

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES  
COMMITTEE ON CASINOS  
NAPA, CALIFORNIA  
FRIDAY, JUNE 13, 2008  
MINUTES

The Committee on Casinos of the National Council of Legislators from Gaming States (NCLGS) met at the Napa Valley Hotel & Spa in Napa, California, on Friday, June 13, 2008, at 3:30 p.m.

Senator Tom Harman from California, NCLGS Treasurer, presided in the absence of Delaware Representative Nancy Wagner, Committee Chair.

Other members of the Committee present were:

Rep. H. Mac Gipson, AL  
Rep. Michael Caron, CT  
Rep. Kevin Ryan, CT  
Sen. Steven Geller, FL  
Rep. Jim Waldman, FL  
Rep. Arlen Siegfried, KS  
Sen. Richard Lerblance, OK  
Rep. John Evans, PA  
Rep. Chris Sainato, PA  
Rep. Tim Solobay, PA

Other legislators present were:

Rep. Perry Thurston, FL  
Rep. Brian Quirk, IA  
Rep. Trent Van Haaften, IN  
Rep. Charlie Hoffman, KY  
Rep. Joni Jenkins, KY  
Rep. Dennis Keene, KY  
Rep. Darryl Owens, KY  
Sen. Walter Michel, MS  
Rep. Larry Miller, TN  
Sen. Jerome Delvin, WA

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director  
Nicholas Brozean, Nolan Associates, NCLGS Assistant Legislative Coordinator

MINUTES

The Committee voted unanimously to accept, as submitted, the minutes of its January 4, 2008, meeting in Scottsdale, Arizona.

## CASINO INITIATIVES IN THE STATES

Stephen Martino, executive director of the Kansas Racing and Gaming Commission, reported that in April 2007, the Kansas Expanded Lottery Act was passed to reauthorize the traditional role of the lottery and approve Las Vegas style gaming for the first time in Kansas.

Mr. Martino said the act provided that four zones in Kansas could each operate one casino with Class III gaming, including the Kansas City area, Southeast Kansas, South-central Kansas, and Dodge City. He said the law requires a minimum investment of \$225 million per casino for construction and infrastructure. He said the Dodge City casino only needs to invest \$50 million, based on the facility's location and population. He said the casinos must be land-based and cannot be riverboats.

Mr. Martino said state law requires that the winning bidder of the casino contract pay the state of Kansas a \$25 million privilege fee. He said the privilege fee in Dodge City is \$5.5 million.

Mr. Martino said casinos required county approval. He said voters in each of the counties approved the casinos, except for Central County, which includes the city of Wichita.

Mr. Martino said the legislation also authorizes Class III slot machines at racetracks. He said Kansas currently only operates two full-time greyhound facilities, since one other facility had recently shut down. He said Kansas breeds more greyhounds than any other state in the nation.

Mr. Martino said the legislation caps slot machines at 2,200 aggregate for all the tracks and table games are not allowed at the facilities.

Mr. Martino said the legislation requires that Kansas own and operate all the casinos and that the executive director of the Kansas Lottery have authority over the operations. He said a contract must exist between the facilities manager of the casino and the Lottery in order for gaming to exist. He said state ownership only applies to casino operations on the gaming floor and not to additional facilities.

Mr. Martino said that because the state owns and operates the casino facilities and splits a percentage of the revenue with the facilities manager by contract, the state does not collect gaming taxes. He said by law the Kansas revenue share cannot be less than 22 percent of the gaming revenue for casinos and 40 percent for racetracks.

Mr. Martino said that local units of government receive three percent of the casino revenue within their jurisdiction. He said at the racetracks, seven percent of the revenue is set aside for enhancing greyhound race purses, seven percent for horse breeds, and one percent to support state fair meets.

Mr. Martino said the Act requires two percent of all gaming revenue at casinos and racetracks to go to a problem gambling and addictions fund.

Mr. Martino said facility management applications within the four zones must be submitted to the lottery by December. He said the Lottery had 150 days to negotiate contracts with the facility managers, which were then sent to the Lottery Gaming Facility Review Board.

Mr. Martino said the Board consists of seven members, including three chosen by the Governor, two by the Senate President, and two by the Speaker of the House. He said within 120 days, the Board must select the facility management contracts that best maximize revenue for the state of Kansas, serve the interest and people of Kansas, and encourage tourism. He said the Board can also disapprove and return all the contacts to the Lottery.

Mr. Martino said the Board is reviewing casino proposals from numerous gaming companies and joint ventures. He said after the Board accepts a proposal, the Kansas Racing and Gaming Commission will do background checks and submit the contracts to the state for approval.

Mr. Martino said the Racing and Gaming Commission will perform normal regulatory functions at the casinos and the racetracks, including licensing, internal controls, security, and background checks for personnel.

Mr. Martino said the Attorney General filed a lawsuit challenging the constitutionality of the legislation and a decision is pending.

Mr. Martino said the Board obtained revenue projections from two companies, which vary from \$648 million to \$797 million. He said at a state revenue minimum of 22 percent, the state would generate between \$142 million and \$175 million. He said the problem gambling and addictions fund would generate between \$13 million and \$16 million under the two percent allocation.

In response to a question from Sen. Harman regarding the percentage of Kansas' general fund that casino revenue could provide, Mr. Martino said under the current revenue proposal, the casino and racetrack facilities would generate about four percent of the state general fund.

#### NEW GAMING TECHNOLOGY, E.G., RAPID ROULETTE AND CONSOLE-GAMING-FOR-MONEY

Kevin Mullally, general counsel & director of government affairs for Gaming Laboratories International (GLI), said electronic table games, such as rapid roulette, are the fastest growing and most sought gaming technology across the country.

Mr. Mullally said GLI can easily test electronic table games for technical issues. He said gaming machine classification of electronic table games presents legal issues. He said GLI decides and reports whether or not gaming machines are considered slot machines or table games by state law.

Mr. Mullally said as part of its testing, GLI also determines whether or not a state prohibits table games and if it applies to a virtual representation of a game like roulette or craps. He said state legislation prohibiting electronic table games may intend to ban all Las Vegas style table games or only mechanically run games that are subject to cheating.

Mr. Mullally said GLI considers if a device is one game or many and its legality according to state specific legislation. He said some states categorize the number of games by a Random Number Generator (RNG) or by how many seats the game comprises.

Mr. Mullally said some states cap the number of gaming positions, and other states tax depending on the positions. He said certain tribal jurisdictions try to avoid compact fees by classifying electronic table games as standard table games.

Mr. Mullally said console-gaming-for-money, or video game wagering, is starting to emerge with new console-game technology that allows users to connect to the internet. He said X-Box, Nintendo Wii, and Playstation are popular video gaming consoles among young people.

Mr. Mullally said Internet sites allow players to deposit money, and compete for wagers against one another across video games. He said many of these games are thought to be games of skill, and that unless a state prohibits games of skill the games are legal. He said the legality of video game wagering will depend on state and federal Internet gaming legislation.

Mr. Mullally said a panel at a recent North American Gaming Regulators Association (NAGRA) conference took up video game wagering and its potential affect on youth. He said problem gambling counselors and researchers believe video game wagering could become more addictive than traditional casino games.

#### GAMES OF SKILL VS. GAMES OF CHANCE/GREY MACHINES

Mr. Mullally said GLI is active in a number of jurisdictions on issues regarding skill and chance games. He said Ohio is experiencing many problems trying to regulate skill games and games of chance.

Mr. Mullally said Ohio sought to restrict controversial games by implementing legislation regarding pull-tabs and Chuck E. Cheese games, but that this made the problem worse, as 30,000 to 40,000 skill-based amusement devices spread across Ohio by 2006. He said Ohio does not permit any other form of gaming besides the lottery.

Mr. Mullally said the machines began in fraternal organizations. He said the state lost a few lawsuits regarding the machines and had to amend the law in 2007. He said Ohio hired GLI to help with the transition to eliminate the machines and train local law enforcement.

Mr. Mullally said while Ohio was working on enforcing the new gaming laws, the amusement manufacturers found a loophole in the sweepstakes laws by using phone cards and vouchers that can be redeemed for money.

Mr. Mullally said GLI is also working with Indiana on grey machines. He said thousands of slot machines in bars are not licensed in Indiana. He said a bill passed the legislature that gave the Indiana Gaming Commission a special unit to investigate and remove grey machines.

Mr. Mullally said Indiana eliminated a thousand of the machines already and several thousands have been voluntarily removed. He said a number of states are looking at similar legislation that would empower gaming commissions to remove grey machines.

In response to a question by Sen. Geller regarding Florida enforcement of grey machines, Mr. Mullally said grey machines are in almost every state. Mr. Mullally said as director of the Missouri Gaming Commission he sent letters to all the state's bingo licensees that gave bingo halls six months to remove grey machines or the Commission would come in and remove them. He said letters also went to the legislature, local law enforcement, and prosecutors.

Mr. Mullally said some phone calls came into the commission, but overall the initiative remained very successful and got rid of grey machines within charitable organizations. He said law enforcement began removing grey machines from trucks stops and other non-charitable organizations after the removal of machines from charitable organizations.

#### NEW JERSEY SPORTS BETTING LEGISLATION

Sen. Harman said Sen. Raymond Lesniak (D-NJ) wrote two letters to NCLGS regarding sports betting and underground wagering on sports. He said the letters are available and will be made a part of the official committee record.

#### ADJOURNMENT

There being no further business, the meeting adjourned at 4:00 p.m.

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