

PROTEST

Pursuant to Article 2, Section 10, of the Constitution of the State of Kansas, we hereby protest the passage of Senate Bill 66 as Amended by the House Committee of the Whole.

The amendment by the House Committee of the Whole to allow what are truly privately owned and operated casinos in Kansas under the guise of ``management contracts`` is

unconstitutional, bad public policy, and injurious to many Kansans.

This bill was developed by the special interests, not in the light of day, but behind the

scenes with only a select group of legislators. This bill did not receive a public hearing at

which we, as legislators, could hear and receive the testimony, input and advice from our

fellow citizens who might question and further advise us of the impact of this bill on our

communities. We had virtually no way to hear from our citizens in hearing the total

ramifications without additional expert advice that was clearly not available to us.

The constitution of the state of Kansas states that our lottery games must be ``state-owned

and operated``. This bill only requires that the state have operational oversight of the lottery

machines; however, even its detailed provisions do not mesh with this policy statement. This

was written into the bill to try to convince our judicial branch of government that we were

following its prior decision. The Kansas lottery has no direct involvement in the operation

of table games in this bill. The contract managers will decide how many slot machines are

to be placed in each facility, how many slot machines are to be operational, what kind slot

machines, what table games are open, in addition to numerous other decisions. Who is the

operator? Not the state as required by the Constitution of the state of Kansas. The slot machines in the casinos that are authorized by this bill will dispense

the cash for

the winnings. The ``contract managers`` will receive more than 70% of the receipts after the

payouts to run their business and make their profit. These ``contract managers`` or more

accurately called, casino operators, will receive profits of more than \$50,000,000 per year

for each casino, an amount far greater than what the state of Kansas, the alleged ``owner

and operator`` of the casino operation receives. This is not synonymous with a Kansas

business owner/operator who is educated about their business and then proceeds to go out

and negotiate a contract with another party that is beneficial to its business. At best, we the

state of Kansas are only a silent partner without the authority to direct operations.

The gambling interests who wrote this bill will make millions of dollars in profits on the backs of Kansas citizens. The minimum payment to the state from these ``operators`` is only 22 percent of the receipts, after payouts. Much less than what other states receive like our

JOURNAL OF THE SENATE 610

neighboring state of Missouri that receives 27 to 28 percent and is contemplating increasing its share, a prospect Kansas could not entertain once 15 year contracts are entered into under this bill. In a prior bill, House Bill 2055, that was acknowledged to be written by the gambling industry's lobbyist, Kansas was to receive 24 percent. Consequently, in less than

a week Kansas' unknown negotiators gave away 4 percent of its revenue. What other business

owner/operator would act in this way to its financial detriment?

The Governor appointed a special committee, the Governor's Gaming Committee, to study how gambling should be expanded in Kansas. This committee advised the Kansas

legislature to first create only one destination casino in Wyandotte County and then to

proceed in other areas of Kansas after conducting the appropriate feasibility studies. The

Kansas Lottery contracted with Christiansen Capital Advisors, LLC for a study of gambling;

however, that study did not do an economic impact assessment of the effect of gambling on

Kansas communities as a whole. An interim legislative committee did a study in 1995, but

the legislature did not follow up on its recommendations. To date, the Kansas legislature

has not contracted with any experts to provide it with independent advice as to how Kansas

should structure its law if it chooses to expand gambling. The Kansas legislature has not

sought legal advice to determine if the privately operated casinos that would be authorized

by Senate Bill 66 would in fact be constitutional in light of the Kansas Supreme Court's

earlier ruling that required all gaming operations in Kansas to be ``state-owned and

operated.``

Last year, the Kansas legislature received a study conducted by Dr. Bill Thompson,

University of Nevada at Las Vegas, about how to expand gambling in Kansas. Most of his

suggestions were ignored. Instead, a coalition of legislators appear to have entered into a

pact with the casino industry to approve the bill the industry wrote which previous studies

had warned against. The public policy issues raised when the amendment to Senate Bill 66

appeared on the House floor for the first time for public review were addressed with closed

ears, as all amendments, regardless of merit were defeated, particularly those that sought

to strike a fair allocation of the gambling profits. A few of the fairness amendments the

House added were later removed by parliamentary maneuvers in order to lock in the

gambling industry's position. The Senate was presented with a bill that could not be amended.

Kansas now becomes the only state in the nation to create the facade of owning and

operating casinos. This bill does not fit the legal requirements of our constitution, that

requires a ``state-owned and operated lottery''. Despite the arguments of gambling

supporters that economic development would result, no studies were conducted to show

that Kansas will be the beneficiary of any new economic development from at least two of

the four proposed casino locations. Testimony presented on other proposed legislation

indicated that economic development would not occur; however, the testimony was dismissed.

The proponents were quick to state that Kansas would receive income from gambling;

however, the same proponents had no information about the revenue Kansas, its large and

small businesses, and its citizens would suffer when millions are removed from our existing

economy through gambling losses and profits taken to low tax states. The proponents also

had no information about the state's costs associated with the expansion of gambling. It is

well known that increased gambling does result in more bankruptcy, embezzlement, theft,

insurance fraud, divorce, suicide, and criminal activity which increases our costs of

governmental operations, not to mention what individuals and businesses must pay from

their own pockets as a result of gambling and the loss of tax revenue from existing businesses

that will lose income to casinos.

In conclusion, we protest the enactment of Senate Bill 66 because it lacks the honesty

Kansans demand of their public officials. It was passed pursuant to a seriously flawed process

that denied the public its right to know what was going on behind closed doors. It is

inherently unconstitutional. While it may be in the best interest of the gambling proponents

who wrote it, it truly is not in the best interests of the state of Kansas and our citizens.

Respectfully submitted.

Phillip B. Journey, Jim Barnett, Karin Brownlee, Julia Lynn, Peggy Palmer, Ralph Ostmeier, Mike Petersen, Susan Wagle and Dennis Wilson