



[www.hollywoodcasinokansas.com](http://www.hollywoodcasinokansas.com)

**TO:** Chairman Ralph Ostmeyer  
And Members of the Senate Committee on Federal and State Affairs

**FROM:** Whitney Damron, on behalf of Kansas Entertainment, LLC

**CONTACTS:** Jeff Boerger  
President  
Kansas Speedway Development Corporation  
(913) 328-3303

Karen Bailey  
Public Affairs Advisor  
Penn National Gaming, Inc.  
(610) 741-9932

**RE:** SB 192 - Proposed changes to the Kansas Expanded Lottery Act

**DATE:** March 5, 2015

Hollywood Casino at Kansas Speedway formally calls upon the Kansas Senate to reject attempts to reopen the Kansas Expanded Lottery Act for the benefit of special interests who participated in crafting and passage of the original law in 2007, but now seek changes that will create an uneven playing field and jeopardize the viability of the three state-licensed casinos, including Hollywood Casino at Kansas Speedway located in Wyandotte County and the yet-to-be-awarded license for the southeast Kansas gaming zone.

Hollywood Casino at Kansas Speedway (Kansas City, Kansas), Boot Hill Casino & Resort (Dodge City), and the Kansas Star Casino (Mulvane) were granted state gaming licenses through a highly competitive RFP process, and have made investments in Kansas totaling more than \$800 million and created more than direct 2,000 jobs in the process.

In December, 2014, the results of a study conducted by Oxford Economics on behalf of the American Gaming Association found the three state-owned casinos in Kansas contributed \$673 million to the state's economy and supported 4,000 jobs in 2013 (*Kansas Casinos have \$673 million impact on state's economy, study says, The Wichita Eagle*, December 10, 2014).

All three facilities are now open and delivering on the promises made to the State of Kansas, its citizens and the local communities in which they are located.

Under SB 66, criteria used to evaluate the competitive proposals included the following factors:

- Size of the proposed facility;
- Geographic area in which the facility is to be located;
- Facility's location as a tourist and entertainment destination;
- Estimated number of tourists that would be attracted by the proposed facility;
- Number and type of lottery facility games to be operated at the proposed facility; and,
- Agreements related to ancillary lottery gaming facility operations.

In all three markets that ultimately saw a lottery gaming facility application approved, a highly competitive process with multiple applicants unfolded. At a time of economic uncertainty, the selected companies took business risks in our state to develop world-class facilities and bring employment to many of our state's citizens.

The minimum investment requirement for the northeast and south-central gaming zones was \$225 million with a privilege fee of \$25 million; the minimum investment requirement for the southwestern gaming zone was \$50 million with a \$5.5 million privilege fee. All of the successful applicants greatly exceeded the minimum investment requirement for their respective zones. Hollywood Casino at Kansas Speedway has invested hundreds of millions of dollars into our property with the potential of millions more in the next several years.

On Tuesday, February 24 of this year, the Unified Government of Wyandotte County and Kansas City, Kansas voted unanimously to approve a resolution for the Hollywood Casino Hotel. Investments like the hotel and other reinvestments we'd potentially make for the property could be threatened as a result of an expansion bill such as SB 192.

Kansas Speedway, in fulfilling promises related to the casino made to the State of Kansas, successfully petitioned NASCAR for a second Sprint Cup event. In 2015, Kansas Speedway will again host two Sprint Cup races; one in the spring and one in the fall during the highly-coveted chase race series. In addition, Kansas Speedway has constructed an infield road course, which has become yet another draw for tourists to our state and northeast Kansas.

The investments in Hollywood Casino and related infrastructure will be in jeopardy if the State allows the original provisions of SB 66 to be altered. The reason the tax structures were different for the pari-mutuel tracks and destination casinos was due to the significant minimum investments required from the casinos versus the track owners, who have no minimum investment requirements for their facilities.

Under SB 66, the pari-mutuel track owner receives 25 percent of the gross gaming revenues and an additional 15 percent of revenues for their expenses – all with no minimum investment or infrastructure required. It is important to note that many of the monies collected on slot machines at racetracks go to the horse and greyhound racing industries – owners, breeders, and purses. Not to the state. The notion that this becomes a major boon to state revenues is a falsehood and the new legislation takes monies away from the state and instead is kept by the racetrack owner.

In legislation they now are promoting, the track owner's share of the gross gaming revenue is increased to 64.5% for the first two years of operation and then 60.5% thereafter. This massive shift in money from the State to the track owner comes without any corresponding requirement for infrastructure investment, addition of non-gaming amenities, creation of a tourist destination or anything even similar to what has been required of the state-owned casinos.

Furthermore, the State is being asked to make these changes for the benefit of a track owner who is not even a public advocate of this legislation. The owners of The Woodlands have, to the best we can determine, not participated in advocating for changes to the state's gaming laws in years. And, once again we'd like to point out, the Woodlands can open the racing facility today and have been allowed to since the legislation passed in 2007. They just choose not to.

The track owners and pari-mutuel industry were instrumental in drafting and passing SB 66, the Kansas Expanded Lottery Act, in 2007. They celebrated its passage and they agreed to the rules and enthusiastically supported passage of SB 66. They also publicly thanked then Governor Sebelius for the opportunity presented to racing as a result of the legislation, as noted in media accounts following approval by the legislature. They now seek to alter that very legislation after three casinos have made tremendous investments in compliance with SB 66 and promises made as part of the competitive selection process.

Hollywood Casino at Kansas Speedway has made a significant investment in Kansas and is fulfilling its promises made to Wyandotte County, the State and its employees. We have kept our promises and we are strongly opposed to any substantive changes to the state's gaming laws that would materially impact the financial viability of the existing destination casinos licensed in Kansas.

Legislation such as SB 192 sends mixed-messages to the investment community – and lead to speculation on potential changes to the gaming market that would have a significant impact on Hollywood Casino. We believe it is time for the State to stand with its licensees who have operated under the rules we all supported and reject this latest attempt to rewrite a fair and equitable gaming act.

Kansas Entertainment contracted with the State of Kansas under the rules established by SB 66 and we would respectfully request the State of Kansas abide by the provisions of that legislation as well.

On behalf of Kansas Entertainment, we thank you for consideration of our comments on SB 192.

WBD