

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 13, 2004 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Legislative Research
Dennis Hodgins, Legislative Research
Theresa Kiernan, Office of the Revisor
John Beverlin, Committee Secretary

Conferees appearing before the committee:

Matt All, Chief Counsel, Governor's Office
John McElroy, Executive Director, State Gaming Agency
Joe Odle, State Fire Marshal

Others attending:

See Attached List.

Chairperson Brungardt opened the meeting by welcoming back committee members and staff. The chair acknowledged Senator Lyon for his move to Vice Chairperson of the committee and Senator Gilstrap for his move to Ranking Minority Member. The chair then informed the committee that they will know later on in the week who will be assigned to the committee to replace the recently retired Senator Gooch. The chair then acknowledged that Senator Clark was new to the committee. The chair introduced the new committee secretary John Beverlin. The chair introduced the staff: Theresa Kiernan, Russell Mills, and Dennis Hodgins.

Chairperson Brungardt introduced Matthew All, Chief Counsel to the Governor, to provide testimony over the Final Report of the Governor's Gaming Committee (Attachment 1). He provided the Final Report of the Governor's Gaming Committee (Attachment 2).

Mr. All stated, upon the completion of his written testimony, that Governor Sebelius's primary focus is developing a large destination casino in Wyandotte County, video machines at race tracks, and machines at fraternal organizations. A gaming board would use criteria in the act to control more expansion on the merits.

At the end of his testimony, Mr. All accepted questions from committee members.

Senator Vratil asked whether the Governor will have a written recommendation within the next few weeks and if she will place that recommendation in bill form.

Mr. All answered yes.

Senator Vratil stated that one of the problems the legislature has faced with regards to gambling proposals in the past, is that those proposals are not placed in bill form. When they are placed in bill form, it is late in the session and not in time for both House and Senate to deal with these proposals.

Mr. All stated that the Governor's office was in the middle of working on a bill, but that there were still some details that needed to be worked out. Mr. All said he could not guarantee those details would be worked out, but that the Governor's office was putting the bill forth and that it should be no later than next week or the week after.

Senator O' Connor asked whether there was any discussion of the fact that other restaurants and businesses go out of business when a destination casino is established in the area. She then explained that restaurants at these casinos often serve excellent food at or below cost. The problem is that neighborhood restaurants cannot compete with that kind of competition.

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Mr. All acknowledged that there was discussion on the topic. He stated that the committee understands that there is a cost associated with the destination casino. He further stated that bringing in a destination casino would bring more money and people into the region and is likely to help those businesses.

Senator O' Connor asked what kind of percentage of money earned at the destination casino would stay in the area, and what part of the dollars would go back to the people who are contracted to provide the casino entertainment.

Mr. All stated that it is the hope of the office of the Governor that the vast majority of the monies would stay in the region. He stated that the governor would have control over who has the contracts and that the Governor would probably keep the money in the region. Mr. All further stated that the point is not to provide gaming for gaming's sake but to develop the communities and to bring jobs into the communities. He further stated that they believe, if done right, the destination casino could be beneficial for Wyandotte County.

Senator O' Connor asked if there had been discussion about placing video gaming in convenience stores.

Mr. All answered by stating that no, it was not something that the committee thought was a good idea. He said the committee thought that video gaming in convenience stores was clearly convenience gaming. He explained that fraternal organizations could use the machines to do a lot of good work throughout the state. He further explained that the committee concluded that gaming at convenience stores would only be gaming for gaming's sake. He explained that such gaming would not bring people or jobs to the state.

Senator O' Connor stated that if the Governor is looking for gaming as a source of revenue, video gaming would bring in three times as much as any destination casino. She further stated that a destination casino is going to take a year to three years before it starts to become a benefit for the state.

Senator O' Connor asked that if the goal of the Governor is to get revenue and quickly, why is the state not going in the direction of video gaming.

Mr. All stated that quick revenue was a reason, but not the only reason.

Senator O' Connor asked if Mr. All agreed that video gaming in convenience stores is where the quick and large revenue is located.

Mr. All responded by saying he does not necessarily agree with her statement. He said that he disagrees with Senator O' Connor's premise for the question. He said he has seen various studies about the monies that video gambling in convenience stores would bring. He then stated, that the committee does not know if that is really the case.

Senator Gilstrap asked if there was any knowledge of how much money, due to gambling, was going from the Kansas side over to the Missouri side.

Mr. All stated that the committee heard testimony, but that he did not think there was a scientific study. He further stated that the committee heard that as much as 30 to 40 percent of the patrons at Kansas City casinos come from the Kansas side of the line.

Senator Gilstrap said he understood that some of the money that goes to Missouri might go into funding the education in Missouri. He stated that with as much problem as we have funding education in Kansas, we are funding education in Missouri.

Mr. All answered that Senator Gilstrap was correct.

Senator Teichman asked what the committee's opinion was concerning other destination casinos in Kansas.

Mr. All responded by saying that the committee was open-minded and so was the Governor about having additional venues in Kansas. He stated that the committee concluded that a destination casino in Wyandotte County was the best location in Kansas to start with casinos in Kansas. In reference to the other locations

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for casinos, Mr. All stated that the committee and the Governor would say as long as those proposals were geared to be destination casinos, it may be something the state should look into.

Dennis Hodgins asked if there was discussion about how the destination casinos would effect the lottery in Kansas.

Mr. All answered by saying that there is likely to be some trade-off, but that overall there would be far more revenue generated if there was expanded gaming in Kansas.

Senator Lyon asked Mr. All what he saw as being new in the committee's findings or the proposal.

Mr. All answered by saying that the idea of having a board that would provide criteria to ensure that any expanded gaming in Kansas would be done in a responsible way and in a way that would make sense for the community and Kansas as a whole; this board is something in his limited experience that he thought was new.

Senator Lyon asked if it was okay to assume that the proposal would be for a state owned and operated casino.

Mr. All answered by saying that the proposal is for casinos to be state owned and operated. He stated, however, they are in discussion with various tribes that are interested and that the committee believes that there is room for both.

Senator Lyon stated that he is interested in knowing what the committee's views are in regards to what state owned and operated means.

Mr. All responded by saying that the committee does not know exactly how "state owned and operated" is defined. He stated that the Supreme Court would provide a definition. Mr. All then stated that in general it is important for the state to retain control of the gaming operation, but does not need to own the real-estate or the equipment.

Chairperson Brungardt thanked Mr. All and recognized and thanked Tom Wright, Chairperson of the Governor's Gaming Committee.

Chairperson Brungardt asked Mr. Wright if there was anything that he would like to add to Mr. All's testimony.

Mr. Wright responded no.

Chairperson Brungardt introduced John McElroy, Executive Director of the Kansas State Gaming Agency.

Mr. McElroy provided an agency overview of the Kansas State Gaming Agency (Attachment 3).

Chairperson Brungardt asked the committee members whether they had any questions for Mr. McElroy

Senator Lyon asked Mr. McElroy that if the state got involved in state owned and operated casinos, would he anticipate being approached for input.

Mr. McElroy stated that he does not have any idea and that it is not in his jurisdiction.

Chairperson Brungardt thanked Mr. McElroy and then welcomed John Odle, State Fire Marshal.

Mr. Odle stated that the agency of Kansas State Fire Marshal is set to release its year end report at the beginning of February. He stated that the overview he handed out today was a description of the state agency (Attachment 4).

Mr. Odle described the agency as being divided into four departments with two or three divisions in each. He then went on to say that the main departments are investigation, inspections, hazardous material and

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juvenile.

Mr. Odle stated that the reason for the juvenile department is due to the rise in fires set by juveniles.

Mr. Odle stopped from his testimony to introduce his two Chief Deputies whom, he stated, are responsible for tracking any fire related legislation in the legislature this year. The Chief Deputies introduced by Mr. Odle were, Dan McLaughlin, head of the inspection division; and Karl McNorton, head of the investigation division.

Chairperson Brungardt asked the committee members if they had any questions for Mr. Odle

Senator O' Connor asked whether the increase in fires set by juveniles would be addressed

Mr. Odle responded by stating that would be released along with statistics in the yearly report. He further stated that of 20,000 fire incidents in 2002, 30 to 40 percent were started by juveniles. He stated further that 10 percent were arson fires, which was an increase of about 46 percent over the year 2001.

Senator O' Connor stated that she was curious why there was an increase in teenagers that started fires.

Mr. Odle explained that it is not so much the increase, but the fact that fires set by juveniles had never been addressed by most states. He further explained that the National Fire Marshal Conference did initiate a juvenile program in Kansas and three other states. Mr. Odle explained that Kansas is a pilot project. If the program is successful here, it will be implemented it in other states.

Chairperson Brungardt asked whether the program was preventive or if it identified those committing juvenile arson.

Mr. Odle explained that currently it is a preventive program. He explained that as time goes on, if the program is successful, the program could be expanded.

Senator Barnett asked if Kansas could escape the tragedy of 97 fatalities at the night club in Rhode Island, and asked how Kansas has protected itself against such a tragedy.

Mr. Odle explained that Kansas has been lucky. He explained that many clubs in Kansas have the same problems as the Rhode Island night club. Mr. Odle explained the only time the Fire Marshal inspects a place such as a night club, is when a complaint on the establishment is received. He stated that there are establishments located in the rural parts of Kansas that the Fire Marshal, does not know exist. Mr. Odle explained that many counties do not require these establishments be built according to fire code.

Senator Barnett stated that during the previous year, in the senate, the committee viewed legislation that looked at sprinkler systems for facilities, such as night clubs, that under current law would not be required to have sprinkler systems, for pyro-technic purposes. He asked whether or not the office of the Fire Marshal was going to revisit that issue this year.

Mr. Odle answered by stating that currently, there would be no way of enforcing that bill in the state of Kansas. He explained that facilities where older people and minors congregate need to meet certain rules pertaining to fire rating. He further explained that new facilities such as these have to be built with sprinkler systems.

Senator Clark asked Mr. Odle to highlight some of the details of the proposed legislative package.

Mr. Odle stated that the plan is to bring in legislation to be in line with ATF standards regulating the handling and storage of explosives. He stated that the same stands with regards to fireworks. Mr. Odle stated that the agency has always allowed class C fireworks in Kansas for storage and sale. He explained that class C fireworks are now built almost as powerful as class B fireworks.

Mr. Odle stated the agencies plan to pull **SB 42**. He also stated the plan to offer extension to Senate Bill 41.

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He explained that **SB 41** allows the adoption of 2003 international fire codes.

Chairperson Brungardt asked for additional questions

Senator Teichman stated that the rural drinking establishment that the Fire Marshal is unaware of, must be licensed for the sale of alcohol. Senator Teichman asked whether there was cooperation between the Fire Marshal and the liquor licensing agency.

Mr. Odle explained that the resources are not available to inspect facilities such as these on a regular basis.

Senator Teichman asked whether these rural facilities needed to be inspected on an annual basis.

Mr. Odle answered with no, that state statutes require that they inspect educational facilities, healthcare facilities and correctional facilities. He explained that the only times these rural facilities receive fire inspection is upon a complaint about the facility.

Chairperson Brungardt thanked Mr. Odle and brought an end to the meeting.

The meeting was adjourned at 11:25 a. m. The next meeting will be held at 10:30 a.m. January 14, 2004 in room 231-N