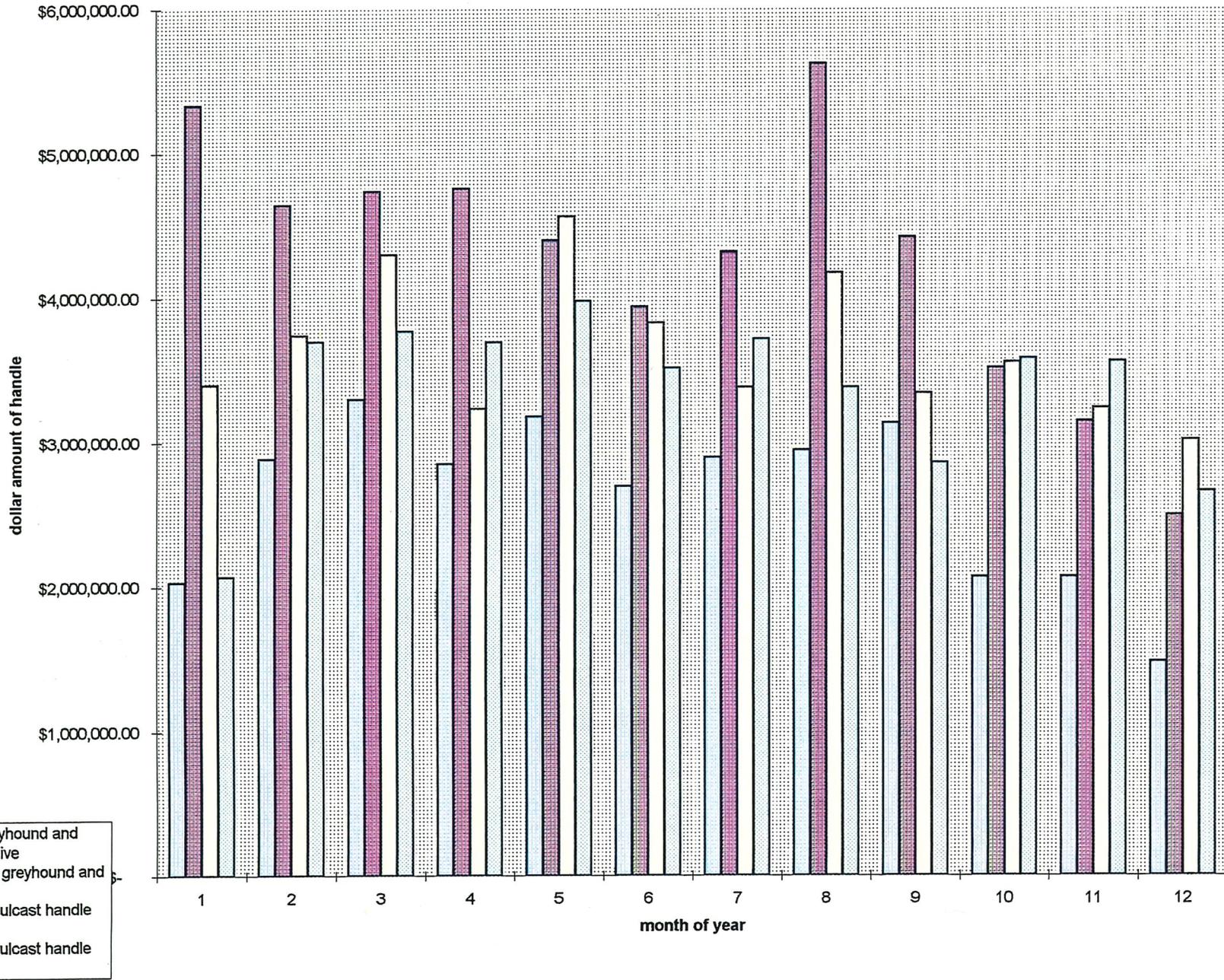
3-5

Kansas Racing & Gaming Commission WGP Attendance 1996 & 1995 comparison



Kansas Racing & Gaming Commission

Woodlands handle live/simulcast 96/95

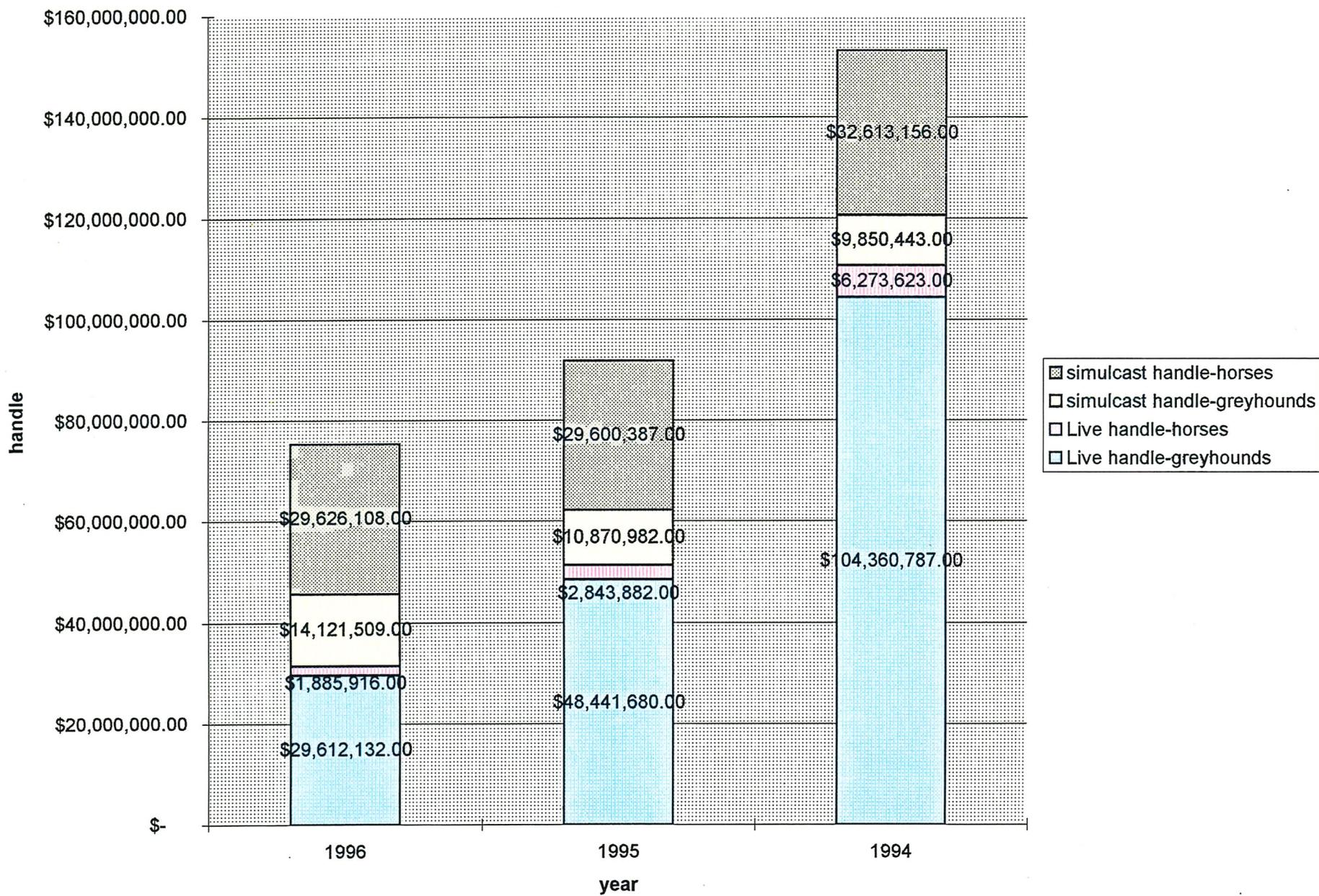


Senate Ways and Means Committee *lpa*
 Date 1-24-97
 Attachment # 4

4-2

Chart4

Kansas Racing & Gaming Commission Woodlands Handle Comparison 96, 95 & 94



4-2

Chart6
Kansas Racing & Gaming Commission
Woodlands % change for 94 to 95 & 95 to 96 of handle

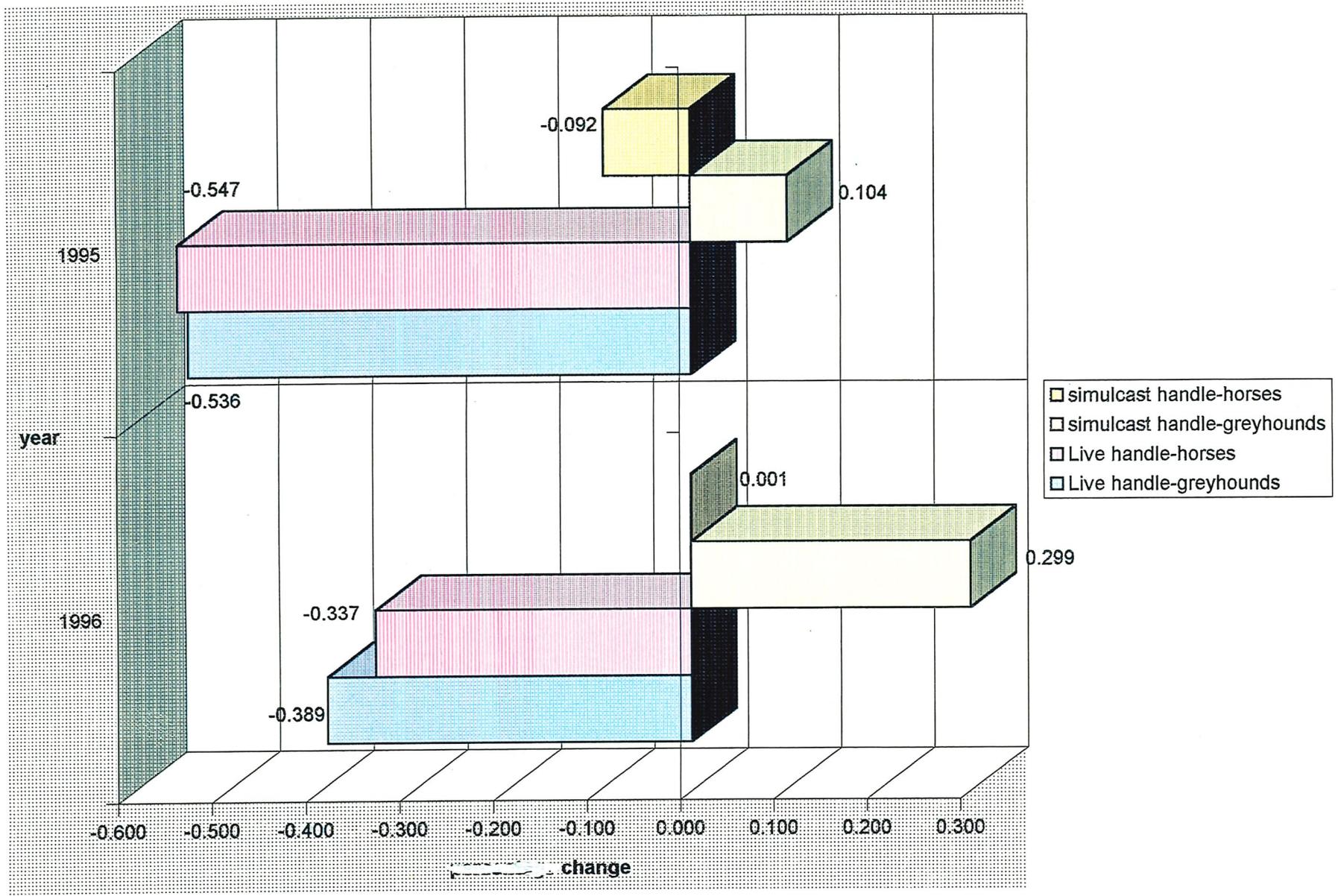
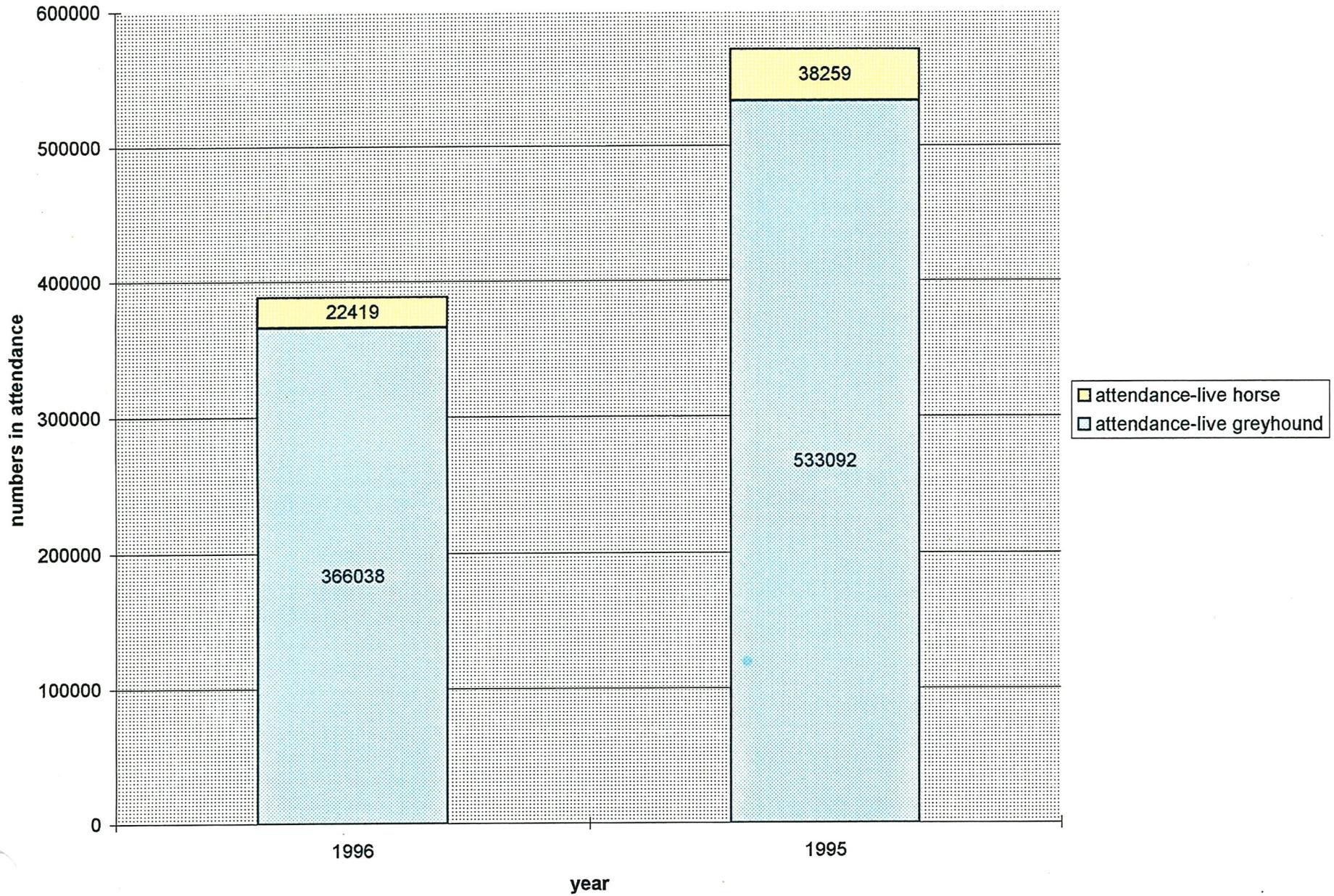


Chart3

**Kansas Racing & Gaming Commission
Woodlands Attendance 1996 & 1995 comparison**

4-4



4-5

Kansas Racing & Gaming Commission Woodlands Pari-Mutuel & Attendance tax comparison 96/95

