

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRSThe meeting was called to order by Robert H. Miller at
Chairperson1:30 a.m./p.m. on March 19, 1984 in room 519 S. of the Capitol.

All members were present except:

Committee staff present:

Russ Mills, Research Department

Conferees appearing before the committee:

Representative Peterson
 Representative Rolfs
 Representative Crowell
 Vaughn Henry
 Charles Samuels
 Jim Edwards, Kansas Chamber of Commerce & Industry
 Dave Tolle
 Jerry Holley, Stauffer Communications, Inc.
 Jim Yonally, National Federation of Independent Businessmen
 Jonathon Small, Kansans for Parimutuel
 Pauline Clifton
 Reverend Taylor, Kansans for Life at its Best
 J. Elwood Slover, Washburn University retired law professor
 Charles Wright
 Ed Marling
 Bob Groff
 Reverend Ted Staudacher, St John's Lutheran Church
 Dick Ketterman, Kansas Federation of Humane Societies

The meeting was called to order by Chairman Miller.

HCR5082 - Parimutuel wagering

Mike Peterson gave testimony in support of the resolution which if adopted would allow the people of Kansas the opportunity to vote to amend the Constitution to allow parimutuel wagering on horse races. See attachment A. Representative Peterson distributed a summary of a poll taken. See attachment B.

Representative Ed Rolfs gave testimony in support of the resolution.

Representative Crowell gave testimony in support of HCR5082.

Because of the weather Mr. Vaughn Henry, Professor at Colby Community College, and Mr. Charles Samuels, Sheriff, Greenwood County, were unable to appear and will be sending their written statement. See attachments C & D. *(Not Received)*

Jim Edwards, Kansas Chamber of Commerce and Industry, gave testimony in support of the resolution. This is an issue that the voters of Kansas should be allowed to vote their preference on. Unlike some groups that might testify in opposition to this bill, Mr. Edwards said that they don't believe that the public lacks knowledge on this particular subject and the public would vote responsibly at the polls. See attachment E.

Dave Tolle gave testimony in support of the resolution. He told the committee he was a native of Kansas; 1964 graduate of Seaman High School; and employed by the Santa Fe Railroad as an Instructor for locomotive engineer training school. He owns six running quarterhorses and would like to have the opportunity to run his horses here in Kansas. Parimutuel is vital to the success of horse racing in Kansas. He told the committee he would like to express his opinion on parimutuel.

CONTINUATION SHEET

Minutes of the F&SA Committee on March 19, 1984

Jerry Holley, Stauffer Communications, Inc, gave testimony in support of the bill. Mr. Holley stated that he supports parimutuel wagering in Kansas as a businessman and as a horseman and feels that the people of Kansas should decide this question. See attachment F.

Jim Yonally, National Federation of Independent Businessmen, gave testimony in support of the resolution. He told the committee that he was President of the Jayhawk Consulting Services, Inc., who took the poll distributed by Representative Peterson. He explained how the survey was taken. See attachment G. When asked if the people in the poll were supporting parimutuel just for horses, Mr. Yonally said he wasn't sure how the question read, but would provide the Chairman with the information.

Jonathon Small, Kansans for Parimutuel, gave testimony in support of the resolution and said that Kansans overwhelmingly favor the opportunity to vote on parimutuel horse racing in their state. Parimutuel horse racing in Kansas can produce a substantial net return to the state treasury as well as to local tourism and agricultural economics. See attachment H. Mr. Small also referred to William T. Terrell's statement on "The Likely Economic Impact of Parimutuel Horse Racing in Kansas". See attachment H.

Pauline Clifton, Wyandotte County, gave testimony in support of the resolution and stated that according to her own poll people in Wyandotte, Leavenworth and Johnson County are in favor of putting parimutuel on the ballot. Ms. Clifton described herself as an ordinary housewife interested in the constitutional rights of the people.

Reverend Taylor, Kansans for Life at its Best, gave testimony in opposition to the resolution. He explained the impact of parimutuel wagering on Law Enforcement as described by Tom Kelly in a report in 1981 before the Senate Committee. He showed the committee Nebraska Newspaper articles to show there is crime in Nebraska due to parimutuel wagering. See attachment I.

In response to discussion about the rights of people, Reverend Taylor told the committee they should do what they feel is right for the people of Kansas, not necessarily what their constituents want.

J. Elwood Slover, Washburn University retired law professor, gave testimony on the procedure under the Constitution of Kansas for amending the Constitution by resolution of the legislature. See attachment J.

When asked if he felt that this resolution was improperly drawn or if there was any argument with the people voting, Mr. Slover said that the resolution was properly drawn and there was nothing wrong with the people voting after the legislators have given it weighty consideration.

Charles Wright, former Mayor of Topeka, gave testimony in opposition to the resolution and said that uninformed people believe that parimutuel wagering will reduce property taxes, provide money for increased teacher salaries, help elderly and benefit highways. Informed people know better. See attachment K.

Ed Marling, retired retail furniture dealer, gave testimony in opposition to the resolution. He said that parimutuel wagering is not economically feasible and told of his experiences living in the Hot Springs area where there is horse racing and parimutuel wagering. There is a different feeling among the people during the racing season.

Bob Groff, Topeka Attorney and member of the Advisory Committee to Kansans for Life at its Best, in opposition to HCR 5082. See attachment L.

Reverenc Olds, Pastor of the Lane Street Church of God, gave testimony in opposition to the resolution. He told the committee he opposes commercial gambling because it attracts organized crime, is a form of repressive taxation, encourages illegal gambling and increases law enforcement costs.

CONTINUATION SHEET

Minutes of the F&SA Committee on March 19, 1984

Reverend Ted Staudacher, Pastor of St. John's Lutheran Church, Topeka, gave testimony in opposition to the resolution and told of his experiences in the Chicago area with persons going to the track. If you think Kansas is beyond the criminal element, you are sadly mistaken. This resolution is a loaded proposition and he told the committee he was glad to be away from Chicago and to be in Kansas where the lifestyle is different.

Dick Ketterman, Kansas Federation of Humane Societies, gave testimony in opposition to parimutuel betting because of the hidden cruelty to animals involved in horseracing and greyhound racing. See attachment M

Hearings were concluded on HCR5082.

Representative Vancrum made a motion, seconded by Representative Roe, to approve the minutes of the March 15 meeting. The motion carried.

The meeting was adjourned.

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

March 19, 1984

HOUSE CONCURRENT RESOLUTION NO. 5082

Testimony - Representative Michael J. Peterson

Mr. Chairman, members of the committee, I appreciate the opportunity to testify in favor of the adoption of House Concurrent Resolution No. 5082. This issue has been before the Legislature many times in the past, and as you know would allow the people of the State of Kansas the opportunity to vote to amend the Constitution to allow parimutuel wagering on horse races. This question will be placed on the ballot in November of 1984, and if adopted would allow each county in the State of Kansas to choose again by popular vote whether or not they would like to have parimutuel wagering on horse races in their county. This means simply that the entire state would have to approve the measure, and if approved each county would have to approve the measure before parimutuel wagering could legally take place in that county.

This measure has been introduced for two basic reasons. Number one, no one knows better that the Legislature that the State of Kansas currently faces financial crises. We are desperately in need of alternative sources of income. If adopted, House Concurrent Resolution 5082 would provide a mechanism whereby revenues could be raised to help offset taxes that are paid by our already overburdened Kansas residents. Money is flowing out of the State of Kansas into the states of Nebraska, Colorado, and Oklahoma, and this money is paying gas tax, sales tax, property tax, and parimutuel wagering tax in each of those states. The residents of the State of Kansas are providing tax relief for our bordering states, and it is time that the people of the State of Kansas be given the opportunity to at least vote on a measure that would provide tax relief for themselves at the expense of people from other states.

Atch. A

M. MICHAEL J. PETERSON
REPRESENTATIVE, THIRTY-THIRD DISTRICT
WYANDOTTE COUNTY
731 ANN AVENUE
KANSAS CITY, KANSAS 66101
KANSAS CITY OFFICE 342-2444

COMMITTEE ASSIGNMENTS
VICE-CHAIRMAN: RULES AND JOURNAL
RANKING MINORITY MEMBER: JUDICIARY
MEMBER: FEDERAL AND STATE AFFAIRS
VICE-CHAIRMAN: WYANDOTTE COUNTY DELEGATION

Secondly, this resolution is offered because opinion polls taken in the State of Kansas clearly indicate that fully three fourths of the people feel that they should at least be given the opportunity to express their opinion on this issue. How can we as their elected representatives deny them this opportunity when they have in overwhelming numbers declared their intent.

To belabor the obvious, parimutuel wagering would have a substantial economic impact on the State of Kansas. Obviously there would be a need for individuals to operate the tracks, thus providing a needed stimulus to our unemployment which is still a major problem. There would be a need for motels, restaurants, service stations, to serve the patrons of an individual track. The benefits of this economic development are obvious, both to the State of Kansas and to the local government entities.

The issue is clear as I know each member of this committee has been supplied with statistics and opinions, both for and against this resolution. I believe that it is time that we allow the two and one half million people of the State of Kansas to choose which direction to take. The question is simply do we continue to tax the people of the State of Kansas, or do we allow them to choose to tax tourists. Basically and simply, Kansas would benefit from parimutuel wagering, not because it is forced upon anyone, but because it is the choice of those who wager to help support the State of Kansas and its people. What better method of taxation is there than a tax or taxes that people choose to pay?

Kansas is among the national leaders in the Quarterhorse Industry, and even has a famous horse race named after it, The Kansas Futurity. I believe it is a disgrace that this famous horse race attended by individuals from all across this nation is run in the State of New Mexico. I feel it a disgrace that at least upon one occasion the Governor of this state traveled to New Mexico to present the trophy to the winner of a race that is named after this state. I believe that this committee would understand the feeling of the people of Kentucky, if it were announced that the Kentucky Derby would not be run at Churchill Downs, but that it was to be run in a neighboring state. I am sure that if this were announced, the Legislature of the State of Kentucky would have many new faces.

Again, we are not concerned with passing a measure which provides parimutuel wagering, but only allowing the people to vote on this measure. As we all know, the vote is the basic tool of expression in our form of government. It is the essential tool of choice. The vote is the only true method of measurement of public opinion on any issue. To allow the people the opportunity to vote is fundamental to our society.

In a pure democracy, the people would be allowed to vote on all issues. Knowing how cumbersome and expensive this would be, our government is representative in nature. We are elected to represent our districts according to their wishes, and if we don't, the people we represent are given the opportunity to reject us, and elect someone in our place.

Our Constitution is our basic law, and because of this we can amend it only when there is overwhelming sentiment to do so. The only way to measure the extent of public sentiment, short of a vote of the people, is by opinion polls. All of the polls taken on this issue, clearly show that the people do wish to express themselves. Even a substantial number of those who state they would vote against parimutuel wagering are of the opinion that the people should be allowed to make the choice.

All I, and the other sponsors of this resolution, ask is that the people be allowed to make their choice. Let's put this issue to rest, and place it in the hands of the people. I don't know how any of us can conscientiously vote against this resolution. To do so would tell our constituents that they do not possess the ability to make a proper choice.

A vote for this resolution simply states to your people that you trust their judgment. Thank you for allowing me to appear before the committee.

SUMMARY

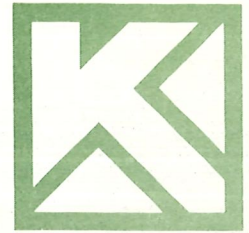
SENATOR - Senate Dist.	No.s Selected	N/A or Disc.	Refused	No. Responses	Quest. #1			Quest. #2		
					Yes	No	Undec.	Yes	No	Undec.
Gordon - 1	400	73	21	306	226	39	41	135	118	53
Winter - 2	450	120	97	233	200	21	12	134	60	39
Meyers - 8	425	72	67	286	258	16	12	175	67	44
Allen - 11	408	69	50	289	223	38	28	163	87	39
Thiessen - 15	402	77	18	307	238	35	34	135	109	63
Karr - 17	430	83	40	307	213	62	32	137	101	69
Parrish - 19	408	70	51	287	237	36	14	164	97	26
Montgomery - 21	372	59	25	288	215	42	31	144	86	58
Harder - 25	435	72	52	311	184	88	39	83	166	62
Kerr - 33	411	64	26	321	282	20	19	148	120	53
Ehrlich - 35	429	87	30	312	245	33	34	171	91	50
Arasmith - 36	390	53	25	312	270	20	22	165	91	56
Hayden - 120	219	32	9	178	133	20	25	79	52	47
Totals	5,179	931	511	3,737	2,924	470	343	1,833	1,245	659
%	100%	18%	10%	72%	78%	13%	9%	49%	33%	18%

Atch. B

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

March 19, 1984

HCR 5082

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

Mr. Chairman and Members of the Committee:

My name is Jim Edwards, Director of Public Affairs for the Kansas Chamber of Commerce and Industry, and I am here today to review KCCI's policy position on HCR 5082.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses plus 215 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Pari-mutuel wagering on races is not a new form of entertainment nor likewise is it a new issue to the Kansas Legislature. It has been reviewed and discussed by the body several times in past years.

Jim Edwards

Once again, the issue has been introduced and I am here to say that this is an issue that the voters of Kansas should be allowed to vote their preference on. Unlike some groups that might testify in opposition to this bill, we don't believe that the public lacks knowledge on this particular subject. We believe therefore that the public could, and would, vote responsibly at the polls.

Consequently, we urge you to pass this resolution from this Committee with a favorable recommendation.

Thank you for the opportunity to appear before you today.

F

MY NAME IS JERRY HOLLEY. I AM VICE PRESIDENT OF BROADCASTING FOR STAUFFER COMMUNICATIONS, INC., AND A HORSEMAN. I AM ALSO SECRETARY OF THE KANSAS HIGH SCHOOL RODEO ASSOCIATION. I APPRECIATE THE CHANCE TO APPEAR BEFORE THIS COMMITTEE, MR. CHAIRMAN. I HAVE WRITTEN COPIES OF THIS TESTIMONY FOR THE RECORD.

I MUST EXPLAIN THAT I AM FOR THE RIGHT OF THE PEOPLE OF KANSAS TO VOTE ON WHETHER THEY WANT PARI-MUTUEL WAGERING IN OUR STATE. WE CAN DEBATE THE ISSUES FOR MANY YEARS AND, IN FACT, WE HAVE...BUT NO MATTER WHAT ONE'S PERSONAL BELIEFS ARE...THE QUESTION SHOULD BE DECIDED BY THE PEOPLE OF KANSAS. A QUESTION OF THIS MAGNITUDE SHOULD BE DECIDED BY THE ELECTORATE.

I SUPPORT PARI-MUTUEL WAGERING IN KANSAS AS A BUSINESSMAN AND AS A HORSEMAN. MY COMPANY FOR A PERIOD OF NINE YEARS TELECAST THE TRIPLE CROWN OF QUARTERHORSE RACING FROM RUIDOSO DOWNS, NEW MEXICO...NATIONWIDE TO MORE THAN 100 TELEVISION STATIONS COAST TO COAST AND BORDER TO BORDER. I NOT ONLY HELPED PRODUCE THE PROGRAM BUT WAS ON THE AIR INTERVIEWING NEW MEXICO STATE OFFICIALS, HORSEMEN, TRAINERS, JOCKEYS, ETC. ONE OF THE IRONIES OF THIS NINE YEAR PERIOD IS THAT THE SECOND JEWEL OF THE

Alch. F

TRIPLE CROWN OF QUARTERHORSE RACING IS THE KANSAS QUARTER HORSE
FUTURITY, AT THAT TIME, THE 2ND RICHEST HORSE RACE IN THE WORLD AND
IT HAD TO BE STAGED IN NEW MEXICO BECAUSE OF THE ANTIQUATED LAWS OF
KANSAS. IT IS STILL ONE OF THE TOP QUARTERHORSE RACES IN THE WORLD
AND IT IS STILL RUN IN NEW MEXICO.

I HAVE BEEN ACCUSED BY OPPONENTS OF THE BILL, AS BEING ONE OF
THOSE MONEY-THIRSTY HORSEMEN WHO WANT TO ROB MONEY FROM THE POCKETS
OF THE POOR IN KANSAS. I HARDLY SEE HOW MY 12-ACRE QUARTERHORSE
BREEDING STATION WOULD BE A THREAT TO ANYBODY INCLUDING THE OPPOSITION.

WHILE PRODUCING THE RACES IN NEW MEXICO, I WAS ABLE TO SEE
FIRSTHAND THE EXCITEMENT GENERATED NATIONWIDE BY QUARTERHORSE RACING.
I WAS ABLE TO TALK TO THE GOVERNOR, LT. GOVERNOR, MEMBERS OF THE
STATE FAIR BOARD, THE LEADER OF THE NEW MEXICO HOUSE OF REPRESENTATIVES,
WHO BY THE WAY, IS A TRANSPLANTED KANSAN FROM PAOLA, AS TO THE BENEFITS
THE STATE OF NEW MEXICO GAINS FROM THE TAXES AND TOURISM FROM HORSE
RACING.

EVERY SINGLE THING THAT HAS A BAD CONNOTATION HAS BEEN LEVELED
AGAINST THESE GOOD PEOPLE WHO ARE HONEST HORSEMEN OF KANSAS. A STATE
WHICH HAS FOR YEARS PRODUCED EXCELLENT STOCK AND FINE RACING QUARTER-
HORSES. SCARE TACTICS HAVE INCLUDED THE THREAT OF ORGANIZED CRIME,

THE POOR WAGE EARNER LOSING HIS MONEY AND NOT BEING ABLE TO BUY THE FAMILY GROCERIES. STATE OFFICIALS HAVE BEEN MISQUOTED OR THEIR REMARKS HAVE BEEN TAKEN OUT OF CONTEXT.

KANSAS IS ALREADY SURROUNDED ON THREE SIDES BY STATES THAT HAVE PARI-MUTUEL WAGERING. THE BUS TRIPS FROM WESTERN KANSAS TO DENVER, FROM NORTHERN KANSAS TO NEBRASKA, FROM SOUTHEAST KANSAS TO HOT SPRINGS, ARKANSAS, AND PRETTY SOON THE SOUTHERN HALF OF THE STATE INTO OKLAHOMA CONTINUE TO SIPHON MORE AND MORE TOURIST DOLLARS AWAY FROM KANSAS, WITH EDUCATION, OUR HIGHWAY SYSTEM AND THE ELDERLY BECOMING THE BIG LOSERS.

IT IS TIME FOR THE LAWMAKERS OF KANSAS TO REALIZE THAT THERE HAVE BEEN TOO MANY PUBLIC OPINION POLLS, POLLS TAKEN JUST THIS YEAR, THAT INDICATE THAT WITHOUT A SHADOW OF A DOUBT, THE PEOPLE OF KANSAS WANT TO VOTE ON THIS ISSUE. IF THE QUESTION LOSES IN A STATEWIDE ELECTION BY THE ELECTORATE...SO BE IT. BUT FOR THE GOOD OF PROPER AND SANE GOVERNMENT, AT LEAST LET THE PEOPLE HAVE A CHANCE. THE ISSUE IS TOO BIG TO BE DECIDED BY A COMMITTEE OR BY THE OPPOSITION. IT SHOULD BE DECIDED BY THE PEOPLE OF KANSAS. THANK YOU.

TESTIMONY BEFORE THE HOUSE FEDERAL AND
STATE AFFAIRS COMMITTEE ON HCR 5082

JIM YONALLY

Mr. Chairman, members of the committee, my name is Jim Yonally, Director of Governmental Relations for the Kansas Chapter of the National Federation of Independent Business. Our legislative program is based upon a vote of our (approximately) 9,000 members.

Our members voted, on our 1983 ballot, that the legislature should approve a resolution on pari-mutuel wagering and place this issue on the ballot. Our vote was 75% in favor, 23% opposed and 2% undecided.

Mr. Chairman, I am also president of Jayhawk Consulting Services, Inc., a company that does public opinion polling, in addition to lobbying services. We were contracted by Kansans For Pari-Mutuel to conduct polls, on the issue of pari-mutuel wagering, in twelve (12) senate districts and one (1) house district. We randomly selected approximately 400-450 telephone numbers in each senate district. This number (400) gives us a statistical reliability of approximately 95%. In other words, if a similar poll was conducted 100 times, you would expect to get the same results that we did on 95 occasions. The other 5 times you would get different results, one way or the other.

Within each senate district, the results were sub-divided into House of Representative districts. Obviously, the reliability of the polls is significantly less since it's based on a much smaller sample. In some house districts several hundred calls were made, and in some there were less than 20. The most important figure, of course, are the state wide totals. Based on over 4,000 telephone numbers, the reliability is extremely high.

I still retain the original worksheets for these polls and would be happy to show any legislator the telephone numbers called, go through their local directory pointing out the "randomness" of their selection, and allow them to re-call these numbers and make their own tally. I will not disclose the response from any individual respondent, but I am confident that the results (of the total sample) will be the same as what we have reported.

P.S. The exact wording on the 1983 NFIB/Kansas ballot was, "Should the Kansas Legislature approve (for submission to voters) a constitutional amendment to allow pari-mutuel wagering on horse/dog racing on a county option basis?"

Thanks for allowing me to submit this written statement. *Atch. G*

March 19, 1984

H

Trust The People



**Let Us Vote!
PARI - MUTUEL**

Atch. H

STATEMENT IN SUPPORT

1984 HCR 5082

March 19, 1984

Jonathan P. Small
Attorney/Lobbyist
KANSANS FOR PARI-MUTUEL
RAMADA INN DOWNTOWN, SUITE 34
TOPEKA, KANSAS 66603

"The basis of our political system is the
right of the people to make and to alter
their constitutions of government."

GEORGE WASHINGTON
Farewell Address to the People
of the United States
September, 1796.

INDEX

I Statement

Exhibits:

- A. Public opinion survey (1984)
- B. Comments from racing and law enforcement officials from other states
- C. "The Likely Economic Impact of Pari-Mutuel Horse Racing in Kansas" (with 1984 update)
- D. Moral Issues Examined

II. News Media Editorials



Mr. Chairman and members of the House Committee on Federal and State Affairs:

I am Jonathan Small, registered lobbyist and attorney for Kansans for Pari-Mutuel (KPM), a non-profit organization of over 1200 Kansans from all corners of the state dedicated to the proposition that the citizens of Kansas should be allowed to exercise their right to vote on the constitutional amendment to allow pari-mutuel horse racing in Kansas. In this 1984 Session, KPM strongly urges your favorable approval of 1984 HCR 5082. Several key points in addition to those I have discussed with you individually are offered here in support thereof:

1. Kansans overwhelmingly favor the opportunity to vote on pari-mutuel horse racing in their state.

As we approach the end of the twentieth century, Kansans can appreciate that 35 states now have pari-mutuel racing and that 83% of the population of the United States enjoy pari-mutuel racing in their home state. Currently, Nebraska and Colorado allow such racing activities. It is not surprising to many of us that a significant contribution of Kansas dollars is and will continue to be made to the economies of those states.

The people and the legislatures of those states are not so dissimilar from us. Could they sincerely permit such a recreational activity if it truly were not healthy for them? We have lived coextensively with them for a good many decades, in this Union of ours, and while they may do some things differently than we do, their judgment on such a fundamental issue is not, nor does it even approach, being suspect.

Kansans from all across our state understand this and the issue before you. The surveys taken earlier in the year (Exhibit A) demonstrate statistically that the clear majority of Kansans, whether they agree totally with the pari-mutuel issue or not, want to vote the matter once and for all.

It is this same body of citizens who further understand the fundamental issue at its critical level: The Kansas Constitution belongs to the people of Kansas, it is their right to examine certain issues of state-wide concern and to participate with the legislature in adjusting such provisions thereof as the majority wish.

The bingo experience makes for an excellent and timely comparison. Kansans examined that issue with maturity and intelligence and authorized the necessary adjustment, much to the enjoyment of literally thousands. There is no reason to believe (nor can one be offered) that we cannot do so again. Indeed, as the attached surveys persuasively reveal, Kansans are themselves, convinced of their ability to deal with the matter in the only form our Constitution guarantees to them: the voting booth.

2. 1984 HCR 5082 embodies two significant provisions to safeguard local interests.

A. The proposed resolution before you (1984 HCR 5082) addresses local concerns which may arise with a carefully structured mechanism to prevent the pari-mutuel racing activity from being conducted in any county where a majority of the voters simply do not want it: i.e., the "county option."

We know that some particular areas in Kansas are keenly interested in having pari-mutuel racing in their county: e.g., Wyandotte, Johnson, Sedgwick, Greenwood, etc. However, as we all know, it takes a two-thirds majority in both houses to permit a vote for any constitutional amendment. What this amounts to is that some, even though their particular location may never approve the activity, will prevent everyone else, including those who do want it, from enjoying it in any fashion, save the long and expensive trip out of state.

B. 1984 HCR 5082 also entails a specific type of pari-mutuel horseracing: non-profit. What this simply and effectively provides is a device to eliminate the oft-suggested problems of possible "organized crime." For as long as this issue has presented itself before the Legislature, opponents have continually hypothesized that pari-mutuel horse racing, even non-profit, will bring with it the dark side of society. Curiously, they have never proffered evidence to support that. Nebraska racing and law enforcement officials, who have lived with non-profit pari-mutuel horse racing for nearly a half century have clearly over the past few years in response to inquiries from Kansas, opined otherwise. (Exhibit B).

If there be a motive to attract any "criminal element" whatever, it is quite simply the profits produced from the activity; if you eliminate the profit you quickly eliminate whatever enthusiasm you have from any would be criminal element, assuming of course that there would be one to start with.

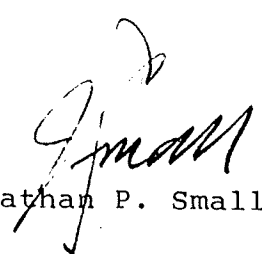
3. Pari-mutuel horse racing in Kansas can produce a substantial net return to the state treasury as well as to local tourism and agricultural economics.

Dr. William T. Terrell was commissioned in 1980 to examine the potential economic benefits pari-mutuel horse racing would have for Kansas. His exhaustive and well-reasoned analysis is attached as Exhibit C. Here are a few of the benefits which can be reasonably expected:

- (a) nonrecurring capital investment in Kansas: \$220,000,000;
- (b) new direct and indirect state revenue from all taxes: \$32,629,621;
- (c) new Kansas personal income recurring annually: \$193,567,930;
- (d) new employment: 9,583

4. There are a number of recurring arguments addressing social concerns which should be examined more carefully. I have attached Exhibit D in which these social concerns are outlined and addressed in the proponents' viewpoint.

Your approval this day is requested not as a vote for or against pari-mutuel wagering. Rather it is a plea to you to give Kansans an opportunity at last to participate in the constitutional process of our state. Let the people of Kansas have their say about their state's policy on pari-mutuel wagering.


Jonathan P. Small

Ex A

Jayhawk Consulting Services, Inc.

0039 Mastin Drive • Shawnee Mission, KS 66212 • (913) 838-2235

J. Lynn E. Ginnally
President

Dear _____

As you may know, Jayhawk Consulting Services was employed to conduct a public opinion poll in your legislative district on the issue of pari-mutuel gambling in Kansas.

The process by which the poll was conducted was as follows:

1. Using the maps provided by the Legislative Research Department, the population was determined (using the 1980 Federal Census) for each city listed. For cities of less than 1,000, the population of the township was used.
2. One telephone number was randomly selected for each 100 people (approximate).
3. Telephone calls (copy of question form is attached) were made to unanswered numbers at least 3 times on at least 2 different days.

The results of the poll in your district are presented on the following pages.

If you have any questions regarding the details of this poll, please feel free to contact me.

Sincerely,

PARI-MUTUEL SURVEY QUESTIONS

Hello, my name is _____ and your telephone number has been randomly selected to participate in a public opinion poll on the question of pari-mutuel gambling in Kansas.

1. Pari-mutuel gambling is an issue that has been debated by the Kansas legislature for several years. Should the legislature adopt a resolution that would permit Kansas voters to vote on this issue at the next election?

Yes _____ No _____ Undecided _____

2. If such an election were approved and held tomorrow, how would you vote?

Yes _____ No _____ Undecided _____

3. Why do you take that position? _____

4. You don't have to answer this question, but we're curious - do you consider yourself a Republican, Democrat or Independent?

~~Republican~~ _____ ~~Democrat~~ _____ ~~Independent~~ _____

5. Our final question - have you let your senator or representative know how you feel about this issue by talking to them, writing a letter, signing a petition or any such means?

Yes _____ No _____ No Answer _____

Thank you!!

SUMMARY

SENATOR - Senate Dist.	No.s Selected	N/A or Disc.	Refused	No. Responses	Quest. #1			Quest. #2		
					Yes	No	Undec.	Yes	No	Undec.
Gordon - 1	400	73	21	306	226	39	41	135	118	53
Winter - 2	450	120	97	233	200	21	12	134	60	39
Meyers - 8	425	72	67	286	258	16	12	175	67	44
Allen - 11	408	69	50	289	223	38	28	163	87	39
Thiessen - 15	402	77	18	307	238	35	34	135	109	63
Karr - 17	430	83	40	307	213	62	32	137	101	69
Parrish - 19	408	70	51	287	237	36	14	164	97	26
Montgomery - 21	372	59	25	288	215	42	31	144	86	58
Harder - 25	435	72	52	311	184	88	39	83	166	62
Kerr - 33	411	64	26	321	282	20	19	148	120	53
Ehrlich - 35	429	87	30	312	245	33	34	171	91	50
Arasmith - 36	390	53	25	312	270	20	22	165	91	56
Hayden - 120	219	32	9	178	133	20	25	79	52	47
Totals	5,179	931	511	3,737	2,924	470	343	1,833	1,245	659
%	100%	18%	10%	72%	78%	13%	9%	49%	33%	18%

The Wichita Eagle-Beacon

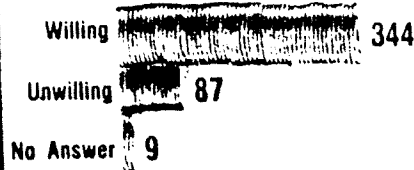
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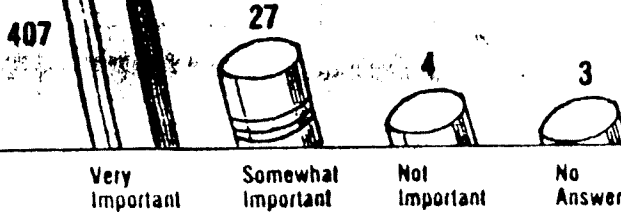
The Kansas Survey™

Here's How Kansans Feel About State Issues

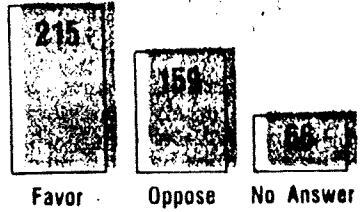
WILLING TO PAY HIGHER TAXES FOR EDUCATION



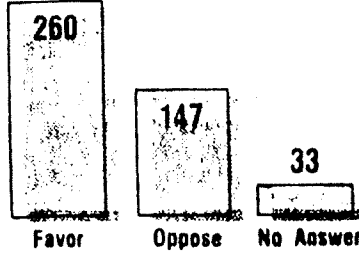
QUALITY EDUCATION KANSANS' MAIN CONCERN



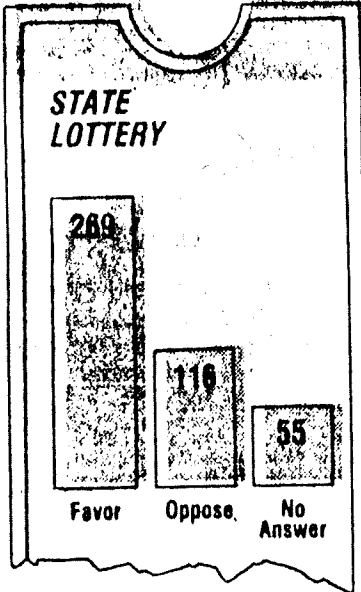
PARI-MUTUEL BETTING



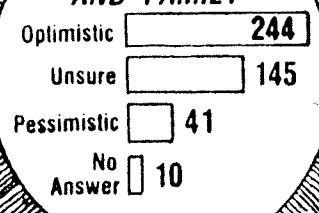
LIQUOR BY THE DRINK



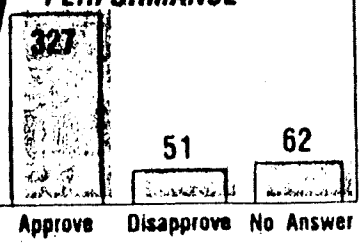
STATE LOTTERY



FUTURE FOR YOURSELF AND FAMILY



SENATOR NANCY KASSEBAUM PERFORMANCE



Based on 440 telephone interviews conducted Nov. 28 to Dec. 5. 95 percent level of reliability. 4.9 percent error margin.

Jim Hayward/Staff Art.



QUOTES FROM OUR NEIGHBORS . . .

"We have no particular problems brought on by the racetrack. There is a minimal problem caused by the influx of people in and out of the city because the track does draw a tremendous amount of out-of-town visitors."

Richard R. Anderson
Chief of Police
Omaha, Nebraska

"Pari-Mutuel horse racing has not brought with it any criminal element. In Hot Springs during the racing season, we have the same problem you have in Norman and Stillwater during the football season - a traffic problem."

Clay White
Former FBI Agent &
Garland County Sheriff
Hot Springs, Arkansas

"There is no organized crime involvement in Arkansas racing. No one has ever even made that allegation."

Byron Freeland
Investigator
Arkansas Racing Commission

"I have been in Toledo some 14 years and I can't remember any news media story reflecting adversely on the operation of Raceway Park here or indicating any unusual criminal activity."

Kent J. Galvin, Director of Public Relations
Toledo Chamber of Commerce
Toledo, Ohio



"We consider Churchill Downs a significant asset to this community and do not in any way associate it with a criminal element. Churchill Downs and its predecessor track have been in operation for more than 100 years. It is Louisville's number one tourist attraction and a popular recreational facility for local residents of all ages".

Clara Allen, Research Dept.
Louisville Chamber of Commerce
Louisville, Kentucky

"The old bugaboo that racing attracts a lot of criminal element is simply not true as far as Omaha is concerned. Racing at Ak-Sar-Ben receives excellent supervision, outstanding policing, and serves as a popular form of recreation for thousands of people who live not only in Nebraska and Iowa but all of the surrounding states. I doubt that there is any sport so closely supervised and well-policed as Thoroughbred racing."

Keith Carter, Executive Vice-President
Greater Omaha Chamber of Commerce
Omaha, Nebraska

"...the economic impact of horseracing on the economy of Arlington Heights is very positive. We have had no undue amount of problems with undesirable people nor has there been any increase in crime and other problems. In Arlington Heights, we feel that the race track is a very definite asset to our community. If there were any problems to be noted, it should be that concerned with traffic congestion just before and right after each day's races."

Earl W. Johnson, Executive Manager
Arlington Heights Chamber of Commerce
Arlington Heights, Illinois

(4)



State of ARKANSAS Racing Commission.

1. Have you experienced any problems with organized crime in their racing operations? No
2. Source of information? Track Security
3. Have they experienced any race track related criminal activity? NONE
4. Has there been any discussion made in their state that racing has further disadvantaged the poor in their racing area? very little.

Name of person contacted: Joan Baldwin
Supervisor Arkansas Racing Comm.
Date: 3-16-84 Time: 12:40 PM

Arkansas Racing Commission

Hot Springs, Arkansas
(501-623-1192)

Ms. Baldwin was contacted by phone this date from the Kansas For Pari-Mutuel office here in Topeka. She reports no known organized criminal activity in the Little Rock area due to the track there or otherwise.

Due to excellent track security they have experienced no criminal activity at the track of any kind.

There has been very little complaint of the racing operation further disadvantaging the poor. Conversely, the areas economy is much better due to the track and local officials have only praise for their racing operations.

We have permission to use Ms. Baldwin's name and information.

5. There are not any financial problems at the Hot Springs facility.



State of NEBRASKA Racing Commission.

1. Have you experienced any problems with organized crime in their racing operations? None has ever surfaced and none has ever been prosecuted.
2. Source of information? Community based non-profit organizations responsible for track operations.
3. Have they experienced any race track related criminal activity? No.
4. Has there been any discussion made in their state that racing has further disadvantaged the poor in their racing area? There are always those to be found who would be better off if they did not frequent tracks. However, in Nebraska it is minimal and not a predominant

Name of person contacted: Dennis Oeschlger
Executive Secretary (402-471-4155)

Date: 3-16-84 Time: 1:00PM.

Nebraska Racing Commission
State Capitol
Lincoln, Nebraska
(402-471-2311)

4. (Cont) problem. Those who can afford to go to the track are those who make it go.
5. There are three (3) Quarter Horse tracks in Nebraska that do not show a large profit nor are or were they built to make such profit. They were created to bolster low populated and depressed areas of the state. They have been successful for the purpose for which they were built as the economy of all these areas has been improved.

We have permission to quote Mr. Oeschlger.

VIII

MORAL AND SOCIAL CONCERNS

Since the proposal of any form of gambling receives objections based upon religious considerations, it was thought appropriate by the President's Commission on the Review of the National Policy on Gambling in America (1976 Report) to ascertain the source of these objections. The following is taken from pages 164-165 of that report:

" I. SOURCES OF AUTHORITY FOR MORAL VIEWS ON GAMBLING

All the religious bodies surveyed hold the Bible to be central, not ultimate, as the literary source of authority for ethical principles; however, there is no specific Biblical commandment: "Thou shalt not gamble."

The absence of any clear prohibition or extensive discussion of gambling in the Old Testament books of law, the teachings of Jesus, of the writings of Paul would seem to indicate that in those Biblical periods most fruitful for ethical determinations, gambling was not considered a serious threat to religious faith or social order. Where a gambling ethic exists in a religious body considered in this study, it arose in post-Biblical milieus when gambling was perceived to be a subverter of the individual character and the socio-economic order believed intended in Biblical ethics."

CONCLUSION: Based upon the above precepts, it is understandable that there are some religious groups who oppose parimutuel wagering. It is interesting to note, however, that many religious groups were in the forefront of the movement to permit bingo in Kansas. The logical question to arise is—how or why is one type of wagering acceptable to a religious group, but another is not?

Notwithstanding the fact that there is no specific Biblical commandment prohibiting gambling, there have been expressions of social concerns about gambling by various religious organizations. To place these concerns in proper perspective, the next several pages discuss specific social concerns which have been raised.

It is submitted that after a review of these concerns, any objective reader will agree that there are no studies or statistics that one may use to document these concerns; that they are just that—justified questions, but not of such a nature as to require Kansans to forego the known benefits that will accrue both to the economy and to state revenues.

SOCIAL CONCERNS

The social concerns that have been expressed in conjunction with the subject of parimutuel wagering can be categorized as (1) those pertaining to crime and law enforcement problems, (2) its effect on welfare and those in the lower economic levels and (3) the encouragement of those allegedly suffering from a psychological disorder, referred to as "compulsive gambling." Each of these will be explored by the following questions and answers:

ALLEGATION: Parimutuel attracts organized crime.

FACT : An oft-made claim is that organized crime profits from racetrack operations. While this may be true in some states allowing parimutuel horse racing, it is not true in Nebraska, which has the only non-profit parimutuel horseracing system in the country. Omaha, Nebraska's police chief, Dick Anderson, who has one of the fastest growing tracks in the country in his city, indicates there is no organized crime element in his city because of the Ak-Sar-Ben racetrack. His reason: Nebraska parimutuel is non-profit racing. Without profit in the track operations, there is no incentive for organized crime to become involved.

Jack Ketterer, the chief of security at Nebraska's Racing Commission, indicates they have tight security on all their licensing and track operations:

—Each track has its own security system and personnel;

--The Nebraska Racing Commission is tied into the National Crime Computer system network and when the Commission wants to know whereabouts of certain bookies or undesirable personnel, they have instant access;

—Nebraska fingerprints every employee, jockey, trainer, groom and track official who wants to work in racing. Ketterer: "It is a hassle for the honest ones, sure, but one of the prices we pay for keeping our racing clean. Nobody seems to mind much."

—Racing officials in Nebraska are prohibited by law from placing bets anywhere in Nebraska.

—Racing Commissioners cannot race their own animals and cannot bet on horses anywhere in Nebraska.

—Nebraska requires by law that track proceeds in excess of that needed to pay salaries and expenses of the track be used either for capital improvements to the track or stables, or to charity;

--Ak-Sar-Ben does not run Sunday races; strictly Monday through Saturday racing;

SOCIAL CONCERNS (cont'd)

ALLEGATION: Parimutuel racing has law enforcement problems.

FACT : Perhaps in other states, but NOT IN NEBRASKA. Nebraskans in positions of authority who know parimutuel's impact state:

"Racing is the best policed sport in the world. We do not have the criminal element because racing in Nebraska is non-profit and must be sponsored by non-profit civic organizations. It is designed to help our number one industry, which is agriculture." (J. Morton Porter, Executive Director of the Nebraska Racing Commission, in the Quarter Racing Record, July, 1976)

"The old bugaboo that racing attracts a lot of criminal element is simply not true as far as Omaha is concerned. Racing at Ak-Sar-Ben receives excellent supervision, outstanding policing and serves as a popular form of recreation for thousands of people who live not only in Nebraska and Iowa but all of the surrounding states." (Keith Carter, Executive VP, Greater Omaha Chamber of Commerce, ibid, 1976)

"We have no particular problems brought on by the racetrack. There is a minimal problem caused by the influx of people in and out of the city because the track does draw a tremendous number of out-of-town visitors." (Richard Anderson, Chief of Police, Omaha, ibid, 1976).

"As states have made available legal horse tracks . . . there is no evidence that this has made the enforcement task of police harder or easier." (Gambling Law Enforcement in Major American Cities, National Institute for Law Enforcement and Criminal Justice, LEAA, U. S. Department of Justice, Sept. 1978, p. iv.)

CONCLUSION: Well-supervised and regulated racing with non-profit organizations can be a financial contribution to daily life in Kansas, without law enforcement problems—just as it is in Nebraska.

If Kansans approve a Nebraska-style system, the state legislature will set up the framework within which the tracks shall operate. Organized crime cannot move into a state where laws prohibit the environment within which crime operates.

SOCIAL CONCERNS (cont'd)

ALLEGATION: Parimutuel wagering "robs the poor."

FACT : Parimutuel horseracing is no more a "robber" of the poor than the state sales tax--which everyone pays, rich or poor. It is less regressive than bingo--which is legal in Kansas. As Professor Terrell points out:

"If the amount of tax as a proportion of total income for all persons in a given income class tends to increase as higher income classes are examined, the tax is said to be progressive. Alternately, if the tax proportion of income decreases as income increases, the tax is regressive. . . . This is the case of horse track wagering. . . . There the percent who bet (the participation rate) generally increases with income and levels off at a family income of \$20,000 (in 1974 dollars) Relative to other games, numbers and sports cards are highly regressive. Lotteries, bingo and horse book(ies) show medium regressivity. Horse track betting shows relatively low regressivity." (Terrell, p. 11, 14)

FACT : "First, bingo is nearly twice as regressive as on-track parimutuel wagering. Not only has Kansas already legalized bingo, but the state recently increased its share of the bingo takeout (tax)." (Terrell, p. 14)

CONCLUSION: Parimutuel does not "rob" anyone. More middle-income patrons play parimutuel than do low-income. All bets in a parimutuel system are voluntary; no one is coerced to attend.

SOCIAL CONCERNS (cont'd)

ALLEGATION: Parimutuel wagering will increase welfare rolls as poor people lose their money and are forced onto welfare.

FACT : NOT IF NEBRASKA'S SYSTEM IS AN EXAMPLE! In a February 2, 1981 phone conversation with Mr. Michael Healey, Director of the Douglas County (Omaha) Social Services Department in Omaha, Mr. Healey was asked that question and said in the 13 years he has been in that job, he has seen an increase in welfare rolls in his county of less than one percent:

"Increases have come mostly in (the cost of) food stamps. Parimutuel wagering has been here for 40 years. In fact," Healey said, "we've been asking our legislature for authority to levy a local-county 1/2 cent sales tax for police and fire needs. If welfare rolls had increased, I could have used such increases in my justification for the tax levy. But they have not. In fact, my slowest two months of the fiscal year in terms of requests for emergency supplemental aid for welfare recipients is May and June—which is right during the 60-day racing season at Ak-Sar-Ben racetrack." Healey said he would be hardpressed to justify a request for a sales tax for his county solely on welfare increases because he could not show that parimutuel has increased the Douglas County welfare burden.

Welfare in Nebraska is still administered at the county level.

FACT : In a February 2, 1981, telephone conversation with Ginger Goomis of Nebraska's Research Department, she indicated Nebraska has no research which might show the effect of parimutuel racing on Nebraska's welfare costs, and, in her opinion, there "is no indication that parimutuel has caused any increases in welfare rolls in Nebraska."

FACT : Actual figures of increases in statewide General Assistance (GA) in Kansas between July 1, 1979 and July 1, 1980 are:

TOTAL PERSONS* on GA, 7/1/79	TOTAL PERSONS* on GA, 7/1/80	PERCENT* INCREASE
4,539	4,680	3.7%

CONCLUSION: Parimutuel does not add significantly to Nebraska welfare rolls and there are no statistics to indicate an increase would happen in Kansas if Parimutuel is implemented.

(*Source: Governor Carlin's 1981 Budget Document)

SOCIAL CONCERNS (cont'd)

ALLEGATION: Low-income Kansans relying on social services benefits will spend their relief money on the tracks.

FACT : The foregoing allegation stereotypes General Assistance recipients that is not borne out by the facts:

CHARACTERISTICS OF GENERAL ASSISTANCE CASES*
KANSAS

	GA 1976	GA 1977
SEX		
Male	55.9%	48.9%
Female	44.1%	50.8%
RACE		
White	69.7%	68.2%
Black	27.1%	29.4%
American Indian	1.3%	0.7%
Spanish Surname	1.7%	1.6%
EMPLOYMENT STATUS		
Fulltime	4.7%	3.1%
Part time	6.9%	6.4%
<u>Incapacitated</u>	<u>40.2%</u>	<u>46.5%</u>
Needed in Home	2.4%	1.2%
In School	1.5%	1.7%
Layoff	0.4%	0.2%
Can't find work	43.9%	41.0%

CONCLUSION: If one takes the statistics from the previous page, indicating that in 1980 there were some 4,680 individuals on general assistance in Kansas, and if the statistics hold true, then only about 2,500 Kansans on welfare would be physically able to go the the track, let alone bet! This is less than 1/10th of one percent of the state population! It assumes all poor people are addicted to horseracing. Not all will want to go, or be in a position to go to the track.

(*Source: GA Characteristic studies, 1976-77; prepared by SRS Research & Statistics Section. Date: January 23, 1979)

SOCIAL CONCERNS (cont'd)

ALLEGATION: Parimutuel wagering will increase the incidence of compulsive gambling.

FACT : There are few scientific studies to substantiate the claim that compulsive gambling increases with availability of gambling. Most compulsive gamblers suffer from character disorders. Psychologists, however, cannot determine whether gambling is the cause of the disorder or the result with gambling as the outward manifestation of the disorder.

The most authoritative study on Gambling In America prepared by the 1976 President's Commission on Gambling in America stated:

"Estimates of the numbers of compulsive gamblers in the United States are doubtful authority. The most commonly cited one is the Gamblers Anonymous, which claims there are between 6 and 9 million. The organization cites no basis for this figure. But in the absence of more credible estimates, it has received wide currency. No estimate exists of the extent to which wide spread legalization would affect this number. (Emphasis added)

The report continued and developed a survey of "a personality-oriented questionnaire" designed to determine whether a respondent to the survey conducted by the Commission was likely to become a compulsive gambler. As a result of this clinical examination, the report concluded:

". . . It was estimated that 0.77 percent of the national sample could be classified as 'probable' compulsive gamblers, with another 2.33 percent as 'potential' compulsive gamblers. A projection of this figure indicates there are approximately 1.1 million compulsive gamblers in the nation.

The 1976 President's Commission on Gambling in America had this to say about compulsive gamblers:

"Edmund Bergler, the first to try to define the compulsive gambler, listed five criteria:

An attraction to gambling that is chronic, highly repetitive, and totally absorbing;

An inability to stop when winning;

A willingness to risk more than can be afforded;

A pathological belief in the ability to win, usually in the very near future;

A pleasurable-painful tension felt between the placing of a bet and the outcome." (p. 95, emphasis added).

CONCLUSION: If Bergler is right, the existence or non-existence of legalized parimutuel racetracks in Kansas will have no effect on the increase or decrease of incidences of compulsive gambling. The problem gambler craves action—which is as close as the nearest telephone call to his bookie.

Editorials

*In God We Trust**Let the people decide*

There are some things the Legislature can, and should, do for the citizens of Kansas. And there are some things the people can, and should, do for themselves.

Among the latter is decide whether to amend the state Constitution to permit pari-mutuel gambling.

Advocates for and against pari-mutuel have focused most of their efforts on convincing the legislators of the merits and demerits of the issue. To date the legislators have only zigged and zagged around the question.

Betting on the dogs and ponies will come up every year in the Legislature until the lawmakers realize that the only way to

settle the issue is by referendum. In the last few days, the Capitol was the scene of a demonstration, complete with placards, by about 250 people who kept chanting, "let us vote," and "trust us to vote."

And why not? The people elected all these legislators, 165 of them, with the implied condition that they represent their constituents. What is so frightful about letting the constituents vote again?

Let's get the question on the ballot, then hear from proponents and opponents. Until there is an opportunity for the people to vote this issue up or down, we'll continue to get protests, platitudes, and promises, and waste a lot of valuable time.

FEB. -2. 1984

Opinion

Let people have voice

There is more to a legislator's voting record than being for or against a certain issue. Sometimes the way a person stands on a certain issue shows a deeper desire.

Sen. Nancy Kassebaum has said she's against banning abortions.

Reverend Richard Taylor is, of course, reiterating his stand against a statewide referendum on pari-mutuel gambling and a state lottery.

The County Commission passed county-wide zoning without referring it to a vote of the people as Commissioner Marvin Hatfield had suggested.

It's an election year and on both the national and local level, the freedom of choice will be a key issue when the ballots are counted and the course set for the next four years.

While abortion, school prayer, lotteries and gambling will be the conversation pieces, the right of the people to decide their own fate will be the real issue at stake.

responsibilities if we're never allowed to exercise our own right of decision making?

Lotteries, pari-mutuel gambling and our state's archaic liquor laws are just three areas where the people — rather than the special interests and moralistic do-gooders — should have the final say. Kansas tries to project itself as a progressive, democratic, picturesque state. But when tourists find they can't attend private clubs and furthermore, can't even drink on planes flying above the state, they're bound to come away with negative feelings about this state.

You may not agree with pari-mutuel gambling, you may firmly believe abortion is murder. As such you have the right, nay, the responsibility to let your voice be heard. But those who do not believe as you also have the same responsibility. It's called freedom of speech.

It's not that Kassebaum is for abortion, she's against the ability of the government — with the stroke of a pen and the rap of a gavel — to take away the people's right to choose for themselves. While anti-abortionists claim she is advocating murder, these same people would not be willing to adopt the defective baby of a 16-year-old mother who cannot support and care for that child.

On the state scene, both the County Commission and Rev. Taylor seem to have the same mindset, Kansans are not capable of making up their own minds on what's best for themselves and the state, even though the U.S. Constitution guarantees a government "By the people."

Make that, "By some people."

President Reagan came to power promising to give the government back to the people. He said he would trim the reams of federal beauracracry and return more power to the states. In some cases that has happened. But what good is having

When the people's right to decide for themselves is taken away, so is democracy. Those who claim to know what's best have only their own personal interests and ambitions to guide them. They are not representative of the majority, only a very narrowly-focused minority.

We elect our governments to take care of the day-to-day business of keeping our country intact and vital. We do not elect them to arbitrarily decide that we are not intelligent enough or well enough informed to make the decisions that will affect us all.

The right of referendum is one we, the people, have always had. But over the years it's gone largely ignored by those we put into office.

Maybe it's time we elected people to office who realize that their first duty is to the people who elected them, rather than to the PACs and special interests who wine and dine them once they're in office.

Maybe it's time we all stood up and said "We count."

PARI-MUTUEL BETTING:

Case made for controlled tracks in Kansas

By PAULS. MOSTERT

I am writing about the bill to allow a referendum on pari-mutuel betting in the State of Kansas, partially in response to a Journal-World editorial of Oct. 20 and partially to supply some information not generally known to the average Kansan.

You have already heard of some of the direct economic benefits to be derived from having one or more controlled race tracks in Kansas. (We now have some "bush" tracks that are *not* controlled. I will discuss these a little later.)

You probably also have heard about the economic benefits to be obtained from the breeding, training, and supplies industries that will flourish should controlled (quality) tracks be available and an attractive political and economic environment for horse breeding be present. (Kansas has an excellent natural physical environment for the breeding and raising of fine horses.)

In spite of our wonderful physical environment, Kansas-bred (i.e., Kansas-foaled) thoroughbreds sell for a substantial discount over similarly bred horses from one of the major breeding centers, or over Nebraska- and Arkansas-breds. Having been forced to sell my stock in this market, I am well aware of the reasons.

LET US REVIEW the reasons advanced for *not* introducing pari-mutuel betting. I do not consider those who regard betting on the races a "sin" as answerable. That is religious conviction which either one has or does not have. Dancing, drinking alcoholic beverages, holding hands in public, playing cards, etc., are "sins" to some, pleasant diversions to the most of us. Those who regard any of these as sins are certainly welcome to their opinions and can refrain from partaking in them. Those of us who do not agree will not force anyone to do any of them.

The main arguments that I have heard by persons who are not against pari-mutuel betting for religious

reasons seem to be based on fears that an "undesirable" group of people will be attracted to Kansas. It is this argument that I wish first to address.

MUCH OF IT may surprise some of you. I can confidently, from experience, tell you that Kansas already has all the worst that goes on in the racing and breeding industry. Pari-mutuel betting with quality, controlled tracks, and with the entire

Comment

industry overseen by a strong, knowledgeable, untainted and severe racing commission, will drive out these elements and bring in people who are dedicated to the betterment of the breed and the sport. People like the DuPonts, the Roosevelts, the Firestones, the Whitneys, the Hunts, the Gaineses, the Harrimans, etc., would never consider Kansas as a place to run, to buy, to breed, or to train their horses under present conditions.

You have heard of many of the unpleasant things that go on "at the track" — the drugging of horses, the uses of electrical devices, the moving of starting gates or tampering with timing devices to establish speed ratings, the fixing of races by jockeys and trainers, etc. These things do, indeed, occur, just as unsavory things occur in any industry. However, at the controlled tracks, they are illegal and are dealt with severely when discovered.

SEARCHES AND surveillance are frequent, pre- and post-race blood and urine-testing for drugs are regularly conducted by first-class laboratories, and there is a film monitoring of each race, with penalties assessed for rough or careless riding, or not attempting to win. Trainers even possessing drug paraphernalia or an injectible substance will be suspended. (I know of one trainer who was suspended for the remainder of a meet for the

possession of a 100cc bottle of vitamin B-12 in liquid form.) A jockey caught with an electrical device would, in most cases, be barred from racing in the state, and other racing jurisdictions would most likely follow suit. Anyone caught trying to fix a race or run a ringer can be expected to be barred for life from even entering the grounds.

Yet all of these things go on regularly and (essentially) openly at the tracks in the state, such as in the Anthony and Wichita areas and in some parts of southeastern Kansas, where control is minimal to non-existent. Many trainers in Kansas, some of whom have been ruled off the tracks in controlled states, consider it just part of the training to use electrical devices to train their horses to get out of the gates quickly. It is *normal practice* to give a horse a narcotic the day before a race and then something (recently "elephant juice") to hype him up shortly before the race.

Except for a small number of owner-trainers whose livelihood does not depend essentially on their income from racing and training, I know of no trainer who trains to race at the "bush" tracks in Kansas who can be trusted with a horse of a concerned owner. I would like to see these trainers and owners who permit such practices driven from the state and an environment created in which well-meaning and honest owners and trainers do not feel compelled to compromise themselves in order to compete with such unprincipled types.

Only by firm control of the racing industry in Kansas can this be done. It makes best sense to finance that control by pari-mutuel betting.

AND THEN people should be aware that betting would be nothing new at Kansas tracks. If you should visit one of the tracks in Kansas, you will find that you will have no trouble at all in placing a bet. We have the pre-pari-mutuel form of betting in Kansas — with all its attendant evils. The bet-takers (bookmakers) set up shop openly (unless there is a



"crackdown," which comes infrequently). They announce the odds on the horses on which they are willing to take bets; people line up and place their bets. No money goes to the state. None goes for purses, None goes for breeders awards. None goes for control. None goes to the track, unless, as is often the case, there is some agreement with the track owners to allow the bookmaker to operate.

Such bookmakers can exist only where there is no pari-mutuel betting.

How infinitely better it would be to have a small number of non-profit quality tracks controlled by a respected state racing commission, where owners can entrust their horses with confidence to qualified, honest trainers, get top rides from respected jockeys, where bettors can be assured of the appropriate odds — determined automatically by the betting patterns, where horses can race, undrugged, on a safe surface, and where the public can enjoy the finest horses in competition.

IN PARI-MUTUEL betting, unlike casino gambling or bookmaking, the

track does not bet in competition with the public. All money bet goes into the mutuel pool, with the track acting as a kind of broker, extracting a fee, called the *take-out*, for handling the bets and for taxes.

Recently, some critics have expressed an argument against the take-out (which runs about 16-18 percent at most pari-mutuel tracks). That money includes about 5 percent that goes directly to the state for tax. The remainder goes to maintain the facilities, for purses, for breeders' awards, and for drug-testing and control. Your point that if a bettor should "break even," he or she would "still get back only somewhere between 80 and 85 cents on each dollar bet" is correct. But that is not an exorbitant amount to pay for a half-day's entertainment. No one is required to bet on any race, but for the \$2 bettor betting on every race on a nine-race card, the take-out would amount to about \$3 or less.

The price of admission is generally very low (seldom over \$2) and parking costs about 50 cents. Most of us have more than that to spend for a day at the races. Usually one sets

aside an amount he or she is willing to pay for the day, and if it is lost, so be it. Considering the cost of a trip to Omaha and return (at 35 cents per mile, \$150 or more), a night at a motel (\$35 or more), meals at a restaurant (\$15-25 or more), the take-out, or even the loss of the entire amount set aside for betting, is a very small portion of what the average Kansan now spends (out of state) for a "day-at-the-races."

THE FINAL argument used by the critics of pari-mutuel betting is the lament that there will be people who will spend too much of their money at the track. Indeed, there are those who will bet excessively, just as there are those who drink, eat, drive fast, play stocks or commodities, eat sweets, talk, play golf, work, pray, give advice, play video games, sleep stay up late, watch TV, take drugs or vitamins, exercise, fail to exercise, make noise, or remain silent excessively. Adults have every right to be free from Big Brother forcing them to refrain from an activity that is harmless in moderation just because the possibility exists to overdo it.

The returns from pari-mutuel betting in Kansas would be easy access to a high quality version of this nation's — indeed, the world's — most popular spectator sport, and a large new industry for the state of Kansas with a conservatively estimated 8,000 new jobs created. Furthermore, on those who enjoy the sport and take part in it pay for it. No special inducements, tax breaks or the like will be required to bring in the industry.

There are pros and cons to the question, just as with any question. However, I am convinced that Kansas will be a better place, both economically and socially, with pari-mutuel betting under controlled conditions than it is now without. Kansas horses certainly will receive better more humane treatment.

— Paul Mostert owns and operates Westermain Farms, thoroughbred horse facility, on Rt. Lawrence, and is a professor mathematics at Kansas University.

The question is:

Should the Kansas Legislature, now in session, permit the voters of this State to express themselves on the question of pari-mutuel wagering on horse races?

Never, in the 118-year history of Kansas, have the people had the privilege of voting for or against pari-mutuel racing. The members of the Kansas Quarter Horse Racing Association (KQHRA) think it's time voters had that privilege. The KQHRA is not asking the legislature to legalize pari-mutuel racing. It is asking the legislature to place a constitutional amendment on the ballot, which, if passed by the voters, would legalize, regulate and tax on-track pari-mutuel wagering, on a county option basis at racetracks owned and operated by non-profit organizations. I am not a member of the KQHRA but I agree it's time Kansas voters had the opportunity to express themselves on this question.

The KQHRA commissioned Dr. Bill Terrell of Wichita State University to conduct an in-depth study of the subject. Dr. Terrell concluded that if pari-mutuel wagering was legal in Kansas it would bring the State \$139 million in new income, create 8,716 jobs, and add \$20 million to state and local governments. The state tax on money wagered at the track would be heavy, perhaps 15 percent. That is, 15¢ of each dollar wagered would be taken out right off the top. The State would get the lion's share and the remainder would go to pay for the operation of the track. The remaining 85¢ of each dollar wagered would be returned to the betting public on the net. One refreshing thing about it is that it would be a self-imposed tax, by those who play would pay.

Central Research Corporation of Topeka conducted a poll in each Congressional District and asked the question: "Do you think the legislature should or should not act to place an amendment before the voters of Kansas to permit pari-mutuel betting on a local option basis?" Of those polled, 61% said the legislature should put the question before the voters; 30% said it should not; and 9% didn't know. Conclusion: By a majority of 2 to 1, Kansans want the opportunity to vote on pari-mutuel racing.

With that kind of encouragement at hand, the KQHRA then hired the public relations firm of Pete McGill & Associates to represent it. Head of the firm is Duane S. "Pete" McGill, former speaker of the Kansas House of Representatives. His associate, Ron Smith, told me the KQHRA has already received the support of the Kansas Farm Bureau, the Kansas Livestock Association and the Kansas Association of Commerce and Industry in its effort to let the people vote on pari-mutuel racing.

As KANSAS FARMER sees it, this State has one last chance to break in to big time, professional sports and that's with pari-mutuel racing. The only major, professional, spectator sport we have is rodeo. We Kansans seem to delight in going out of the State to spend a lot of our recreation-entertainment-sports dollars. Not only do we go to Nebraska, Colorado, Arkansas and New Mexico to the races, we go to Missouri and Colorado for other professional sporting events. We go to Missouri to watch the Chiefs, the Royals and the Kings. We go there for the American Royal and Starlight Theater. We go to Omaha, Denver and Oklahoma City for whatever is going on. I've done it a lot of times and so have many of you, and we enjoy it. But, how many of our recreation dollars, spent out of the State, ever return home to Kansas?

I am not saying we shouldn't support and enjoy the Royals, the Chiefs, the American Royal and other activities. I am saying let's have a well-planned, first-class pari-mutuel racing program in this State (with a good track just west of Kansas City) to keep more of our recreation dollars at

home and to get some of those dollars back.

There is another reason, closer to home, why I believe a good racing program would benefit Kansas, particularly rural Kansas. None of the more than 150 race tracks in the United States could function if it were not for the breeding farms, training centers and other supporting businesses. And that's where I believe the big money would change hands in Kansas.

It takes about 1,200 head of race horses on the racetrack grounds to put on one race meet of 90 days duration. (That's figuring nine races a day, 5 days a week.) And, many of those horses will "turn over" during the meet. So, if Kansas had but one racetrack in operation at a time, and the season lasted 8 months of the year, it would require hundreds, even thousands, of race horses to do the job. Further, it would require thousands of broodmares because the national average foaling rate is only about 65 percent. To me, that means money at the grassroots. Every time a broodmare delivers a foal, that is new wealth. Money would change hands for the purchase and sale of horses, both privately and at public auction. Money would be spent for stallion fees, veterinary services, shoeing, tack and supplies, feed and hay, labor, training, hauling, and other goods and services. Kansas is "a natural" for an expanded horse industry and we have a good start. I doubt if there is a county in the State that does not have someone who owns or raises running Quarter Horses or Thoroughbreds. But now a lot of those horses, owners and their money have to go out of the State to race.

Some KANSAS FARMER readers will be emphatically opposed to the thought of pari-mutuel wagering on races. Others will be all for it. Each of us has the right and privilege to an opinion. In the next few weeks the question of pari-mutuel racing will be discussed in private, in public, in the press and in the legislature. I hope all such discussions will remain rational and reasonable. But, they will not. Proponents may point to the millions of tax dollars racing would generate as a cure for State finances. True, any new revenue to the State would help. But, realistically, the tax dollars generated by racing would be a small percent of the State's financial needs. Opponents may say that the only people to make money from racing would be those who put on the show. Far from it. Racing would spawn a total industry and can be compared to the beef cattle industry in structure. We all know it takes cow-calf operations (broodmares and breeding farms); and backgrounding cattle (raising yearling horses), and feedlots (training centers); before the finished product reaches the packing plant (race track). Racing would spread new money across the State to a lot of people in many occupations.

I would like to see the members of the legislature give Kansas voters the privilege of expressing themselves on the question of pari-mutuel racing. Voters in nearly every other state have had that privilege. Pari-mutuel racing is established in 30 states including every state west of Kansas except Utah. Kansans may want racing by a vote of 2 to 1 as indicated by the Central Research Corporation poll. Or, they may vote it down 2 to 1. We will never know until the legislature places the question on the ballot.

Given the opportunity, I will vote "yes" for a well-regulated, racing program at non-profit tracks like they have in Nebraska. If racing is the mess some people would have us believe, would our good neighbors to the north have tolerated it for 40 years. You can bet they wouldn't.

There is one conflicting point about all this that has never been explained to me: Why is it permissible in the eyes of State government to bet on a bingo card but it is not permissible to bet on a horse race?

THE LIKELY ECONOMIC IMPACT OF
PARI-MUTUEL HORSE RACING IN KANSAS

By

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Wichita, Kansas

July, 1980

CONTENTS

<u>Section Title</u>	<u>Page</u>
The Kansas Proposition	1
An Economic Introduction	2
Pari-Mutuel Wagering	4
Racing Economics and Expenditure Flows	6
Figure 1	8
State Revenues and Tax Regressivity	10
Table 1	12
Table 2	13
The Horse Racing Industry: National and Regional	15
Table 3	18
State Economics and Pari-Mutuel Horse Racing:	
Kansas and Nebraska	19
Table 4	20
Table 5	25
Projected Track Development in Kansas	27
Table 6	31
Direct Revenues to Government	32
Table 7	34
Estimated Track Expenditures	35
Table 8	37
New Direct Spending by Horsemen (Net of Purses)	39
Table 9	42
Travel Spending by Racing Patrons	45
Table 10	47
Summary of Gross Direct Flow Impact	49
Net Direct and Indirect Flow Impact	49
Table 11	50
Table 12	52
End Notes	54

THE KANSAS PROPOSITION

During the 1980 legislative session, a constitutional amendment was introduced which, if approved by two-thirds of each house, would submit the following proposition to the qualified voters in a statewide referendum:

Notwithstanding the provisions of Section 3 of Article 15 of the Constitution of the State of Kansas, the legislature may permit, regulate, license and tax ~~greyhound dog racing and~~ horse racing by bona fide nonprofit organizations, with pari-mutuel wagering thereon, in any county in which the qualified electors of the county have determined, by a majority vote of those voting thereon, to permit such racing, with such wagering, within the boundaries of such county.

Over the past 20 years legalization debates have mainly concerned the consequences of various gambling forms from the viewpoints of economics, administration of justice, social well-being, and human psychology. Evidence relating to these aspects of any given gambling game was either ill-organized or nonexistent prior to the 1976 comprehensive report of the Commission on the Review of the National Policy Toward Gambling. Current legalization debates are likely to rely heavily upon this commission's findings.¹ Of direct import to the scope of the study below is the finding that each form of legalized gambling has its own characteristics, and therefore, each form must receive separate examination. For this reason, the eventual pro-

¹ Indeed, Gambling in America: The Final Report of the Commission on the Review of the National Policy Toward Gambling (Washington, D.C., 1976) ought to be mandatory reading for legislators.

position submitted to the Kansas electorate should separate the two questions at hand: pari-mutuel dog racing; pari-mutuel horse racing.

AN ECONOMIC INTRODUCTION

The purpose of this study is to estimate the likely economic effects of on-track pari-mutuel horse wagering in Kansas. In particular, the ultimate objective is to offer conservative estimates concerning the permanent increase in the annual levels of state income, employment, and tax revenues that are associated with a mature horse-racing industry. ~~Any new industry involves expenditures that affect the levels of income and employment in two different fundamental ways. First, the industry must be set in place via investment in buildings and equipment. The racing industry will evoke considerable investment on the part of a) racing associations (the nonprofit organizations responsible for track construction and management), b) the horsemen (breeders and horse owners), and c) businesses closely linked to racing such as leather goods, veterinary services, animal feed, lodging accommodations and food service. In the case of Kansas, such new investment spending is likely to involve about \$200 million over a five-year period. While investment spending does provide for the multiple expansion of incomes beyond the initial amount spent, the increase is temporary in nature. Once the new investment ceases, leakages from the income stream (savings and out-of-state expenditures) will gradually debilitate the income effects until personal income is no greater than it was prior to the nonrecurrent investment spending. Second, (and the subject of this paper) once the industry is set in place, increased spending by racing patrons and horsemen will provide a permanent increase in the annual level of income and employment. Here, some of the spending is new and recurrent, thus providing an annual source of injection to the income stream. Hence, the ensuing multiple expansion of income~~

is permanent. The economic impact of pari-mutuel racing on the permanent level of income involves the estimation of new (direct) spending and its multiple expansionary (indirect) influence on income.

States and various regions within states have always sought new industries in the interest of economic opportunities for local residents. In general, the criteria for new industry have been associated with the terms basic and derivative. Basic industries are those that purchase factors of production in the regional market but sell their output primarily outside the region. Such industries are also referred to as export industries. Alternatively, derivative industries are those that benefit from the expenditure pattern of the basic industries. However, in an economic system where all goods and services that satisfy wants are considered to be the result of productive activity, the basic-derivative distinction becomes blurred, and the general criterion for new industry becomes one of economic balance, i.e., the search for industries not now existing in the region. As in the case of pari-mutuel horse racing, the balance criterion involves a) the provision of local services in place of residents purchasing the same service outside the state; b) the invitation of industries that contribute to the variety of occupational skills which can command a regional wage; and c) the search for industries that contribute to economic stability. The horse-racing industry meets a local recreational need, it employs low to medium skill persons, and shows a history of being relatively insensitive to business cycles. It is also relatively nonpolluting and it provides permanent green belts in urban areas via the track site, horse farms, and independent stables. In sum, the major economic arguments for establishing pari-mutuel horse racing are the private benefits of income and employment, and the public benefits of

a balanced (diversified) state economy.²

The presentation below is divided into several sections. Initially, pari-mutuel wagering is explained together with the major expenditure flows that are associated with on-track wagering. This section provides a guide to the major expenditure flows that will be estimated in subsequent sections. Following a brief discussion of pari-mutuel wagering and its taxation in the United States, racing in Nebraska is discussed in connection with an economic comparison of Kansas and Nebraska. Based on the national and Nebraska experience with racing, and the Nebraska-Kansas comparison, projections are made for the demand for pari-mutuel racing in Kansas. These projections, in turn, lead to the separate estimates of expenditure flows regarding the racing associations, horsemen, and off-track travel-related expenditures of racing patrons and other track participants. Ultimately, estimated new expenditures are used in connection with various multipliers in order to ascertain the total likely effects of pari-mutuel horse racing on the permanent level of income, employment, and state tax receipts.

PARI-MUTUEL WAGERING

Pari-mutuel wagering was discovered in France during the last half of the 19th century. Pari is the French noun for stake, and the French adjective mutuel translates into English as mutual. The term retains its French spelling, and it was never popularly translated into its English equivalent of mutual stake. Mutual stake wagering was first attempted

²For an excellent discussion of basic and derivative industries and economic balance as these apply to the Nebraska economy, see The Community Economic Base and Multiplier, Business Research Bulletin, No. 63, College of Business Administration, University of Nebraska: Lincoln, 1958.

in the United States during the 1908 Kentucky Derby. Due to its desirable properties pari-mutuel wagering has become the only form of legal horse betting in the nation. Each bettor is indirectly wagering against all others via the formation of a mutual pool. That is, a given mutual pool consists of all bets of a certain type (e.g., win). The value of win bets less the amount bet on horse X is divided by the amount of win bets placed on horse X. This ratio is the return per dollar wagered on horse X to win (familiarily known as "odds"). For example, the odds of three to one mean that for every dollar bet on X to win, a total of three dollars was bet on all other possible winners in the race. The odds change during the betting period, falling for the horses receiving increased bets and increasing for those horses for which the amount wagered holds constant. For this reason, heavy betting due to "inside" information will turn the odds against the bettor. The track merely functions as a stakes holder and provides the computation of odds. After the race, the exact amount of the mutual pool is paid to the winners, each receiving the odds that existed at the close of betting. Collectively, the winners cannot claim more nor receive less than the mutual pool, which is determined by law.

In contrast, the earlier and/or alternative form of organized horse betting involves the use of professional horse handicappers. The latter are professional gamblers whose business it is to know the performance of horses so well that he/she can predict the order of finish more accurately than the lay public. The handicappers establish fixed odds and record bets in a book. The latter practice gave rise to the expression to make book, and the person engaged in such activity is called a bookmaker, or bookie. In light of pari-mutuel wagering, the disadvantages of bookmaking are several. First, each racing patron is betting directly and exclusively against the knowledge of a professional gambler. Second, odds determination is left to the bookmaker and,

as a result, bettors may never know how much the bookmaker takes out for himself. That is, the amount paid to winning bettors bears no fixed legal relationship to the amount wagered. Third, the bookie-adversary also holds the stakes. Fourth, there is no way for the betting of racing patrons to be translated into the demand for high-quality racing fields (the horses in a given race) and the pleasing environment of a well-maintained track. The fact that pari-mutuel wagering allocates a legal share of the total wagered to both the racing association and the horse owners and breeders in large measure accounts for growth in the horse-racing industry.

RACING ECONOMICS AND EXPENDITURE FLOWS

There is no question that pari-mutuel horse racing has played a major role in both the production and improved breeding of thoroughbred and quarter horses. While it is true that some horses still serve human kind as a source of animal energy, the gasoline engine and artificial energy in general gradually altered the service of horses towards leisure and recreation. Since the turn of the century the United States has become urbanized (thus making private horse ownership more difficult), and per capita income has increased while weekly working hours have diminished. These trends stimulated recreational spending, which amounted to 6.76 percent of consumption expenditures in 1978.

The link between urban demand for recreation and the rural interests of horse production is provided by pari-mutuel horse wagering. The true measure of consumption spending on pari-mutuel wagering is the total amount wagered (the handle) less the amount returned to bettors in the form of winnings (the pari-mutuel pool). This difference is the takeout from the consumer point of view, but from the tracks viewpoint it is pari-mutuel net receipts. For all forms of legal pari-mutuel wagering, the bulk of which consists of horse racing, pari-mutuel net receipts (the net cost of wagering) amounted to .15 percent of consumption spending in 1978. Considering that roughly a third of

this was returned to breeders and owners, it is safe to say that only \$.05 of every \$10.00 worth of consumer spending ever reached the industry supplier.³ While this is not a very impressive proportion from the consumers' end, it makes an important contribution to the horse industry. Even so, for equine farms (Standard Industrial Classification 0272) with sales of more than \$2,500 in 1974; the average farm sustained a loss equal to 22 percent of production expenses. It is the only four-digit agricultural industry for which expenses exceed the value of sales.⁴ To those familiar with the racing industry such a result is understated. The deficit is even larger for race horse operations exclusively, which are heavily reliant upon other income sources.

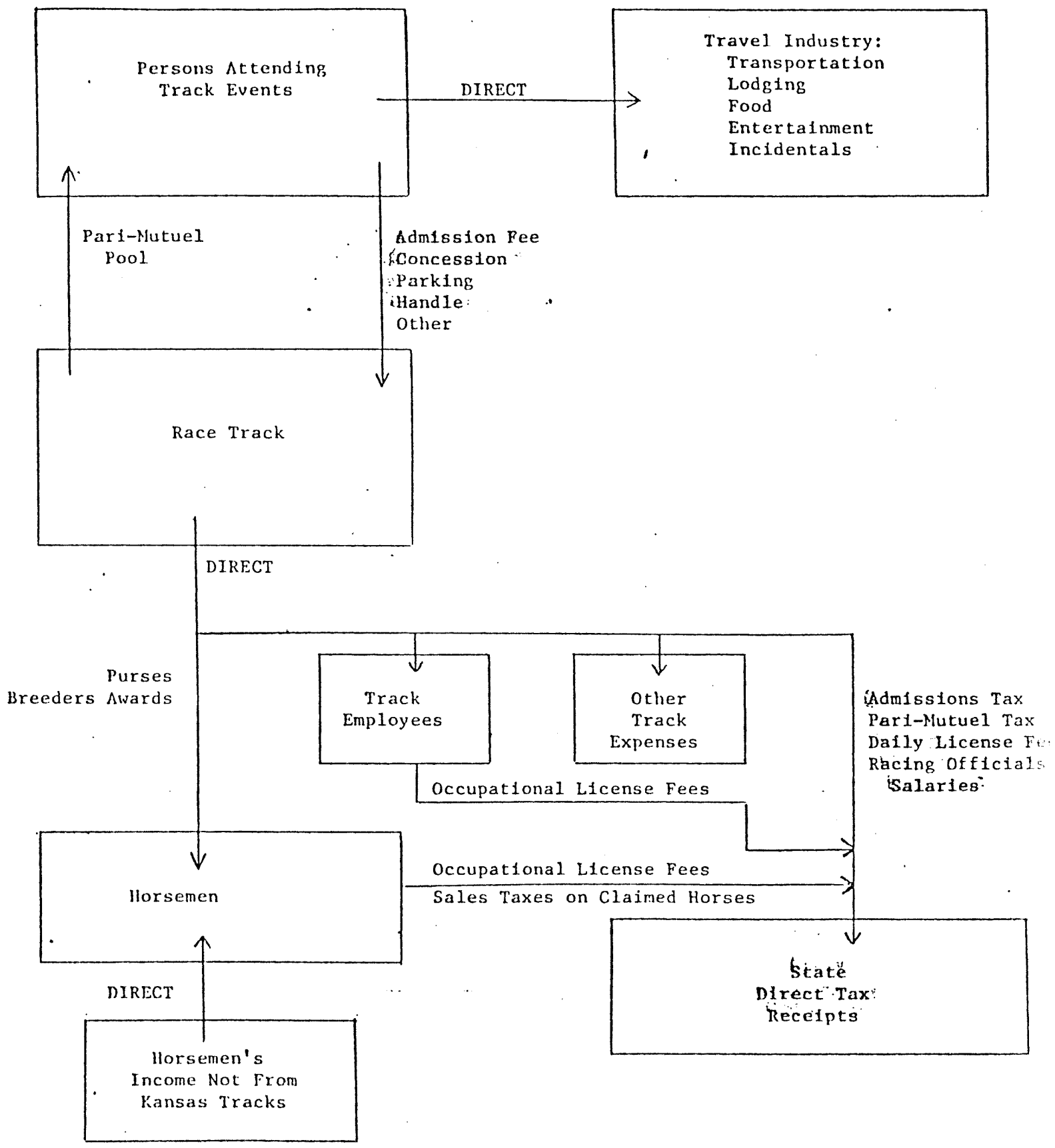
Major expenditure flows associated with pari-mutuel wagering at horse tracks are illustrated in Figure 1. Arrows from the spending unit to the receiving unit indicate the direction of flow. (Persons attending track events include racing patrons, horsemen, race horse owners, and in general, anyone who visits a Kansas race track.) Some of these persons will purchase travel-related goods and services. A portion of the expenditure stems from reducing the out-of-state spending of Kansans presently attending races in other states (thus reducing a leakage from the Kansas income stream) as well as from residents of other states traveling to Kansas in the interest of recreation or business (thus increasing an injection into the income stream). But for the most part, it represents the reallocation of consumption spending away from other goods and services.

Racing patrons pay a track admission fee, with different fees charged depending upon whether the individual is a member of the racing association. Concessions represent all spending at the track for food and drink. Parking fees may also vary, with a distinction between commercial carriers and

³Consumption percentages are computed from Table 2.6 in the July, 1979 Survey of Current Business, U.S. Department of Commerce.

⁴1974 Census of Agriculture, Vol. II, Statistics by Subject, Table 9, U.S. Department of Commerce, Bureau of the Census, Washington, D.C. 1978.

Direct Expenditures and Direct State Tax Receipts
Associated with Pari-Mutuel Horse Racing



private vehicles. The handle consists of the total amount wagered, and the "other" category reflects such extras as seating charges in the club house, restaurant, or airconditioned facility, and uncashed winning tickets. The handle is reduced by the legal takeout, which amounts to, say, fifteen percent of the handle (as in Nebraska). An additional deduction from the handle, which is also state authorized, is called breakage. This amount results from rounding the odds to the nearest \$.10; and it may involve about one percent of the handle. Thus, the pari-mutuel pool returned to bettors is about 84 percent of the handle, for example. The takeout is divided among the state (pari-mutuel tax), the horsemen, and track operating expenses. Since the racing association in Kansas must be a nonprofit organization, all net receipts are allocated to these three categories of direct expenditure. There can be no proprietary income (profit).

A share of the takeout and breakage is expended for purses and breeders awards. First, the track can sponsor races consisting exclusively of Kansas-bred horses. This assures Kansas breeders and owners a share of the annual purse money. Second, the racing association can also develop a breeders' incentive program whereby the Kansas breeders of a winning horse receive a portion of the purse even though the horse may be owned by someone else. These two aspects guarantee an expenditure flow from racing patrons to the Kansas horse industry. This is in addition to whatever purses may be won by Kansas horsemen otherwise. The existence of these flows provide impetus to the third source of direct expenditure, namely an increase in the extent to which existing and new horse farms support their operations from income that is not a part of Kansas track expenditure.

In sum, the major sources of spending due to pari-mutuel horse racing comprise a) the travel industry, b) the tracks, and c) the horsemen. To the extent of new spending, there will be new income and jobs. As this new income

is spent, still more income is generated in a rippling effect throughout the Kansas economy. Eventually, the expansion ceases because at each stage in the expenditure-income cycle a portion of a new income is withdrawn from the income stream via savings and out-of-state expenditures.

STATE REVENUES AND TAX REGRESSIVITY

The variety of state tax receipts emanating directly from the racing industry is also illustrated in Figure 1. All persons whose occupation involves their presence at the track must be licensed, and accordingly pay an occupational license fee. Such licensing procedures ensure that persons of questionable moral character will not be admitted to jobs on the track. In some races every horse is for sale (called a claiming race). If sales actually result, then a sales tax on claimed horses is due the state. Daily license fees are paid by tracks for each day of racing. That is, the racing association must pay the state for permission to hold a race. The daily license fee usually varies among tracks depending on attendance, but it is a fixed daily amount for each track during the racing season. Since state officials must attend the track, their salaries are paid from track receipts indirectly through their employer, the Kansas Racing Commission.

The most important source of direct state revenue is the pari-mutuel tax, which is a percentage of the handle, and is paid by the track prior to the consideration of expenses. A reasonable expectation for the pari-mutuel tax rate in Kansas is five percent (as in Nebraska). Thus \$.05 of every dollar wagered is a tax. This is a higher excise tax rate than the general sales tax (threepercent). Moreover, it is levied against the gross instead of the net gambling outlay. This is comparable to an excise tax levied on the value of, say, a commodity futures contract, without considering the net proceeds remaining after sale (or purchase). While the latter is unacceptable, taxpayers, whether bettors or not, have generally accepted the higher tax burden that exists on pari-mutuel wagering.

Direct taxes received from horse racing in Nebraska are presented in Table 1 for the calendar year 1979. The pari-mutuel tax is 5 percent of the handle for tracks with a handle of more than \$1 million per racing season. Five tracks meet this criterion. ~~Items 3 through 6 in Table 1 are collected by the Nebraska Racing Commission in order to finance itself and~~ return the remainder (equally divided among 93 counties) to county governments. In the interest of earning more revenues for counties, daily license fees and the admissions tax rate were doubled for the 1980 season. Officials' salaries are included in miscellaneous receipts. More than ~~two-thirds~~ of total revenues derive from the Ak-Sar-Ben track in Omaha. Table 1 also shows the cost to government associated with regulation. Racing Commission expenses are 2.5 percent of gross racing revenues in Nebraska.

Because the pari-mutuel tax is the most important source of state racing revenues, it is often compared with other taxes concerning the proportion of total income paying the tax for each income class. However, where specific taxes are levied on an avoidable activity, i.e., an activity undertaken by choice, there arises an unresolved question of comparability with taxes that are not avoidable, such as the general sales or income tax. If the amount of tax as a proportion of total income for all persons in a given income class tends to increase as higher income classes are examined, the tax is said to be progressive. Alternatively, if the tax proportion of income decreases as income class increases, the tax is regressive. Even if the comparability problem is overlooked, the nature of specific taxation requires knowledge of a) the percent of persons participating in the taxed activity by income class, and b) the average amount of tax per participant by income class. Especially for an activity that elicits public concern for society it is desirable that both measures (a) and (b) increase with income. This is the case for horse track wagering as indicated in panel a of Table 2. There, the percent who bet

TABLE 1

Direct Government Revenues From Pari-Mutuel
Horse Racing: Nebraska, 1979

Type of Tax	Value
1. Pari-Mutuel Tax	\$ 7,375,195.65
2. Sales Tax on Claimed Horses	90,438.86
3. Daily License Fees	15,185.00
4. Admission Tax	184,447.65
5. Occupational Licenses	91,421.00
6. Miscellaneous Receipts	<u>36,365.59</u>
Gross Government Revenues	7,793,053.75
Less: Racing Commission Expense	200,037.14
Net Government Revenues	7,593,016.61

Source: Nebraska State Racing Commission Annual Report, 1979.

TABLE 2

Horse-Track Wagering, Family Income, and
Regressivity of Selected Taxes
1974

a) Horse Track Wagering and Family Income (Legal States Only)							
	Family Income						
	Under \$5,000	\$5,000- 10,000	\$10,000- 15,000	\$15,000- 20,000	\$20,000- 30,000	\$30,000 and over	Total
Percent who bet	8.7	15.5	11.2	17.2	20.9	20.3	15.9
Average annual bet per bettor (\$)	187.50	293.51	395.75	577.48	294.20	435.87	512.70
Average annual takeout per bettor (\$)	31.13	48.72	65.69	95.86	48.84	72.35	85.11
Average annual bet per person (\$)	15.85	45.49	44.32	99.33	61.49	88.48	78.44
Average annual takeout per person (\$)	2.63	7.55	7.36	16.49	10.21	14.69	13.02
Percent of Income: Bet	0.63	0.61	0.35	0.57	0.25	0.22	0.50
Taken out (16.6%)	0.105	0.101	0.059	0.094	0.041	0.037	0.083

b) Index of Regressivity (R) or Progressivity (P) by Type of Game

Game	Index
Numbers	.44(R)
Sports cards	.40(R)
Lottery	.31(R)
Bingo	.30(R)
Horse books	.27(R)
Horse tracks	.17(R)
Casino games	.26(P)
Sales and excise taxes	.15(R)
Federal income tax	.15(P)

Source: Commission on the Review of the National Policy Toward Gambling, Final Report, p.61; Appendix 2-Survey of American Gambling Attitude and Behavior, Tables 3.2-1, 3.2-2, Washington, D.C., 1976.

(the participation rate) generally increases with income and levels off at a family income of \$20,000 (1974 dollars). The average annual bet per bettor behaves similarly, at least up to the income class beginning with \$20,000. The third line bears on measure (b) above. This line shows the true average cost of wagering (the takeout) per bettor. Since the state's pari-mutuel tax is a fixed proportion of the takeout (say 6.6 percentage points of the 16.6 percent takeout rate used in Table 2), the increase in line three up to the income class ending with \$20,000 tends to support criterion (b). Still, the participation rate and the average takeout per bettor do not increase proportionately with income. As a result, when the average behavior of bettors is spread over the entire income class (line 4 and 5), and these are divided by average class income, the percent of income bet and taken out (last two lines) shows a decline as income increases.

Overlooking the problem of voluntary tax payment, both the takeout and the pari-mutuel tax are mildly regressive. Panel b of Table 2 shows an index of regressivity (R) or progressivity (P) for selected gambling games. The index varies between zero and one, zero indicating a proportional tax and one (P) indicating a perfectly progressive tax. One (R) represents a perfectly regressive tax. The games are listed from the most regressive to the least progressive. Relative to other games, numbers and sports cards are highly regressive. Lotteries, bingo and horse books show medium regressivity. Horse tracks show relatively low regressivity.⁴ Even lower regressivity is characteristic of New York off-track pari-mutuel wagering (not shown).

Three more points should be made regarding panel b. First, bingo is nearly twice as regressive as on-track pari-mutuel wagering. Not only has Kansas already legalized bingo, but the state recently increased its share of the bingo takeout. Second, casino games show takeout progressivity mainly

because only the higher income groups can afford the travel expense to places where such games are legal. In a study of Nevada residents only, most of the casino games are highly regressive (same source as Table 2). On-track horse wagering involves certain expenditures (manner of dress, on-track dining, seating, etc.) that also account for part of the low regressivity indicated. Third, horse-track wagering is about equally regressive with general sales and excise taxes. Considering that the latter are mainly involuntary and that they fall on the general population, the low regressivity of horse-wagering is a relatively minor issue in the matter of fiscal economics.

THE HORSE RACING INDUSTRY: NATIONAL AND REGIONAL

On-track pari-mutuel horse betting is legal in 30 states, including all states west of Kansas (from Montana to New Mexico) except Utah. Until about 1965-1967, the industry grew at a steady pace. But for the past thirteen years industry health has suffered greatly due to the uninformed decisions of legislatures and state racing commissions. This consensus verdict appears in academic journals, trade publications, and the Commission on the Review of the National Policy Toward Gambling, viz. "...despite its primary economic function, the State racing commission appears to ignore the economics of the industry it regulates." (Gambling in America, op. cit., p. 125). Here, a brief narrative suffices. Data regarding the point in question are relatively abundant elsewhere.⁵ It is important to keep in mind, however, that the analysis below pertains to aggregate national data, and not to any specific track.

⁵ An especially worthwhile, concise, and complete analysis appears in D. Coate and N. Sheflin, "The Health of the Horse Racing Industry in the United States," 1977 Conference Proceedings of the National Tax Association, pp. 259-264.

Beginning in the late 1960's several states, searching for new revenue sources, sought to avoid higher sales and income taxes by turning to legalized gambling. This, coupled with unfamiliarity of industry economics, led to policy decisions which adversely affected horse racing. The number of racing days increased and so did the state's share. Other, and less activity-oriented, forms of gambling were legalized (lotteries, bingo, numbers, casino games). But the most pernicious of these was off-track horse wagering in New York and Connecticut, the latter not having any horse tracks.⁶ In the Northeast new tracks were constructed near the borders of other racing states. The collective effects of these policies are reflected in several economic variables. During the period 1965-1976 average daily attendance declined, and so did the real value (inflation adjusted) of average daily handle, state revenues, per capita bet (per day), and average daily purses. Tracks began experiencing losses, which reduced their ability to attract high-quality fields and properly maintain their physical plants. Racing associations and state racing commissions responded by resorting to extremely high-odds bets ("gimmick" or "exotic" bets).⁷ This, in turn, led the Internal Revenue Service to begin withholding 20 percent of winnings of \$1,000 or more on bets for which the odds are 300 to 1 or more.⁸ Closely related to the economic pressures brought on by state policy are recent, and isolated, cases of race fixing, the use of "ringers", and the medication issue. To date, states have attempted to correct policy by either reducing the takeout rate, or, at least,

⁶ D. Coate and G. Ross, "The Effect of Off-Track Betting in New York City on Revenues to the City and State Governments," National Tax Journal, 27 (March, 1974), pp. 63-69.

⁷ See K. Hollingsworth, "Integrity, Probity, and the Gimmick Bet," Blood Horse, Feb. 19, 1979, p. 903 and K. Daingerfield, "Gimmick Wagering is a Cancer on Racing," op. cit., p. 904.

⁸ D. Mearns, "Your Partner Uncle Sam Loves a Big Trifecta," Blood Horse, Sept. 12, 1977, pp. 4154-6.

reducing their share of it.⁹

In the midst of national industry economic chaos, two regional states (Arkansas and Nebraska) maintained a steady policy attitude toward horse racing. This, plus the absence of modest competition from non pari-mutuel states (Iowa, Missouri, Kansas, Oklahoma, Texas), ~~moved Ak-Sar-Ben and Oaklawn Park into the top ten tracks in the nation.~~ ~~It is doubtful that their positions would be greatly eroded by legalization in the Plains states.~~ First, Hot Springs, Arkansas is a vacation and tourist center, and second, population centers in the Plains states involve greater distances between cities than in the Northeast. The performance of the above-named tracks is shown in Table 3. Both the takeout rate and the pari-mutuel tax rate (per cent of handle) remained low relative to other racing states. Racing days increased by less than the national average. Due to the low takeout, an increasing population, and higher personal incomes, daily average attendance increased. In terms of percentage increase during the problem period of 1966-1978, Oaklawn Park is first in the nation, and Ak-Sar-Ben is third. Increased daily attendance means greater track gross receipts, larger purses, and better racing quality. These are the top two tracks in the nation in terms of percentage increase in daily purses. Even in real terms, daily purses increased for both tracks. A similar experience relates to the daily handle. Note also that the 1978 daily per capita wager (daily handle divided by daily attendance) is relatively modest in light of the fact that it covers about nine races per day. Briefly, the national racing experience bears very little upon the economic potential of prudent racing policy in Kansas.

⁹M.C. Toby, "What Happens When The Takeout is Re-Distributed?" Blood Horse, Oct. 2, 1978, pp. 4512-6.

TABLE 3

1978 Economic Characteristics of Two Horse Race Tracks

Characteristic	Track	
	Ak-Sar-Ben (Omaha, Neb.)	Oaklawn Park (Hot Springs, Ark.)
Number of Racing Days	60	49
Change from 1967	36.4%	14%
Total Takeout Rate	15%	16%
Pari-Mutuel Tax Rate	5%	6%
Daily Attendance (Number)	16,018	21,164
Change from 1966	22%	106%
Tracks Exceeding Change (no.)	2	0
Daily Purses (\$)	88,895	110,349
Change from 1967	140.2%	269.0%
Tracks Exceeding Change (no.)	1	0
As a Percent of Daily Handle	5.55%	4.73%
Daily Handle (\$)	1,600,867	2,335,346
Change from 1967	111%	221%
Tracks Exceeding Change (no.)	2	0
Per Capita Daily Wager (\$)	99.94	110.35

Source: Selected issues of the Blood Horse (Lexington, Ky.): December 25, 1978, p. 6476; July 23, 1979, p. 3567; August 25, 1979, p. 4301. Pari-Mutuel Racing, 1978, National Association of State Racing Commissioners (Lexington, Ky.).

STATE ECONOMICS AND PARI-MUTUEL HORSE RACING: KANSAS AND NEBRASKA

In the interest of estimating the likely economic effects of pari-mutuel horse racing in Kansas, it is necessary to investigate that industry as it relates to the entire economy of another similar state. Recalling conclusions from the preceding section, Nebraska is an ideal state for comparison. Both states share a common heritage and culture; the bulk of their populations are found in the eastern half of each state; and each state shares metropolitan areas with other states along its eastern border. Each state is characterized by increasing urbanization and industrial growth while retaining its agricultural orientation. Moreover, pari-mutuel legislation in Kansas is likely to follow along the same lines as in Nebraska. The purpose of this section is to evaluate the extent of pari-mutuel wagering in Nebraska, and whether or not there exist substantial economic differences between the two states which suggest that pari-mutuel wagering would impose a burden on Kansas relative to Nebraska. Out of such a comparison one gains a basis for projecting the racing industry in Kansas.

Under the policies of nonprofit racing associations and a relatively low takeout rate, the Nebraska racing industry gradually attained the posture illustrated in Table 4. Exclusive thoroughbred racing is conducted at five tracks, with exclusive quarter horse racing at two tracks. In part, the history and tradition of legal horse wagering in the United States, rooted primarily in the East, has favored thoroughbred over quarter horse racing. The 180 racing days are allocated by the Nebraska State Racing Commission, among the five thoroughbred tracks so that racing seasons do not overlap. At any time during the year, there is at most one track holding thoroughbred races. This policy is intended to minimize competition between tracks within, say, a 50-mile radius of each other. It also means that the same population is exposed to a nearby track for at most the maximum number of racing days permitted

TABLE 4

1979 Nebraska Racing: Availability, Wagering, and Attendance

Measure	Quarter Horse	Thoroughbred
Number of Tracks	2	5
Number of Racing Days	32	180
Number of Races Run	320	1,606
Total Handle (\$)	1,034,318	152,503,913
Breakage (\$)	12,011	1,548,143
Paid Attendance (person-days)	19,721	1,209,930
Per Capita Daily Wager, Paid Attendance (\$)	52.45	126.04
Estimated Attendance (person-days)	32,246	1,472,430
Per Capita Daily Daily Wager, Estimated Attendance (\$)	32.08	103.57

Source: Annual Report, Nebraska State Racing Commission, 1979.

at any single track in the state. For example, the population of metropolitan Omaha could attend nearby races for 60 days. Population near other tracks were exposed to far few racing days. The two quarter horse tracks are geographically separated from each other, and from the thoroughbred tracks. In general, ~~thoroughbred racing does not begin until 4:00 p.m., thus minimizing~~
~~conflict with other daily activities, and letting races serve the purpose of~~
~~evening recreation.~~ The total amount wagered for 1979 is about \$153.5 million. Given the 15 percent takeout rate, the cost of wagering to consumers is roughly \$23 million plus the breakage of \$1.56 million for a total of \$24.6 million. This total wagering cost is .19 percent of Nebraska personal income, but since persons from Kansas, Iowa, Missouri and South Dakota are wagering in Nebraska, the true burden of wagering costs on Nebraskans as a proportion of personal income is much less. While none of the breakage is returned to bettors or passed to the state, there is no reason why these cannot be arranged. Arkansas allocates one-third of the breakage to the city of track location and one-third to the state.

Attendance is measured in person-days. If the same person attends five days of racing, the number of person-days is five. The difference between paid and estimated attendance in Table 4 is due to the fact that persons holding occupational licenses are admitted without a daily admission fee. But paid admissions represent the general public that attend as racing patrons. The Commission on the Review of the National Policy Toward Gambling reported that about 15.9 percent of persons in legal horse racing states participated in horse race wagering, with an average annual attendance of 8 days for in-state tracks.¹⁰ Since these are aggregate data representing the longer racing seasons and greater track availability in the East, a reasonable estimate of

¹⁰ Commission...., Appendix 2, Survey..., op. cit. Refer to Table 2 above.

average days attended by patrons of Nebraska racing is 5. Dividing this figure into total paid attendance (1,220,651 = 19,721 + 1,209,930) yields an estimate of the number of different persons attending Nebraska races, namely, 245,930. This is 15.6 percent relative to the Nebraska population, but since it includes persons from out-of-state, the actual participation rate for Nebraskans is somewhat less. If 6 is used as average daily attendance per person, the respective number of persons and percent of population are 204,942 persons and 13 percent. Per capita daily wager is the handle divided by attendance, thus two figures appear in Table 4. The amount based on paid attendance overstates patron wagering because it omits the betting of those holding occupational licenses. The daily average wager computed from estimated attendance probably understates the true value because occupational license holders, due to legal restrictions, have a lower participation rate and reduced amounts bet relative to those attending the track for pleasure and excitement. Using the two values as limits, and multiplying by the overall takeout rate of 16 percent (\$24.6 million cost divided by \$153.5 million handle), yields limits to the average daily wagering cost per person attending horse racing. ~~The limits are \$16.57 to \$20.07 per person for a day consisting of nine to ten races.~~

The 84 percent return of handle to bettors means:

Obviously, not every player at the track gets back an equivalent amount of his or her wagers, but on the average, ~~over a long period of betting, the player can be reasonably assured of getting approximately 84 percent back.~~¹¹

Or, as another economist expressed the matter:

Race-track wagering illustrates the fallacy of composition.

¹¹ Commission..., Gambling in America, op. cit., p. 65. The 84 percent is inserted due to the Nebraska experience.

While it is true that bettors in the aggregate are destined to lose, this does not imply that for any single bettor the act of gambling entails a probabilistic loss and is irrational. In fact we have demonstrated that those individuals who decide to go to the track and bet do indeed behave in a rational, price-elastic, utility-maximizing fashion.¹²

Pari-mutuel wagering in Nebraska works well because of intelligent policy decisions and the economic behavior of participants. Even at the height of national industry problems (1976), responsible persons in Nebraska were quoted as follows:¹³

1. J. Morton Porter, Executive Secretary, Nebraska Racing Commission:

Racing is the best policed sport in the world. We do not have the criminal element because ~~racing in Nebraska is non-profit and must be sponsored by non-profit civic organizations. It is designed to help our number one industry which is agriculture.~~

2. Keith Carter, Executive Vice-President, Greater Omaha Chamber of Commerce:

The old bugaboo that racing attracts a lot of criminal element is simply non true as far as Omaha is concerned. Racing at Ak-Sar-Ben receives ~~excellent supervision, outstanding policing, and serves as a popular form of recreation for thousands of people who live not only in Nebraska and Iowa but all of the surrounding states.~~

¹² A. Gruen, "An Inquiry into the Economics of Race Track Gambling," Journal of Political Economy, 84 (Feb. 1976), p. 177.

¹³ All quotations are published in the Quarter Racing Record, (July, 1976), pp. 178-184.

3. ~~Richard R. Anderson, Chief of Police, Omaha, Nebraska~~

We have no particular problems brought on by the racetrack. There is a minimal problem caused by the influx of people in and out of the city because the track does draw a tremendous amount of out-of-town visitors.

The ~~factor~~ quote exemplifies one conclusion reached in a major study sponsored by the United States Department of Justice, viz.,

As states have made available legal horse tracks or lotteries, there is no evidence that this has made the enforcement task of police harder or easier.¹⁴

Aside from Nebraska racing policy and performance, the ~~industry benefits from the absence of widespread legal gambling forms and from the relative lack of competing spectator sports.~~ Nevertheless, the most important reason for success is the underlying Nebraska economy, which both supports and benefits from pari-mutuel horse racing. Relevant economic data are presented in Table 5 for Kansas and Nebraska. With roughly similar area and number of counties (Nebraska, 93; Kansas 105), ~~Kansas is more heavily populated and has a higher proportion of its population in counties with more than 43,000 residents.~~ Kansas has ten such counties; Nebraska has four, which contain three thoroughbred race tracks. Two thoroughbred tracks and two quarter horse tracks are located in counties of less than 43,000 residents. ~~Kansas personal income is greater than that in Nebraska, and by a greater proportion than the population difference.~~ Thus, Kansas per capita personal income ranks fourteenth in the nation, and recent rates of growth in both personal and per capita income have exceeded comparable national growth rates. Nebraska incomes indicate growth near the national rate. Given that horse-race wagering is primari-

¹⁴ Gambling Law Enforcement in Major American Cities, National Institute of Law Enforcement and Criminal Justice, Law Enforcement Assistance Administration, U.S. Department of Justice, Sept. 1978, p. iv.

TABLE 5

Economic and Social Characteristics: Kansas and Nebraska

Characteristics	Kansas	Nebraska
<u>Population:</u>		
Total Population (1979, 1000's)	2,369	1,574
Percent Change from 1970 (U.S. = 8.3)	5.3	6.0
Persons Aged 21+ Years (% of total)	66.6	65.4
Counties With 43,000+ Residents (1978)	10	4
Population (1978, 1000's)	1290.4	728.2
Percent of State Population (1978)	55.0	46.5
<u>Income (1979):</u>		
Personal Income (\$ millions)	21,451	13,129
Percent Change from 1977 (U.S. = 25.8)	32.0	26.5
Per Capita Personal Income (\$, U.S. = 8706)	9055	8341
State Rank	14	27
Percent Change from 1977 (U.S. = 23.7)	29.3	24.9
<u>Social (1975):</u>		
Percent of Families Below Poverty Level (U.S. = 9.0)	6.1	7.1
Percent of Persons Below Poverty Level (U.S. = 11.4)	8.0	9.6
Percent of Families with Single Parent (U.S. = 16.0)	12.0	11.0
Percent Family Heads Aged 25+ Years Not Graduating from High School (U.S. = 36.6)	30.1	28.5
Mean Family Size (U.S. = 3.40)	3.25	3.40
Mean Number of Income Earners Per Family (U.S. = 1.65)	1.73	1.80

Source: Bureau of the Census, Current Population Reports, Series P-25, P-78, and P-60; U.S. Department of Commerce, Survey of Current Business, April, 1980.

ly an urban phenomenon, the clustering of Kansas' population in ten counties, together with higher incomes and income growth, means that Kansas can support a larger racing industry than Nebraska, and further, such support will likely create an even smaller gross burden on income than in Nebraska. Economic planners in Kansas are well aware of one implication that follows from rapid growth in income without equally rapid growth in recreational facilities, namely, a significant portion of the income increment will be spent by Kansans pursuing recreation in other states. Whether such leakages from the Kansas income stream will ever return to create more income and employment is a matter of speculation.

The remaining portion of Table 5 provides several measures of personal hardship and family status for the two states at hand. Several other social indicators were also examined, but since they too show only minor relative differences, they are omitted from the Table. Both states are well below the national average for the first four indicators. Since the data represent the bottom of a business recession (1974-1975), it is probable that Kansas and Nebraska are both further below the nation in all four measures than indicated in Table 5. However, Kansas has a smaller mean family size than Nebraska, which shows a mean equal to the national average. This, in comparison with the number of income earners per family, suggests that the average Kansas family is more able to support recreational spending from earned income, with possible over-spending affecting fewer people, relative to Nebraska. Research on compulsive gambling is nonexistent at the state level, and, in general, there are no firm conclusions regarding its incidence. The Commission on the Review of the National Policy Toward Gambling classified 77 percent of persons in a national survey as probable compulsive gamblers. This figure covers all types of gambling, and it is intended to be suggestive only. Chief among the difficulties encountered in such studies are a) distinguishing compulsive

gambling from other personal disorders, and b) ascertaining the causal relationship (i.e., direction of cause) between heavy gambling and personal problems.¹⁵ In general, available evidence does not suggest that pari-mutuel wagering on horses in Nebraska has given rise to unacceptable social costs.

PROJECTED TRACK DEVELOPMENT IN KANSAS

Estimates of track location, attendance, and handle presented below rest primarily on two assumptions. First, it is assumed that Kansas legislation and regulations of the requisite state racing commission will closely follow the Nebraska case. Especially important in this regard is an overall takeout not more than 15 percent plus breakage. Several studies indicate that bettors view the takeout as the price of wagering. For a given percentage increase in takeout, the percentage reduction in handle is far greater. On the other hand, a given percentage reduction in takeout will bring about a greater percentage increase in handle. Economists characterize this property by saying that the handle is takeout elastic. This means that direct government and track revenues could all be increased (along with revenues to horsemen) by a reduction in takeout.¹⁶ In addition, reducing the takeout through reduction in the state's share makes the pari-mutuel tax less regressive, redistributes more revenue to the community that pays it, and generally benefits the state by a more prosperous industry.¹⁷ At least, it is assumed

¹⁵ See the Commission's Final Report: Gambling in America, op. cit., p. 74.

¹⁶ An excellent and recent example appears in W.D. Morgan and J.D. Vasche, "Horsing Demand, Pari-Mutuel Taxation and State Revenue Potential," National Tax Journal, 32 (June, 1979), pp. 185-194.

¹⁷ Gambling in America, op. cit., pp. 2, 3.

that the state will not exceed the Nebraska takeout rate.¹⁸ Second, it is assumed that participation in horse race wagering and track development in Kansas will be similar to that in Nebraska, except, that Kansas will be more oriented to using population density as a guide. Otherwise, no assumptions have been made regarding the likely possibility of mixed (quarter horse and thoroughbred) racing, the manner of non-overlapping racing dates (not a serious problem due to geographical separation), or whether some tracks might have split racing seasons. Similarly, separate consideration is not given to harness racing.

Initially, five variables were estimated for Kansas based upon three Nebraska tracks. The Ak-Sar-Ben track in Omaha was selected because it represents an urban track. The Fonner Track in Grand Island represents a track located in an urban core, but surrounded by rural areas. The third track, Columbus Races, Columbus, Nebraska, is a rural area track without a substantial urban core. The Fairgrounds track in Lincoln was excluded because joint products may be involved (fairgoing and racing), and because it appears to draw attendance almost exclusively from its own county population. The Atokad track in Dakota county was excluded because it appears to be located in a sparsely-populated Nebraska county only in the interest of drawing patrons from Sioux City, Iowa, where pari-mutuel is not yet legal. Such a track could not likely stand on its own if Iowa legalizes pari-mutuel in the future. For this reason, the possibility of locating a Kansas track in Doniphan county, next to St. Joseph, Missouri, is not considered feasible. For Kansas, the idea of an urban core constitutes a minimum criterion, which is somewhat more restrictive than in Nebraska.

¹⁸For an unusual case of regulatory policy failure (the pari-mutuel industry in Florida), see S.V. Berg and E.J. Yelton, "Profits, Payments, and Complementary Products: Additional Ways to Improve Pari-Mutuel Taxation," National Tax Journal, 29 (June, 1976), pp. 191-199.

Analysis of these three Nebraska tracks involves five primary variables. After determining reasonable values for Nebraska, these same values were employed in the Kansas estimates.

N = Racing Population Base. Using 1978 county population data and employing a 50-mile radius, the number of persons in the vicinity of a horse track was estimated using the 50-mile radius as a guide, but taking into account such things as travelers already in the relevant area, road conditions, and possible double-counting in the radius of another track. N is not a mere count of persons within 50 miles.

II = Participation Rate. This is the proportion of N that attends horse racing. Special consideration is given to the nature of surrounding territory (urban vs rural), whether or not competing entertainment is available, and whether the urban core is isolated from another urban core in the sense of persons regularly traveling elsewhere for entertainment.

a = Frequency of Attendance. On the average, frequency of attendance tells how many times during the racing season a person will attend the track. Generally, this variable declines as the season gets shorter, but other factors also enter, viz., entertainment competition and occupation (farm vs nonfarm).

D = Number Racing Days. The number of days a track is allowed to hold races is determined by the state racing commission, although economic circumstances are given major consideration.

c = Per Capita Daily Wager. c is the average amount wagered per person per day of racing, and it is usually computed and interpreted as a seasonal average.

In the Nebraska case, c and D were already known. N was estimated independently from population data. Hence, the main purpose of examining Nebraska tracks was to establish approximate values of Π and a . National survey data suggests that Π varies between .20 and .26 and that a is 7 or 8. But the national data apply only to the population aged 18 or more years, and to a culture wherein track wagering is more widespread. Once Π was adjusted for age, the range is .14 to .18. Considering the cultural difference between the Plains states and the Coastal states, Π was taken to vary between .14 and .16, at least for urban or urban core areas. Since total attendance equals the product of $a \cdot \Pi \cdot N$, and total attendance is known, the value of a can be determined. It is 6 days for the Ak-Sar-Ben track and between 5 and less than 6 days for the track in Grand Island. It is less for Grand Island because the number of racing days are less than in Omaha, and because Grand Island is an urban core surrounded by rural areas, whereas Omaha is surrounded by other urban areas. However, without a sizable urban core near the race track, both Π and a are reduced. For the track in Columbus, $\Pi = .1$ and $a = 4$ days. Alternative values for Π gave unreasonable values for a . Or, assuming different values for a yields unacceptable values of Π .

Based on the performance of these Nebraska tracks, corresponding estimates for Kansas are given in Table 6. With the exception of Eureka Downs, all track locations have an urban base. Eureka is currently the leading quarter horse track in Kansas, and unless one of the other tracks receives permission for, say, a split season with one portion of the season allotted to quarter horses, it is expected that Eureka will continue in the capacity of exclusive quarter horse racing. Mixed racing at other tracks will not alter this projection. Eureka has no urban core, however, it has a history of drawing patrons and horsemen from a relatively large area. The per capita wager is higher than the Nebraska average because there is reason to believe that Kansas is more of a quarter horse state. Indeed, Kansas has the fifth largest number of

TABLE 6

Estimation of Kansas Track Location, Attendance, and Handle

	Kansas City	Topeka	Wichita	Salina	Eureka
<u>Estimated Variables:</u>					
Racing Population Base (N, 1000's)	1482.2	285.7	584	150	n.e.
Participation Rate (Π)	.16	.14	.15	.10	n.e.
Attendance Frequency (a)	6	5	5.5	4	n.e.
Racing Days (D)	70	40	50	25	25
Per Capita Daily Wager (c)	\$125	\$120	\$123	\$120	\$80
<u>Computed Variables:</u>					
Total Attendance (A, 1000's)	1422.9	199.99	481.8	60.0	60.0
Total Handle (H, 1000's)	\$177,864	\$23,998.8	\$59,261.4	\$7,200	\$4,800
Daily Attendance (\bar{d})	20,327	5,000	9,636	2,400	2,400
Daily Handle (\bar{h})	\$2,540,914	\$599,970	\$1,185,228	\$288,000	\$192,000

Note: n.e. means "not estimated." The relationship between estimated and computed values is:

$$A = a \cdot \Pi \cdot N$$

$$\bar{d} = A/D$$

$$H = c \cdot a \cdot \Pi \cdot N$$

$$\bar{h} = H/D$$

registered quarter horses in the United States, and it is near three of the top four states (Colorado, Oklahoma, Texas). Salina has a small urban core which is enveloped by rural areas. Hence, the use of \bar{H} and \bar{a} characterizing the Columbus track are probably conservative. Salina was chosen over Manhattan (Riley county) primarily because it is further from the Topeka radius. The values of \bar{H} and \bar{a} increase for Topeka, Wichita and Kansas City according to population density near the urban core. Per capita daily wager is within the Nebraska range for all three cities. As indicated in the note to Table 6, total handle (\bar{H}) and total attendance (\bar{A}) can be computed from the estimated values of \bar{a} , \bar{c} , \bar{H} , and \bar{N} . At this stage, there appears to be a tradeoff between, say, racing days (\bar{D}) and daily average attendance (\bar{d}). Just as the other estimated variables went through many computational passes, so did \bar{D} and \bar{d} . There is a narrow range of acceptable values, but in general, the policy of longer seasons and lower daily attendance creates a squeeze between track daily costs and receipts. In addition, there are some economies of scale related to increases in daily attendance. Hence, the preference reflected in Table 6 is for a shorter season and larger daily attendance. Given \bar{D} , the last two lines of Table 6 follow. Perhaps the major implication of Table 6 is that Kansas City would likely become one of the nations top ten tracks, with corresponding purses and field quality.

DIRECT REVENUES TO GOVERNMENT

Table 6 provides the main basis for estimating direct government revenues. It is not necessary that all such revenues go to the state. In light of the fact that nonprofit racing associations do not pay property taxes (Nebraska), and that the state can redirect receipts to the source community, it is possible that the state's general fund would not be enriched on a net basis to the same extent as the gross amount determined below. For example, the revenues

received from the fairgrounds track in Lincoln are merely passed through the state for return to the state fair board. They are not recorded as state general fund receipts. Still, such monies are received by a government, whether state or local or an agency of either. Direct revenues to government are estimated in Table 7. The pari-mutuel tax is 5 percent of the total annual amount wagered at horse tracks in Kansas (computed from Table 6). Sales taxes on claimed horses are estimated according to the ratio of racing days in Kansas relative to those in Nebraska. This ratio is then multiplied by the 1979 Nebraska equivalent (from Table 1). Daily license fees require a separate estimate of the daily rate for each track. In general, such fees are based on attendance, but they reflect underlying economies of scale. Since larger tracks operate more efficiently than smaller tracks and the pari-mutuel tax is a constant rate, daily license fees constitute a means whereby what otherwise would be profit is transferred to government. The daily fee rates in Table 7 are based on the 1980 Nebraska fees, which are twice the rates charged in 1979. Similarly, the Nebraska admissions tax is \$.30 per person per day. Multiplying this rate by estimated Kansas attendance (calculated from Table 6) yields \$667,407. The remaining entries in Table 7 are determined by increasing comparable Nebraska receipts in order to allow for the larger projected Kansas system.

How does the Kansas revenue estimate of roughly \$14.7 million compare with track revenues in other states relative to total tax revenue? The average of Kansas general fund receipts for fiscal 1979 and fiscal 1980 (revised estimate) is \$1050.1 million.¹⁹ This average is comparable with calendar 1979 data, which were employed in Tables 6 and 7, and were based on the calendar 1979 data relating to Nebraska. Thus, if Kansas had permitted pari-mutuel

¹⁹ John Carlin, The State of the State: Economic and Social Report of the Governor, January, 1980, Topeka, Kansas, pp. 68-69.

horse racing in calendar 1979, general fund revenues would have been about \$14.7 million more due to direct taxation, for a total of \$1,064.8 million.¹⁹ Direct pari-mutuel revenues comprise 1.38 percent of this amount. In contrast, direct pari-mutuel revenues in Nebraska have varied between .9 and 1.0 percent of total tax receipts for the past decade, with about 1.0 percent projected for fiscal 1980. Prior to the full impact of state tax policy on the racing industry, only eight of 30 horse racing states received 2.0 percent or more of revenues from racing. The average for all 30 states was 1.46 percent.²⁰ Indeed, the estimates in Tables 6 and 7 for Kansas were mathematically constrained to yield a percentage figure between 1.0 and 1.5. While the Kansas percentage is small, the amount involved is not insignificant, especially if channeled to specific needs or to specific cities (counties). Compared with Kansas bingo revenues (\$.2 million), direct receipts from horse racing (\$14.7 million) are far larger.

Although taxes on pari-mutuel wagering constitute only a small percentage of the total budget of most states, the states would be extremely reluctant to relinquish this source of income, and in fact, are continually seeking ways to increase it.²¹

ESTIMATED TRACK EXPENDITURES

A multiple expansion in the permanent annual level of income and employment rests upon the extent of increased new spending. However, consumer spending at a race track involves switching consumption expenditures from other alternatives to racing. Thus, the amounts in this section cannot be viewed as new spending. Track expenditures are estimated from expected

²⁰ C.W. Deseve, "Improved Pari-Mutuel Taxation," National Tax Journal, 26 (Dec., 1973), pp. 591-97.

²¹ Gambling in America, op. cit., p. 117.

gross receipts. No allowance is made for direct taxes and fees paid to the state because such payments are not a leakage from the Kansas income stream. State revenues are respent, thus generating income and employment very much like any recipient of gross spending by racing associations. Track receipts are more easily and accurately estimated than track expenditures because they are closely linked to attendance and handle. These have been estimated above in terms of 1979 economic data, and the ultimate total expenditure figure presented below must be similarly interpreted.

Estimated revenue sources and their computation are shown in Table 8. All entries are based on their relationship to total attendance and handle, which have been observed in other racing states and for all racing states as a whole.²² The most significant source of track revenue derives from pari-mutuel wagering. Here, the takeout rate (.15) plus breakage as a proportion of the handle (.01) is multiplied by the total handle (\$273,124,200 computed from Table 6). Recall that the result (\$43,699,872) is the total cost of wagering paid by patrons in Kansas. The value shown is .2 percent of 1979 personal income in Kansas. Admissions revenue assumes a ticket price of \$2.00, but it is adjusted downward to allow for the presence of racing association members and special discount admissions otherwise. Food and beverage sales are relatively small compared to pari-mutuel receipts. National industry data suggest that this proportion is between .02 and .03; .025 has been used in Table 8. It represents establishment sales (tax included), sales made by concession operators, and receipts from vending machines. The larger proportion (.11) used in estimating all other patron spending consists primarily of publications regarding horse performance history, souvenirs, and service not

²²Census of Service Industries, 1972 and 1977, Bureau of the Census, U.S. Department of Commerce.

TABLE 8

Estimated Annual Kansas Horse Racetrack Receipts

Source and Computation	Amount
<u>Total Pari-Mutuel Revenues:</u>	
.16 x \$273,124,200 =	\$ 43,699,872
<u>Total Admissions Receipts:</u>	
\$1.95 x 2,224,690 =	4,338,146
<u>Food and Beverage Sales:</u>	
.025 x \$43,699,872 =	1,092,497
<u>Other Patron Spending:</u>	
.11 x \$43,699,872 =	4,806,186
<u>Non Patron Revenue Sources:</u>	
.03 x \$53,936,701 =	<u>1,618,101</u>
Total Receipts	\$ 55,554,802

Note: See text for explanation.

elsewhere classified. The last line is taken to be 3 percent of total patron spending (\$53,936,701). This percentage is based on national industry data, and it captures the facts that horse tracks have alternative uses during the off-season, giving rise to rental receipts, and that local businesses pay for advertising space in track publications. Assuming that all current receipts are spent, the annual expenditure estimate of racing associations (in 1979 dollars) is \$55,554,802, which partly includes switching some consumption from other alternatives.

Estimations of direct track employment are somewhat complicated because the majority of job positions at a race track are seasonal. No matter the estimation procedure, it must involve conversion of seasonal employment to a full-year (50 weeks or more) equivalent. The problem is that many more persons are involved in drawing a portion of their income from race tracks than the full-year equivalent indicates. On the other hand, it is the full-year equivalent that provides an employment level that is comparable to other employment statistics. Of course, race tracks also hire salaried persons for the entire year. For example, the Ak-Sar-Ben track in Omaha hires about 70 persons for the full year and more than 1000 for the 60-day racing season. But when the latter are converted to a full-year basis and added to the former, the total full-year employment level is about 300 positions. The procedure for estimating Kansas track employment requires an estimated payroll and an average annual wage. Based on 1977 horse track surveys, payroll is 20 percent of non-tax expenditure. The latter is determined by deducting track-paid revenues to the state (\$14,460,617 total, Table 7) from total track receipts (\$55,554,802). Track expenditures net of taxes are \$41,094,185. This figure multiplied by .2 yields an estimated annual payroll of \$8,218,837. Taking into account that low- to medium-skill service employment commands an annual wage below the estimated Kansas average (about \$10,200 in 1979) for all occupations, but that the nature of the work in urban areas requires a wage somewhat

above that in similarly-located travel employment (about \$7,500 in 1979), the estimated annual track wage is \$8,500. Dividing this into track payroll provides an estimate of direct track employment in the amount of 967 full-year equivalent job positions.

NEW DIRECT SPENDING BY HORSEMEN (NET OF PURSES)

A key aspect of the racing industry is that persons responsible for breeding and training race horses spend much more on racing activities than they receive from purses and breeders' incentive awards. While horsemen's expenditures are a multiple of purses, they are economically related to purses in a direct manner. Higher purses attract more spending by horsemen, and a greater dollar amount of that spending will come from non-track income sources. The latter represents a spending flow which, for the most part, would otherwise constitute a leakage from the income stream. These leakages consist primarily of financial investments (savings) and out-of-state expenditures in general. Thus, the main economic impact of pari-mutuel horse wagering on horsemen is the conversion of an income leakage into an income injection. The injection to be estimated in this section consists of current and investment spending beyond purse receipts. Since it is only new spending that will raise the permanent level of state income, an allowance must be made for the existing level of spending by Kansas (race) horsemen. Unlike tracks, horsemen provide new spending.

The term horsemen is used in the industry to mean owners and breeders of race horses. The first difficulty in estimating horsemen's expenditures is that economic censuses do not distinguish between the breeding and training of race horses and other horses. Moreover, owners' expenditures are hidden in the accounts of stables, which are service industries involving other than race horses. Owners rely on purse winnings for direct revenues, and on the sale of racing stock, the value of which also depends on purses. In turn,

race horse owners pay breeders for, say, yearlings, and they also purchase race horses from other owners. Aside from these expenditure flows, owners directly or indirectly pay trainers, jockeys, veterinarians, etc., and purchase a variety of goods and services such as boarding expenses, transportation, licenses and racing fees. Breeders derive income from sale of stock and stud fees. In turn, they pay stud fees for their own broodmares, hire labor, purchase feed and supplies, bear insurance and health costs, and invest in physical plant. The categories owner and breeder are not mutually exclusive. Some persons are both. Within the breeder classification, some may deal only with broodmares, others exclusively with stallions, and still others with both, thus weighing against the use of stallion registers as an estimating device for breeding operations. Similarly, lists of horse registrations may be more indicative of horse interest than they are of racing horses exclusively. Aside from classification problems and attending fragmentary data, the sum of individual owners' and breeders' expenditures will greatly overstate the amount of horsemen's spending because it includes transactions within the class. Economic interest centers on receipt flows (purses) from outside the set of horsemen and expenditure flows from horsemen to non-racing recipients. Hence, all transactions internal to the class must be omitted. To my knowledge, there are no data sources emanating from the racing industry that exclude internal flows. Finally, without carefully-designed survey data, there is no way to distinguish between the receipts and expenditures of in-state and out-of-state horsemen. Although ultimate economic interest relates to the total spending flow in Kansas, whether from in- or out-of-state, the preceding difficulty means that the likely size and number of in-state horsemen cannot be established with reasonable accuracy. Nevertheless, with pari-mutuel wagering, the number of race horsemen would increase by a minimum factor of 4.

Fortunately, the University of Maryland has developed a flow of funds table for that state's racing industry. Such a table shows expenditures by economic category (e.g., tracks, professionals, households), and for each category, the receiving economic units are detailed by similar categories. From the racing-industry table it is possible to determine the flow from tracks to horsemen (purses), and the flow from horsemen to non-racing recipients. Moreover, a flow of funds table shows internal flows, e.g., from horsemen to horsemen. This enables the user to deduct these expenditures from horsemen's gross spending in order to measure the net outflow to the rest of the state's economy. The Maryland table is based on survey data for the three-year period 1968-1970. The date is more of an advantage than a disadvantage for the purpose herein because it reflects a healthy relationship between horse-racing and the general economy. The main industry impact of deleterious state revenue policy did not occur until later. Of course, the dollar value of financial flows in 1970 Maryland are not relevant to such flows in other states. However, internal or structural relations between horsemen and the remaining economy are relevant for Kansas projections. This is due to the comprehensive nature of the table and to the fact that certain key relationships can be modified for the Kansas case. That is, every effort is made to err in the direction of understating horsemen's expenditures in Kansas.

Estimation results and procedure are given in Table 9. It is important to keep in mind that the 1970 Maryland data are facts, not estimates. The underlying spending estimate is track expenditures (more accurately household expenditures) flowing to horsemen as purses (P). After deducting internal flows of \$14.5 million, current spending (\$44,785,800) is related to purses by a spending ratio of 3.745. The spending ratio indicates that for every one dollar expended in purse money, the horsemen respond with roughly \$3.75 of non-

TABLE 9

Estimated Annual New Direct Spending by Horsemen
(Net of Purses)

	1970 Maryland	1979 Kansas
Purses (P)	\$ 11,959,300	\$ 14,584,832 (.0534H)
Spending Ratio	<u>x 3.745</u>	<u>x 3.2 (estimate)</u>
Current Spending	44,785,800	46,671,462
Investment Spending	<u>5,650,600 (.47P)</u>	<u>5,833,933 (.4P)</u>
Gross Spending	50,436,400	52,505,395
Less Purses	<u>11,959,300</u>	<u>14,584,832</u>
Net Direct Spending	38,477,100	38,977,757
Less Existing Spending in Kansas (200 x \$19,136)		<u>3,827,200</u>
Estimated New Direct Spending		\$ 35,150,557

Source: Maryland data from "Amount and Source of the Annual Transaction of Maryland's Racing Industry, 1968-1970," Department of Agriculture and Resource Economics, University of Maryland.

investment spending. Total purse money in Kansas is based on the proportion of handle allocated for that purpose in Nebraska (.0534), 1979, and the expected Kansas handle (\$273,124,200). The product of these two yields estimated Kansas purses. The spending ratio for Kansas (3.2) is estimated by reducing the Maryland ratio in the interest of conservative procedure. Had the Maryland ratio been used, current spending in Kansas would have been about \$8 million more than the entry in Table 9. In addition to current spending, Maryland data show that horsemen's purchase of plant and equipment is almost one-half (.47) of purse money. Again, reducing this proportion to .4 for the Kansas case provides an overestimate safeguard. The sum of current and investment spending is gross spending. Since purse money has already been included in the previous section as a portion of track expenditures, it must be deducted from horsemen's spending. The result is direct spending net of internal flows and purse income.

Finally, an allowance is made for estimated 1979 Kansas spending by (race) horsemen. The average owner-breeder expenditure (\$19,136) is based on 1974 agriculture census data for Kansas animal specialty farms (S.I.C. 027), the bulk of which are horse farms. In that year average production expenses for horse farms in the United States were \$26,994, but in the absence of pari-mutuel horse racing, the comparable Kansas figure is \$13,531. Since average owner expenses are less than those of breeders, \$13,000 is used as an estimate of average horsemen spending in 1974, which includes internal flows. Adjusting this for inflation (47.2 percent, 1974-1979) yields the value in Table 9. Census data suggest that Kansas has less than 50 race-horse breeding operations with annual sales of more than \$10,000 per farm (1974). Recognizing that the number of owners exceeds the number of breeders, 200 is the estimated number of horsemen spending the average previously discussed. There may have been more horsemen with a smaller average expenditure, which is undoubtedly

the case for out-of-state horsemen spending in Kansas. Still, the amount allowed for 1979 racing expenditures is consistent with the absence of pari-mutuel racing.

The last line in Table 9 is interpreted in the following manner. Had pari-mutuel horse racing existed in 1979 Kansas, there would have been about \$35.2 million added to total expenditures net of purses. By deducting purses, this amount can be added to track receipts of \$55.6 million (Table 8) for a cumulative gross expenditure total of \$90.8 million. However, for the purpose of estimating sectoral employment it is necessary to use the gross spending figure (\$52,505,395) less the existing expenditure level (\$3,827,200). This difference is \$48,678,195, and it cannot be added to total track receipts. But it is the basis for estimating direct employment. Recognizing that this expenditure flow includes spending by out-of-state horsemen for travel, one cannot use a payroll percentage that reflects the full labor-intensive nature of breeder-owner operations. There, payroll relative to total spending is likely to reach 25 percent or more. For the present purpose a smaller percentage is used (21 percent). This is slightly less than the 23.08 percent which characterizes travel expenditures in Kansas counties near to, or containing, a race track. Nevertheless, the estimated proportion (.21) also reflects consideration for conservative procedure. The estimated payroll is .21 times \$48,678,195, an amount equal to \$10,222,420. Assuming that the variety of skills involved is similar to that at a race track, an average annual wage of \$8,500 is used in estimating employment. Dividing payroll by this annual wage results in gross direct employment of 1,203 positions. Considering that the average owner-breeder hires three to four persons, such an employment estimate is not thought to be excessive. It should be noted that about one-half of race horsemen currently in Kansas are located outside of metropolitan areas. Thus, a major share of increased horsemen's spending

for labor, feed, animal health, transportation, building materials, etc., will occur in rural areas near cities.

TRAVEL SPENDING BY RACING PATRONS

In addition to consumer spending at the track, there also will be travel-related expenditures by track attendees whose residence is outside the track city. Such persons may have traveled expressly for the purpose of racing, but a far larger share consists of persons who are already in the city for other purposes. The main reasons for travel are a) visiting friends and relatives, b) business and conventions, and c) outdoor recreation. Sightseeing and entertainment, which includes horse racing, is ranked fourth in terms of travel purpose. Measured in terms of person-trips, sightseeing and entertainment account for only 13 percent of the total.²³ Thus, the main travel-expenditure benefit from pari-mutuel horse racing falls in the direction of persuading existing travelers to delay departure, or to arrive earlier, in the interest of attending a horse race. This consideration explains, in part, the projected location of tracks in Kansas. The four urban-core tracks are placed in, or near to, the top six Kansas counties in terms of travel spending. In descending order, these counties are: Sedgwick, Johnson, Shawnee, Wyandotte, Saline, and Douglas. Together, they account for well over half of the total travel spending in Kansas by persons on a trip of 100 miles or more from home. The 100 mile distance restriction reflects the fact that such persons are more likely to purchase travel-related goods and services than those who merely drive to a race track and return home the same day, as in the Kansas City area. In sum, it is far more accurate and conservative to derive estimated new travel expenditures due to racing from the existing level of expenditures, than it is to rely upon track surveys that show a high proportion of daily attendance

²³ 1972 Census of Transportation, V.I., National Travel Survey, Bureau of the Census, U.S. Department of Commerce, 1974, pp. xvi-xvii.

accounted for by out-of-state travelers. Such surveys are biased towards overstatement because they do not distinguish between exclusive race traveling and the travelers who would have been in the city even without a race track.

Kansas has recently acquired county-level travel expenditure data for the year 1977.²⁴ This permits the development of new spending estimates only for those counties containing a racetrack, and exclusively during the racing season for each track. Further, the data only reflect spending by persons whose travel requires a distance of 100 miles or more (one-way). There are two alternative ways of determining travel estimates in the case at hand. First, one can calculate the 1977 level of expenditures, by county, during that fractional part of a year which corresponds to the number of racing days. This travel expenditure base can be multiplied by an estimated percentage change. The resulting level of new expenditures can then be used to deduce the proportion of average daily track attendance accounted for by travelers. Second, one can begin with estimated traveler proportions of daily attendance and therefrom deduce the increment in travel spending. Both methods are analytically equivalent. However, each one provides a check on the reasonableness of the other. The estimates presented below are the final result of many computations using both methods. In essence, the two procedures ultimately converged toward the same reasonable solution. Thus, only one method appears in the final estimates.

Estimated new travel spending is calculated in Table 10 based on the 1977 travel survey data. The first column repeats average daily attendance estimates that have been developed previously. The second column contains estimated proportions of daily attendance due to the travelers. The proportion for Wichita

²⁴"The Economic Impact of Travel in Kansas," Kansas Economic Progress Research Memorandum No. 15, Kansas Department of Economic Development, August, 1979.

TABLE 10

Estimated New Travel Spending by Racing Patrons

<u>Track</u>	<u>Daily Attendance</u>	<u>Traveler Portion</u>	<u>Number of Travelers</u>	<u>Racing Days</u>	<u>Spending per Traveler per day</u>	<u>Total Spending(\$)</u>
Wichita	9,636	.09	867	50	\$ 52	\$ 2,254,824
Kansas City	20,327	.07	1,422	70	52	5,179,320
Topeka	5,000	.04	200	40	48	384,000
Salina	2,400	.04	96	25	43	103,200
Eureka	2,400	.08	192	25	41	196,800
Total (1977 \$)						\$ 8,118,144
Inflation Adjustment (1977-1979)						<u>1.2</u>
Total (1979 \$)						\$ 9,741,773

Note: See text for explanation.

is greater than that for Kansas City because Sedgwick county enjoys more travel spending than Johnson and Wyandotte counties combined, and because Wichita is likely to draw more racing patrons from Tulsa and Oklahoma City than a Kansas City track will draw from more than 100 miles into Missouri. The Topeka and Salina tracks are more reliant upon their area populations. In contrast, Eureka is a special case since it already attracts patrons from outside a 100 mile radius. Total spending is the result of multiplying the number of travelers by the number of racing days, and then this product (traveler attendance in person-days) is multiplied by estimated travel spending per person per day. Travel spending per person day was \$42.10 for the entire state in 1977. It was undoubtedly greater than this in the urban areas, and less in the rural areas, as Table 10 reflects. Summing the last column gives new travel spending in 1977 dollars. This is about eight percent of existing spending in the affected counties (the six named above plus Greenwood) during the racing season. But relative to annual travel spending in those same counties, it is only 1.35 percent. Allowing for inflation (1977-1979) yields estimated new travel spending in 1979 dollars (\$9,741,773). Approximately \$7.14 million, or 73 percent, of this total will be spent on transportation and food.

Spending generates jobs and government revenues. According to the 1977 survey data about 23.1 percent of travel spending is allocated to payroll in the seven counties under discussion. Thus, the estimated payroll ($.2308 \times \$9,741,773$) is \$2,248,401. Dividing this by a survey-based annual wage (\$7,503) yields 300 full-year job positions. Because all expenditures are received by the travel industry, the estimate of state and local tax receipts follows from relevant proportions of expenditures comprising taxes as determined from the survey data. State tax receipts are 2.84 percent of expenditures (\$276,666). Local receipts are .557 percent of expenditures (\$54,262),

all of which accrues to the seven counties. Due to a lack of data it is not possible to estimate the amount of proprietary income generated by travel spending. This is nonexistent for race tracks, and it is probably a minor amount for race-horse operations.

SUMMARY OF GROSS DIRECT FLOW IMPACT

Primary focus so far has concerned gross direct expenditure flows, although some portion of these consist of net new spending. The gross direct impact of pari-mutuel horse wagering is summarized in Panel a of Table 11 by spending sector. Again, because Table 11 contains expenditure-switching flows (mainly by consumers), the data represent an industry profile, and not new spending. Gross spending at an annual 1979 rate is estimated to be \$100.5 million. The portion consisting of payroll, similarly expressed, is \$20.6 million, and direct industry employment is equal to 2,470 full-year jobs. Gross government revenues are reviewed in Panel b. Taxes in addition to text discussion are included. Sales taxes are collected from patron purchases of food, drink, and miscellaneous spending. Likewise, industry payrolls are subject to income tax when earned and to sales taxes when spent. Considering the note to Panel b, direct revenues generated by the gross expenditure flow will probably exceed \$16 million (\$1979). Now that major economic magnitudes have been estimated for the industry from gross spending, attention now turns to the amount of new spending that is embedded in the gross flows.

NET DIRECT AND INDIRECT FLOW IMPACT

The net direct economic impact of pari-mutuel wagering depends upon the extent to which gross expenditures consist of new spending. It is only new spending that provides a base for multiple expansion in income and employment. Such new injections into the Kansas income stream could come

TABLE 11

(a) Summary: Estimated Direct Economic Impact of Gross Expenditure Flows

	Consumers at Tracks	Horsemen	Consumer Travel	Total Increase Statewide
Expenditure (\$millions, 1979)	55.6	35.2	9.7	100.5
Payroll (\$millions, 1979)	8.2	10.2	2.2	20.6
Employment (Full-year)	967	1203	300	2470

(b) Summary: Estimated Direct Government Revenues from Gross Expenditures

Source	Amount (\$1979)
Race Tracks (Table 7)	14,703,261
Sales Tax on Patron Spending (Table 8): .031 x \$5,898,683 =	182,860
State Travel Revenues	276,666
Local Travel Revenues	54,262
Income Tax on Industry Payroll	542,823
Sales Tax from Payroll Spending	<u>230,285</u>
Total Revenue	\$ 15,990,157

Note: Equations used in estimating sales and income taxes from payroll were generously provided by Dr. Darwin W. Daicoff, Director, Institute for Economics and Business Research, University of Kansas. Table excludes track and horsemen expenditures subject to sales taxes and taxes on proprietary income in the travel industry.

from: a) ~~reducing~~ Kansas spending out-of-state and increasing it in-state; b) ~~reducing~~ Kansas savings from income, the reduction then spent in-state; c) increasing the amount of in-state investment from Kansas savings; d) increasing the level of spending in Kansas by out-of-state residents, whether consumption or investment spending. Sources c) and d) are estimated below via a close examination of the gross flows discussed above. The outcome is presented in Panel a of Table 12. Traveler track spending is based on estimated attendance by persons more than 100 miles from home (Table 10). The number attending is multiplied by racing days, and assuming that visitors spend (net) at tracks an average of \$24.24 (total net patron spending divided by attendance), total track spending by travelers is \$3,832,102. Persons driving from the Kansas City, Missouri area will not likely give rise to travel spending, but they too will spend at the track at the average daily rate of \$24.24. Daily average attendance at the projected Kansas City, Kansas track is estimated to be 20,327 (Table 10). After deducting the 1,422 daily patrons arriving from more than a 100 mile radius, it is estimated that about one-half of remaining attendance will consist of persons from the Missouri side (8,741). Multiplying by racing days and the \$24.24 per day average yields \$14,831,729 per year. This is a considerable source of new spending in Kansas. Patron travel spending is taken from Table 10. Horsemen's spending is taken from Table 9, which was initially developed as new spending. The net direct impact of pari-mutuel wagering is to create an annual flow of new spending in the amount of \$63,556,161.

The total effects are estimated from the net direct new spending by recognizing that expenditure for one economic unit is income to another. The latter also spends out of income, creating still more income. This multiple expansionary process continues until leakages (savings, spending out-of-state, Federal taxes) occurring at every stage in the spending-income cycle finally

TABLE 12

(a) Estimated Net Direct Spending (\$1979)

Traveler Track Spending	3,832,102
Non-Traveler Track Spending (Kansas City)	14,831,729
Patron Travel Spending	9,741,773
Horsemen's Spending	<u>35,150,557</u>
Total New Direct Spending	63,556,161

(b) Total Direct and Indirect Annual Economic Impact (\$1979)

Personal Income (2.2 x \$63,556,161)	\$ 139,823,554
Employment (Income/\$16,042)	8716
Government Revenue	20,770,842

Detail:

Income Taxes	\$ 3,722,515
Sales Taxes	1,494,770
Race Track (Table 7)	14,703,261
State and Local Travel (Table 11)	330,928
Miscellaneous Taxes: .1 x (Income Plus Sales Taxes)	<u>519,368</u>
	\$ 20,770,842

debilitate further in-state spending. The multiple of new spending that ultimately determines the total net economic impact depends on the nature of the origin industry and the size of the region. Horse racing relies heavily upon local factors of production, and it is an employer of low- to medium-skilled workers. This means that, at least for the first spending round, leakages from the income stream are less than for some other industries that purchase raw materials or intermediate goods from out-of-state. Also, lower income persons, the bulk of racing employment, tend to save less as a proportion of income than higher paid professional workers. The larger the region, the less likely it is that successive spending will occur outside the region. Multipliers for county-level studies of racing range from 2 to 2.6, and empirical estimates for some states fall in the 5 to 6 range. Here, an extremely conservative value of 2.2 is used. This means that per dollar's worth of new spending, \$2.20 of income is created.

The estimated total net economic impact of pari-mutuel horse racing is presented in Panel b of Table 12. Using an income multiplier of 2.2, the effect of new spending is to raise the annual level of income by \$139,823,554 in terms of 1979 dollars. Even if this were \$39 million less, it would still cover gross industry spending (\$100.5 million, Table 11). That is, the industry can generate more state income than the amount of total spending associated with racing. Dividing the income change by the average employee compensation in 1979 (excluding transfer payments, residence adjustment; including social insurance) provides the net increase in Kansas employment. This includes recipients of wages, salaries, professional fees, profits, dividends, interest, rent, and royalties. Less than half the employment increase will be absorbed by the racing industry, or in businesses related to it. New government revenues (mostly state) follow from the new income flow. Income, sales, and miscellaneous tax receipts are estimated from the

increase in income (see note to Table 11). The other two sources are included because they represent net increments in tax receipts. Especially significant is the pari-mutuel tax. With a takeout of 16 percent, 5 percent goes to the state and 11 percent is used to cover track expenses and purses. This means that for a dollar spent as takeout, about \$.31 is tax. In contrast, a dollar spent on general retail purchasing yields \$.03 in tax. Hence, expenditure switching alone would yield larger tax receipts. But considering the new spending sources, about 20 percent of the total pari-mutuel tax will be paid by out-of-state residents mainly in Kansas City, thus tending to offset the outflow from Kansas spending in Missouri.

END NOTES

In the arduous and extended process of reaching the final net economic impact, some important considerations were postponed until the end. First, all financial flows are expressed in 1979 dollars, and the analysis rests on 1978 and 1979 population and income data. However, by the time the industry is actually constructed and operating, population, income, and the state's need for revenue will have grown. Hence, most of the estimates in this paper are understated with respect to the economy of 1984-1985. Second, while it is necessary to distinguish between consumption switching and bona fide new spending, economic growth during the period of industry construction means that consumption spending at racetracks will not be shifted from other businesses then existing. Rather, it means that other retail firms will never have come into being. Thus, much of the track spending will derive from economic growth. Third, while the analysis has been purposely conservative, it must be acknowledged that Kansas has the potential to become the number one quarter horse racing state in the nation if pari-mutuel wagering is legalized with a minimum four-year lead time ahead of Oklahoma and Texas.

Already, ~~one leg of the quarter horse racing triple crown (The Kansas Futurity),~~ sponsored by Kansas race horsemen, is being held in Ruidoso Downs, New Mexico. This big race was ~~once held in Kansas.~~ Fourth, until the industry is fully operating, there will be a period (four-five years) of investment in physical plant. Although it is not recurring, ~~the amount of \$200 million invested~~ derives exclusively from savings. It ~~is a new injection entirely.~~ Using ~~the~~ ~~2.2 multiplier,~~ this injection will create \$440 million of personal income spread ~~over the next few years.~~ The ~~direct beneficiary will be the construction and building industry,~~ but the indirect impact will be pervasive. This important source of income, employment, and government revenue should not be overlooked. Moreover, it can begin in a relatively short time after legalization. Consideration also must be given the use of industrial revenue bonds in track financing.

Return ^(A)

ECONOMICS OF PARIMUTUEL HORSERACING IN KANSAS

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INTRODUCTION

In the near future, the Kansas Legislature may be asked to permit the qualified electors of the State to vote on the question of legalizing on-track parimutuel wagering in horseraces. Legalization would provide for county option regarding such racing be conducted by non-profit racing associations under the regulation of a State Racing Commission. The purpose of this paper is to explain parimutuel wagering and summarize the results of a more comprehensive study concerning the economic characteristics of a horseracing industry in Kansas.

ECONOMIC BALANCE IN HORSERACING

A new industry in Kansas must contribute to the balance for diversification of the State's economy. Diversification concerns the variety of income sources as well as the variety of expenditure outlets within the State. Diversification along both fronts provides for relatively stable economic growth. As personal income increases, a diversified state economy can meet the demand for new goods and services from local sources, thus providing for multiple expansion of income and employment within the state. Failing to diversify, however, especially in the face of growing per capita income, leads to increased out-of-state investment and consumption spending, which reduces the income and employment growth potentials within the State. As a new industry, horseracing in Kansas would contribute to the economic balance. Especially it would provide a means whereby recreation spending is converted into Kansas personal income and employment.

There are other characteristics of introducing a parimutuel system to Kansas. Kansas' parimutuel would substitute a local service for the same service being purchased outside Kansas with incomes earned from within Kansas. The racing industry provides new income and expenditure flow between the urban demand for recreation and the rural interest regarding land usage and agricultural sales. Parimutuel would also be an employer of low to medium labor skills in urban areas. Parimutuel horseracing is a relatively non-polluting industry and provides permanent green belts in or near urban tracksites. Moreover, parimutuel wagering on horseraces has traditionally carried an exceptionally high tax burden. This aspect together comprises a new revenue source for government financing in Kansas.

PARIMUTUEL WAGERING

The word "parimutuel" means mutual stake. It first appeared in the 1908 Kentucky Derby. Its chief advantages are that each individual bettor is directly wagering against all other bettors instead of a professional bookie. A proportion of the

total bets is returned in the form of winnings and guaranteed by law (as opposed to the bookie's decision). Parimutuel is the only legal form of betting at race tracks in the United States. It is now legal in thirty states, including all states west of Kansas except Utah. It is interesting that this same area of the country considered by most political analysts is the most conservative area in the country.

Parimutuel wagering requires that all bets of a certain type be added together. This sum (the handle) is reduced by a state-determined percentage of the handle (the take-out) and by about 1% of the handle due to rounding payments to the nearest .10 ("breakage"). The handle less the takeout and breakage forms the winning "mutual pool." Persons betting on the winning horse cannot collectively claim more or receive less than the mutual pool.

For example, the takeout in Nebraska is 15% and the breakage is about 1%. This means that 84% of the handle is returned to patrons in the form of winnings. For the average bettor this means that over a large number of bets, winnings are expected to be 84% of the total amount wagered. The takeout is divided three ways: the State's parimutuel tax, track operations, and winner's purses.

ESTIMATED GROSS EXPENDITURES
AND TRACK LOCATION

Assuming a Nebraska-style operation in Kansas, and based on Nebraska's racing experience, and the fact that Kansas has generally higher incomes and urban population, it is estimated that Kansas could support at least five race tracks with the following minimum characteristics:

Track Site	Number Racing Days	Per Capita Daily Wager	Daily Attendance	Daily Handle	Season * Handle
Kansas City-Johnson Co.	70	\$125	20,327	\$2.5 million	\$177 million
Topeka	40	\$120	5,000	\$599,000	\$ 24 million
Wichita	50	\$123	9,636	\$1.2 million	\$ 59 million
Salina	25	\$120	2,400	\$288,000	\$ 7.2 million
Eureka	25	\$ 80	2,400	\$192,000	\$ 4.8 million
State Total Annual Handle					\$273.1 million

*Figures have been rounded to the nearest \$100,000.

Assuming a 15% takeout and 1% breakage, total wagering expenditures are 16% of the annual handle (\$273.1 million). The resulting amount of \$43.7 million is 2/10ths of 1% of 1979 Kansas personal income. In addition, patron on-track spending including admissions, food and drink, parking, programs, racing information, and

new travel-related outlays by patrons and horseowners and breeders (more use of local motel facilities) provide additional revenue through sales and income taxes. Non-patrons also contribute to track receipts through advertising and non-racing track rental. The sum of these estimated flows is \$55.6 million per year (in 1979 dollars.) Keep in mind that (the legislative process being what it is) it will be several years before horseracing would be available in Kansas. Inflation will swell this annual amount. Similar estimates for travel and horsemen's expenditures follow, together with attendant payroll and employment estimates:

	At Tracks	Horsemen	Travel	Total
Expenditure (\$ millions)	\$55.6	\$5.2	\$9.7	\$100.5
Payroll (\$ millions)	\$ 8.2	\$10.2	\$2.2	\$ 20.6
Employment	967	1203	300	2470

This data indicates minimum levels for an in-place industry as of 1979. The parimutuel tax (assessed at 5% of the handle) would yield approximately \$13.7 million annually. This plus other racing-related taxes would provide about \$16 million to state and local government.

As the above chart indicates it would also create nearly 1,000 new jobs at the track, stimulate horsemen to hire jockies and training personnel of over 1,000 and may require the addition of 300 new employees in travel related industries in Kansas.

NEW SPENDING AND MULTIPLE EXPANSION

Gross expenditures (\$100.5 million in the above table) include about \$37 million that represents re-allocation of expenditures from other goods and services to those associated with racing industry. Such allocation is not new spending, therefore cannot be used in estimating the net impact of parimutuel racing in Kansas on income and employment. Deducting this amount from the gross spending indicates that the net injection of new spending into the Kansas economy due to horseracing would reach a maximum level of \$63.5 million annually. The sources of new spending are (a) reducing the extent to which savings generated from Kansas income are invested in other states; (b) reversing the flow of Kansans now spending their entertainment dollar at tracks in other states, which include both patrons and racing participants; (c) encouraging residents in other states to invest or consume in Kansas. New spending leads to a multiple expansion in income as it circulates among Kansans in the expenditure-income cycle. Using income-expenditure multipliers of 2.2 means that one dollar of new spending would generate 2.2 dollars of new income before leaving the Kansas income stream. The net (new total economic impact to parimutuel horseracing is summarized

below at 1979 levels.

Annual Net Addition To Personal Income	\$139.8 million
New Employment	8716
New Government Revenue	\$ 20.77 million

Comparing the gross expenditures (\$100.5 million with the total affect on personal income (\$139.8 million) means that the racing industry would contribute more to Kansas income than is required to support the industry from Kansas spending. This is primarily due to the fact that horseracing is a relatively labor-intensive industry. It is heavily reliant upon local factors of production.

NON-RECURRING INVESTMENT

The annual flow estimates presented above relate to an industry in-place as of 1979. Until the industry is fully operational, there will be a period of non-recurring investment in physical plants. Track construction, new stables and hotel accommodations will require at least \$200 million of new investment spending. This also leads to a multiple expansion of income ($2.2 \times 200 = \$440$ million), but the total effect would be spread over several years and the multiple expansion would cease as soon as the investment ends.

The direct beneficiary would be the construction and building industry but the secondary effects would be pervasive. In sum, the racing industry would stimulate non-recurrent investment spending during the initial years and, after the industry is in-place, it would make an annual net contribution to income and employment and government revenues.

I

Persons contacted to speak today are here because they love Kansas and want our superior quality of life to continue. We are not in this for financial gain, as are race track gambling promoters. If pari-mutuel were not an issue, my salary would be the same. I wish it were not an issue so this time could be spent building up Kansas rather than trying to prevent gambling promoters from tearing it down.

Concerned lawmakers will want to read ECONOMICS IN THE PUBLIC INTEREST. Some members of the Advisory Committee listed on the front will speak to you today.

"There would seem to be an inconsistency in demands for consumer protection agencies, coupled with demands for legalized gambling. As professor Irving Kristol pointed out on this page several months ago, gambling is 'technically a swindle: the payoffs on bets must be less than fair, and the overwhelming majority of the 'investors' must eventually lose their money, if the gambling enterprise is to survive and prosper.' Therefore, he noted, the case for legalized gambling is 'simply an argument in favor of the government raising revenues by swindling its citizens rather than by taxing them'"

When Thomas Kelly, Director of the Kansas Bureau of Investigation, appeared before the Senate Federal and State Affairs Committee on February 19, 1981, he presented his research on the relationship of legalized gambling and increases in illegal gambling and other crime. He quoted from the 1973 Illinois Legislative Investigating Commission Report:

"...when the State participates in an activity which is otherwise criminal in nature, it must scrupulously maintain the highest standards among the other persons and organizations permitted to participate in that activity."

The front page of the Kansas City Times on February 11, 1984, told of \$111,128 in bingo profits "skimmed" from a veterans post in Kansas City, Kansas. The indictment charged the Kansas City mob is a "criminal enterprise" in violation of the Racketeer Influenced and Corrupt Organizations Act passed by Congress in 1970.

The Kansas Quarterhorse Gambling Association paid economics Professor William Terrell of Wichita State University to present the following numbers to the news media. It was carried in the Wichita Eagle-Beacon on October 9, 1980.

- \$273.1 million would be wagered yearly at five Kansas parimutuel race tracks.
- \$ 13.7 million or 5% of total amount wagered would go to the state.
- \$ 30.0 million or 11% would go into pockets of non-profit track operators, gambling lobbyists, lawyers for legal counsel, public relations firms, advertising agencies, rich owners of winning horses, shady vets with quick fixes for injured horses and other worthy causes.
- 40,000 would be the average daily attendance for all five tracks.
- 210 racing days each year

The issue today is not taxes, jobs, tourists, recreation, or right to vote. The issue is commercial gambling, a public swindle, an activity criminal in nature, a legal 11% skimming operation, a criminal enterprise.

Atch. I

The choice is yours. Vote YES for a lot of job absenteeism, lower worker productivity, and \$30 million yearly (their own research) into pockets of gambling promoters or vote NO and take a stand for consumer protection, keeping consumer dollars going to business and industry that makes Kansas better than other states.

1. HCR 5082 IS A DECEPTIVE RESOLUTION

The legislature right now has full authorization to permit, regulate, license and tax horse racing by bona fide nonprofit organizations and to provide for county option thereon. The only reason for a constitutional change is to permit pari-mutuel wagering. This wording is intended to confuse voters at election time, to make them think they are voting for horse racing as was done in Oklahoma.

2. A VOCAL MINORITY

Polls may show many support parimutuel because they believe it will reduce their taxes, but there is little question that race track gambling is being promoted by the few who want to get rich operating the tracks and owning the horses. Gambling promoters promised 1,000 people on the Statehouse grounds demanding legislative approval of parimutuel wagering. With many onlookers, around 150 came, even with the promise of free beer. Alcohol is our most abused drug, and this is another example of gambling ties with drugged horses and drugged people.

3. DECEPTIVE PETITIONS ASKING LAWMAKERS TO DISOBEY THE CONSTITUTION

According to Constitutional requirements for amendment and revision, lawmakers vote to approve race track gambling. If approved, the change shall be submitted to the people. Lawmakers do not vote to give citizens the opportunity to vote or to allow citizens the right to vote.

The right of people and right of lawmakers to vote on amendments is guaranteed by Article 14 of our Constitution. IF TWO-THIRDS OF ALL MEMBERS ELECTED TO EACH HOUSE SHALL APPROVE SUCH RESOLUTION which is a PROPOSITION TO AMEND . . . SUCH PROPOSITION TO AMEND. . . SHALL BE SUBMITTED. . . TO THE ELECTORS FOR THEIR APPROVAL OR REJECTION.

House members do not vote to submit a legislative change to the Senate. If approved, it shall be submitted. The relationship of the House and Senate on legislative change is like the relationship of the legislature and the people on constitutional change.

4. PHONY POLLS WITH PHONY QUESTIONS

When 11 persons in District 106 with 18,000 population are part of an opinion poll printed on the front page, February 28, 1984, of the Topeka Capital-Journal with headlines proclaiming BETTING LAW FAVORED, you understand why a Hutchinson News editorial on March 3, 1984, said "The Stauffer newspaper and television interests are the chief backers of"race track gambling. Those who favor pari-mutuel believe the media big lie that it will reduce their taxes.

Persons who want parimutuel want to vote on it. Concerned citizens who don't want parimutuel don't want to vote on it. They don't want to spend time, energy, and money to defeat in November what dedicated lawmakers can easily defeat in Topeka.

An honest poll would result in the same number of persons wanting to vote on it as would vote YES at election time. Phony questions have resulted in a larger number wanting to vote on it as would vote YES for a gambling track in their neighborhood. Lawmakers who vote YES for HCR 5082 ought to have the track across the road from their home!

Jayhawk Consulting Services, Inc.

10039 Mastin Drive • Shawnee Mission, KS 66212 • (913) 888 2035

Dr. James C. Duffy, Jr.
President

HOUSE District # 106 Representative Cliff Campbell

QUESTION 1 (Legislative adoption of resolution)

YES 9 82% NO 0 0% UNDECIDED 2 8%

QUESTION 2 (Your vote if presented on ballot)

YES 4 36% NO 3 28% UNDECIDED 4 36%

QUESTION 3 (Expressed your feeling to your legislator)

Those who voted "yes" on Question 2

YES 0 0% NO 4 100%

Those who voted "no" on Question 2

YES 0 0% NO 3 100%

TOTAL

YES 0 0% NO 7 100%

QUESTION 3 (Reason for "yes" or "no" vote on Question 2.)

Voting Yes:

Revenue - 3
Other - 2

Voting No:

Don't believe in it - 2
Moral grounds - 1

PRESENTATION OF PETITIONS

The following petitions were presented and filed:

HP 2178, by Rep. Barr, favoring the opportunity for the citizens of Kansas to vote on the issue of pari-mutuel betting, signed by Glen Beck and 21 other residents of District 51.

HP 2179, by Rep. Apt, encouraging members of the Kansas Legislature to allow the citizens of Kansas the right to vote on options of pari-mutuel horse racing, signed by Jeff Dorand and 12 others from District 10.

HP 2180, by Rep. Whiteman, believing the Kansas citizens should have the right to vote on the issue of pari-mutuel betting, signed by Shari Wheeler of Hutchinson and 146 others.

HP 2181, by Rep. Hoagland, opposing pari-mutuel gambling and supporting raising the beer drinking age from 18 to 21, signed by Thelma Hines and 35 others.

Jim Youally

0018 A PROPOSITION to amend the constitution of the state of
0019 Kansas by adding a new section thereto authorizing the legis-
0020 lature to permit, regulate, license and tax horse racing by bona-
0021 fide nonprofit organizations and parimutuel wagering thereon,
0022 and to provide for county option thereon.

The Betting Addiction

New Jersey Gambled — and Lost

Give us casinos in Atlantic City, said supporters of a 1976 New Jersey referendum, and we'll produce jobs, housing for the poor and elderly and a rich run of revenue for the state. And we'll do it all while keeping out organized crime.

Well, New Jersey voted for the casinos and those rosy promises have blown out to sea. A new study sponsored by the Twentieth Century Fund tells why. In "The Atlantic City Gamble," George Sternlieb and James Hughes of the Rutgers Center for Urban Research give a scholarly and damning appraisal of the state's attempt to finance urban redevelopment with legalized gambling. The story offers somber lessons for other states that are tempted by the promise of a sure thing.

It's been five years since the first casino opened in Atlantic City and casino fans contend it's still too early for conclusions. But the Sternlieb-Hughes study carefully assesses where the costs and benefits are headed — in quite a different direction than the Nevada model. It's true, for example, that the nine casinos now in operation have created nearly 30,000 jobs. But most of the jobs are inside the casino hotels and few have gone to residents of Atlantic City.

The new housing that was promised has not materialized. Higher costs for services have nearly wiped out the benefits of the increase in property

Connecticut Is Dangerously Hooked

Connecticut does not yet have New Jersey's problems, but the danger signals are there. It has more forms of legal gambling than any other state. Its gambling enterprises press to expand. Its regulators aim to raise the take for the state treasury. Legislators propose new ventures each year.

Of America's six types of legal gambling — lotteries, horse racing, dog racing, off-track betting, casinos and jai alai — Connecticut has all but horses and casinos so far. And none is static.

Take off-track betting. It began with a few parlors. Then the number expanded. Next they sprouted variations. Connecticut now has 15 parlors, originally just for playing the horses. Three weeks ago they offered the dogs as well. Five other locations have been authorized. They'll soon develop, you can bet on it.

New Haven also boasts the country's only tele-track — a place to dine, drink and bet on races projected on a giant screen. The voters of Enfield, on the Massachusetts border, recently rejected an

values that resulted from heavy land speculation.

The state has received a payoff in tax revenues — more than \$317 million since 1978. But that's far less than was originally anticipated and much less than the revenues that Nevada's casinos produce.

One explanation seems to be that in Las Vegas, a whole new economy was built on gambling. It's another thing to try to use a gambling industry to rebuild a decayed city. Another explanation is reach. Atlantic City has a local audience. Almost half its customers are bused in from a 50-mile radius and many are older adults who flock to the slot machines. Nevada caters to a national clientele and its slot machines provide less than 30 percent of the take.

Atlantic City and Nevada do compare in one disturbing aspect: They attract organized crime. Tight regulation has warded off scandal in Atlantic City's casinos, but the authorities point out that all is far from well in the ancillary businesses and labor unions.

The Sternlieb-Hughes report offers some positive judgments. As the casinos rely more on institutional bankers and less on corrupt union pension funds, they're apt to become more respectable. Despite all the problems, the prospects are good that the casinos will yet bring the state growing revenue. But the weight still falls heavily on the other side of the scale. To judge by New Jersey's experience, casino gambling is a very bad bet.

O.T.B. outlet there. But as long as the law allows for more, they will appear somewhere.

Video lottery machines are the newest temptation, though the Attorney General has ruled against them. Their sponsors said they'd only be an extension of the lottery, which was Connecticut's first tumble into legal gambling 12 years ago. But the immediate payout really makes them slot machines, electronic cousins of the one-armed bandit, and another step toward casinos. When the Legislature reconvenes in the new year, it will consider bills to declare them legal.

Connecticut got \$137 million, or 5 percent of its revenues, from legal gambling last year. That's the problem. The equivalent of this take would be to raise the 7.5 percent sales tax to 8.5 percent. The state's five-year plan calls for a take of \$200 million two years from now. Regulators call it their "goal" but it's really a goad, to more gambling. The allure is that this revenue is supposedly "painless." Just remember New Jersey.

My son at Wichita State University who soloed when in High School with the Explorer Scout Air Squadron in Topeka picked up this paper after delivering a new Cessna to New York. There seems to be a parallel here to what a Polish United Methodist pastor said to me in Warsaw, "The closer you live to the Russians the more you love the Americans." Numerous editorials in the New York Times and Wall Street Journal indicate the closer you live to lotteries, pari-mutuel wagering, and casinos, the more you love freedom from the personal, social, and economic problems caused by commercial gambling.

Richard Taylor

Omaha World-Herald

Editorial Page

Unsigned articles are the opinion of The World-Herald.

Lotteries in Nebraska

A Chance to Call a Halt

Recent problems for local-government lotteries in Nebraska are causing some people to propose a state lottery as an alternative.

But when the subject comes up in the Nebraska Legislature, it should not be merely a choice between state- and local-government lotteries. Another alternative exists: the prohibition of government-operated gambling in Nebraska.

Local-government lotteries were dealt a setback when U.S. Attorney Ron Lahners said some lotteries conducted by cities, counties and charitable groups in Nebraska appear to be violating federal law. The law prohibits the interstate shipment of gambling equipment for unauthorized purposes.

The prohibition covers cities, counties or charitable groups. Lahners said the use by such lotteries of materials manufactured in other states is widespread. He has ordered a halt to more than 500 lottery operations if they use materials produced outside the state.

A state lottery would be exempt from the federal prohibition. Tickets

or other lottery equipment and supplies manufactured outside the state could be shipped in for use in a state lottery. Pari-mutuel betting in Nebraska also is exempt.

It would be a shame if Nebraska were saddled with a state lottery just because it appeared to be the easy way out.

Gambling is not a proper function of government at any level.

Government should treat its citizens fairly, not set up gambling operations to fleece them out of their money. It should encourage the qualities of industriousness and self-sufficiency — not promote the something-for-nothing attitude of the gambling hall. It should support its programs with taxes collected fairly and spent prudently, not with the proceeds of gambling operations.

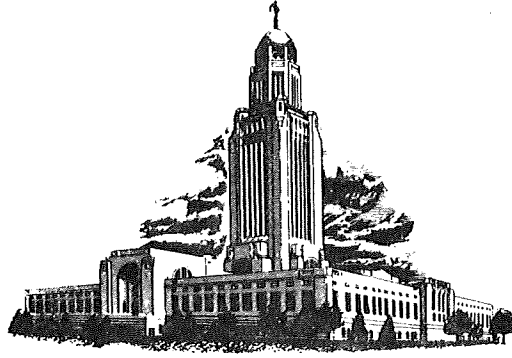
Nebraska voters have never approved a constitutional amendment that purported to permit government-operated lotteries.

Legislators should keep state government out of the gambling business — and, while they're at it, also prohibit local governments from setting up gambling games.

Nebraska State Legislature

Unicameral

Lincoln, Nebraska 68509



SENATOR HOWARD L. PETERSON

District No. 35
1522 West 1st
Grand Island, Nebraska 68801

Legislative Address:
State Capitol
Lincoln, Nebraska 68509
Office: (402) 471-2617

COMMITTEES

Appropriations
Building Maintenance
Legislative Council

EIGHTY-EIGHTH LEGISLATURE

March 8, 1984

Reverend Richard Taylor
Kansans For Life At Its Best
Box 888
Topeka, KS 66601

Dear Reverend Taylor:

Every spring, when the horses race at Fonner Park in Grand Island, people borrow money on their cars, their household goods, their homes to bet on the winning ticket. Every year, some people lose everything.

Grand Island is my legislative district. This tragedy occurred each spring when I was a banker there and, according to my friend, Cliff Dale, the losers have not stopped risking everything.

I offered this testimony in opposing the state lottery proposal in Nebraska. Some people will become gamble-holics; real families suffer. The State of Nebraska has no business being involved in a tax-revenue raising enterprise which has gambling as its basis of support.

Sincerely,

A handwritten signature in cursive script that reads "Howard L. Peterson".

Howard L. Peterson
State Senator

HLP/ap
cc: ~~Jim Hamilton~~

THE LINCOLN STAR

FBI, State Patrol investigating Ak-Sar-Ben

By Kathryn Haugstatter
of The Lincoln Star

The FBI and the Nebraska State Patrol are conducting a joint investigation at the Ak-Sar-Ben race track in Omaha, but officials are tight-lipped about details.

U.S. Attorney Ron Lahners said he could not comment on whether the investigation involved drugs, but did say it is an area in which both federal and state officials have concurrent jurisdiction.

Lahners said certain licensed individuals at Ak-Sar-Ben are under investigation but said he was not aware of any arrests made at this time. He said he couldn't comment on whether any arrests were planned or how long the investigation had been under way.

Tom Greer, a veteran jockey at Ak-Sar-Ben said Friday he and others associated

with the track were questioned about drug use among track personnel and fixing races.

Greer said he was interviewed Wednesday for about 30 minutes by FBI agents about a variety of track activities, according to United Press International.

"They asked about everything," Greer said. "They just asked me who I knew. I said I didn't know anyone that was fixing races."

Greer said 20 or 30 jockeys and others involved with the track were interviewed separately by the agents and track security personnel.

Lahners said the Nebraska Racing Commission was aware of the investigation and was cooperating with it.

Col. Elmer Kohmetscher, State Patrol superintendent, said the patrol is working with federal officials on a joint investigation, but

referred other questions to the U.S. attorney's office.

Attorney Paul Galter, a member of the racing commission, said he became "remotely aware a few days ago" that an investigation was under way.

Galter said the commission licenses every owner, trainer, jockey and groom at the track as well as the concessionaires, so he couldn't say which licensed individuals might be involved in the investigation.

He said the racing commission has the power to revoke or suspend licenses of track personnel, "so if there's really trouble it will come to our attention."

He said Jack P. Ketterer, the commission's security chief, told commission members after a meeting last Tuesday that he had been contacted by federal authorities about an on-

going investigation.

Galter said Ketterer is trying to get more information to give to the commission and the investigation may be discussed at a regularly scheduled meeting Saturday.

"I hope there will be more known so we'll know if action needs to be taken by us," he said.

Nebraska has eight race tracks although only two, Ak-Sar-Ben and Atokad in Sioux City, are currently open. Galter he didn't know how long the investigation has been going on or if any other tracks were involved.

"I have the feeling that the investigation has been going on for weeks or months. The only reason they're telling us is because something more serious is about to happen," Galter said.

Lincoln Journal
Saturday, July 9, 1983 9

Track bars Williams despite order

OMAHA (AP) — Jockey Rob Williams, suspended from riding at Ak-Sar-Ben for using cocaine, was almost back in the saddle Friday until the track management barred him from the grounds.

The order to bar Williams, 25, was issued by Dick Becker, Ak-Sar-Ben general manager and executive director.

On Wednesday, the Nebraska Racing Commission suspended Williams from riding for the remainder of the year for using cocaine. Jockey Tim Doocy was also suspended — for 30 days.

Williams — through his lawyer, J. William Gallup — had obtained a temporary restraining order Thursday that would have allowed him to ride Friday.

The restraining order issued by District Judge James Murphy barred the racing commission from en-

forcing its suspension until a hearing tentatively set for 9 a.m. Monday before District Judge Jerry Gitnick.

Becker said the restraining order did not include Ak-Sar-Ben and its management. A spokesman in Gallup's office said an amended petition would be filed for the restraining order to include Ak-Sar-Ben.

"The restraining order by the court was placed on the Racing Commission, not on Ak-Sar-Ben. Ak-Sar-Ben management decided that Mr. Williams would not be allowed to ride," Becker said. "The restraining order apparently involves the length of the sentence issued by the commission and not a question of whether the use of drugs took place."

In addition to Williams and Doocy, six track employees were suspended after admitting they had possessed or used cocaine.

Williams's suit filed Thursday also sought tempo-

rary and permanent injunctions that would bar the commission from suspending his jockey's license.

Williams' suit alleges that his suspension was more severe than Doocy's because he refused to cooperate in the investigation of drug trafficking and use among Ak employees.

Williams admitted to the commission Wednesday that he had used cocaine, but he said he had never given anything but his best ride on a race track.

A drug investigation by law enforcement authorities has resulted in grand jury proceedings and led to the racing commission summoning 18 race track employees for a hearing on their licenses.

Seven men, including jockeys Perry Compton and Tom Greer, are scheduled to appear Tuesday before the commission.

Atch. I

Racing Commission revokes licenses of five

By Ken Hambleton
Staff Sports Writer

HA — The Nebraska State Racing Commission revoked the state licenses of five admitted drug users appeared before a commission Wednesday at Ak-Sar-Ben.

rule 18 (1), which says the intent in the sale, purchase, possession or use of illegal drugs and narcotics will result in the loss of license, the commission revoked the 1983 state racing licenses of trainer Dan Ferguson, Ak-Sar-Ben video manager Roger Wallace, exercise boys Ron Scott and Michael T. Kirby and concessionaire Jeffrey Dale Croll.

Mike Cisler, a groom at Ak-Sar-Ben, was put on a probationary license.

All six licensees will be required to enter a drug rehabilitation program immediately in order to have a chance to

pursue a license in 1984.

Purchase and use

In statements presented to the racing commission by Nebraska Assistant Attorney General Pat O'Brien, the six licensees admitted to the purchase and use of drugs during the Ak-Sar-Ben racing season.

Four more licensees, jockeys Rob Williams and Tim Doocy, trainer Bill Frazee and SportsEye reporter Steve Nolan were to appear before the commission Wednesday afternoon. Others who will appear before the commission on July 12 will be jockeys Perry Compton and Tom Greer, trainers Jerry Glover and Greg Zielinski, groom Randy Graves and John Marion.

"As the Nebraska State Racing Commission we can only function to matters that pertain to the granting and revocation of licenses," Commission Chairman

Harry Farnham said.

"We were presented with evidence that each of these six people who appeared this morning had testified to various law enforcement authorities during the past couple of months that they had been involved with the use of cocaine and other illegal drugs," O'Brien said.

'Shared information'

"We then shared this information with the racing commission and presented the relevant material for them to make a judgement," he said.

Under the Nebraska Rules of Racing the commission is authorized to bar any persons "who present a danger to the integrity of thoroughbred horse racing," Farnham said.

"We were given no evidence that these people involved this morning were sellers or heavy users, or people who could significantly affect the outcome of

a horse race," he said.

"There is no evidence that there were fixed races or anything of that nature involved in these six cases this morning," he said.

Specifically, Wallace admitted he purchased a gram of cocaine and then used it at Ak-Sar-Ben this season; Cisler admitted he smoked marijuana in the Ak parking lot this season; Scott admitted he used cocaine in a parking lot of a local pub; Kirby said he purchased one gram of cocaine at the pub, and Croll said he had been given cocaine by an individual known as "Dan."

License submitted

Ferguson, who is one of those asked to the commission who is also under investigation by the Federal grand jury investigating the sale of drugs in Omaha, submitted his license to the racing commission Wednesday morning.

"We know that he did buy and use cocaine on numerous occasions but that he did not wish to testify before our hearing as to jeopardize his testimony before the federal grand jury," Farnham said.

"We had some reluctance in holding this hearing at this time because of the federal grand jury.

"But we wanted to clear the air as quickly as possible," he said. "Our only function pertains to the right of an individual to maintain a racing license and not to try someone on criminal charges."

Farnham said that the Racing Commission had cooperated with the state and federal authorities in the "months long" investigation of drug use at the track, but that there was no significant connection between the use of drugs at the track and the large scale investiga-

tion currently being held by the grand jury.

Donated to investigation

Farnham said that racing sources donated between \$15,000 and \$20,000 to the drug investigation.

"Racing itself pushed the investigation, helped in the investigation and contributed financially to the investigation so we could get to the bottom of it," Farnham said. "Our position has been from the very beginning that no matter how bad it was, nothing was going to be swept under the rug. We were going to clean it up."

Evidence indicates that none of those suspended Wednesday morning had sold drugs, Farnham said.

Of the 18 people directed to appear before the commission Wednesday, only one, Bill Murray, who lives in Miami, Fla., failed to respond.

Jockey Williams' racing license suspended

By Ken Hambleton
Staff Sports Writer

OMAHA — Claiming that "nothing was going to be swept under the rug," Nebraska State Racing Commission Chairman Harry Farnham announced Wednesday that jockey R.D. "Rob" Williams "has his racing license suspended with no guarantee that he'll be issued a license in the future."

Williams was one of 10 men appearing before the State Racing Commission hearing on the sale, purchase, possession and use of illegal drugs and narcotics by track licensed personnel at Ak-Sar-Ben thoroughbred race track.

There was no evidence presented to indicate that any of the licensed personnel had sold drugs or that there was an investigation involving race fixing.

Doocy suspended

The commission suspended the license of jockey Tim Doocy for 30 days and revoked the 1983 licenses of trainers Dan Ferguson and Billy Frazee, Ak television control manager Roger Wallace, exercise boys Ron Scott and Michael T. Kirby and concessionaire Jeffrey Dale Croll.

Jockeys Tom Greer and Perry Compton, along with trainers Greg Zielinski, Randy Graves and Jerry Glover, will

appear before a commission hearing next Tuesday.

"We're going to make it plain that we won't stand for the use of illegal drugs — cocaine — around the race track," Farnham said. "We feel that Williams was at the center of a lot of this stuff and everything seemed to start with him. That's why he got the suspension he got."

"On the other hand, Doocy has been very cooperative and straight-forward, the opposite of Williams," Farnham said.

Top Fonner rider

Williams, the 10th leading jockey at Ak this season and the leading jockey at Fonner Park this spring, testified that "in the company of Tim Doocy and Perry Compton, on at least two occasions, I had made four purchases of cocaine (one gram at \$100 each time) at Clancy's Lounge in Omaha," he said. "I only used cocaine occasionally and shared it — like someone going to a bar and buying a drink for a friend."

"It started two years ago in Grand Island (Williams' home town) and it has been on and off since then," he said.

"There was never any deal like where someone asked me to hold a horse or fix a race," Williams said.

When asked if his cocaine use ever interfered with his riding ability, Williams answered "no."

Cocaine purchased

Pat O'Brien, Nebraska assistant attorney general and commission lawyer said that at one point in the investigation, Doocy testified to law enforcement authorities that he had "purchased four grams of cocaine from Williams. But he was confused and admitted he had purchased the cocaine along with Williams."

"I used cocaine two or three times with Compton in Lincoln last fall," said Doocy, the sixth leading jockey at Ak this summer. "It never affected my racing and I wouldn't have done it if I was putting anybody in danger."

The commission based its decisions on testimony presented to various law enforcement authorities and some questioning by the three-member commission and O'Brien.

Racing Commission helps

Farnham said that the Racing Commission had helped push the investigation, conducted by the FBI, State Patrol and local sheriff's office. Farnham said that racing sources had donated \$15,000

to \$20,000 to the drug investigation at Ak-Sar-Ben.

"There's a grand jury investigation going on and that accounted for our only reluctance to holding these hearings now," Farnham said.

Farnham was referring to "Operation Zookeeper", a task force probe of illegal drug sales, use and delivery currently underway in the Omaha area.

Admit use

Those appearing before the hearing Wednesday and admitting the use of illegal drugs, and the commission's findings:

- R.D. "Rob" Williams, 25, Grand Island, jockey, indefinite suspension.
- Tim Doocy, 27, Omaha, jockey, 30-calendar day suspension ends Aug. 5.
- Billy Frazee, 28, Omaha, trainer, license revoked for the remainder of the year and denied access to any Nebraska track. Could be eligible for 1984 license upon completion of drug and alcohol rehabilitation program.
- Robin Keller, 27, Columbus, trainer, probationary license the remainder of the year.
- Steve Nolan, 23, Omaha, jockey agent and reporter for Sports Eye magazine, probationary license for remainder of year with drug rehabilitation program stipulation.

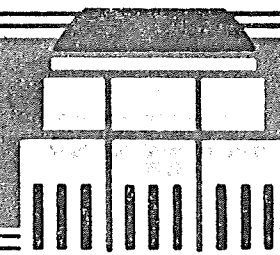
The commission revoked the 1983 licenses of the following licensees for admitted use of cocaine, with the stipula-

tion that they could apply for a 1984 license upon completion of drug rehabilitation program:

- Ron Scott, 21, Jefferson, S.D., exercise boy; Jeffrey Dale Croll, 29, Omaha, concessionaire; Michael T. Kirby, 21, Silver Creek, exercise boy; and Roger Wallace, 39, Arcadia, Cal., Ak television control.

Others affected by commission decisions:

- Mike Cisler, a 21-year-old licensed groom, was given a probationary license for the remainder of 1983 and must submit to a drug rehabilitation program.
- Dan Ferguson, 32, Omaha, trainer, surrendered 1983 license Wednesday morning. Can apply for 1984 license upon completion of drug rehabilitation program.



Race track licenses pulled

Race Commission shows no proof of race fixing

Ken Hambleton

the Lincoln Star

MAHA — Nebraska State Racing Commission Chairman Harry Farnham announced Wednesday jockey R.D. "Rob" Williams "has had his license suspended with no guarantee he will be issued a license in the future." Williams was one of 10 men who appeared before the commission hearing Wednesday on charges of possession and use of illegal drugs at Ak-Sar-Ben.

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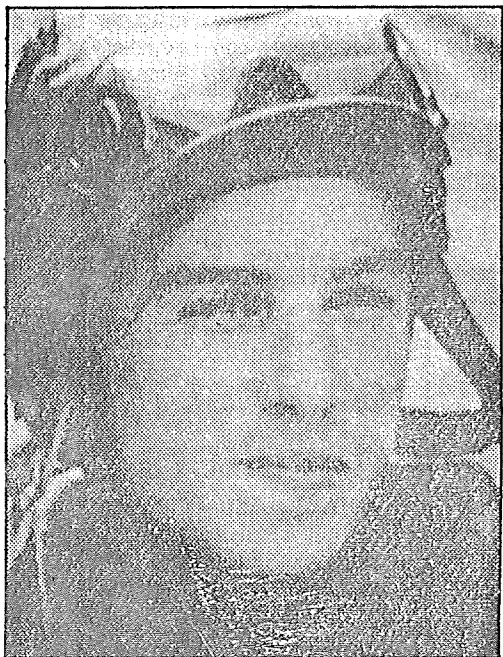
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Williams draws indefinite suspension.

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"It never affected my racing and I wouldn't have done it if I was putting anybody in danger," he said.

The commission based its decisions on testimony presented to various law enforcement officials and some questioning by the three-member commission and O'Brien.

"We're not so naive as to feel that if somebody was in a position to affect the outcome of a race and had a \$1,000- to \$1,500-a-week drug habit, that he wouldn't be susceptible to just that very thing," Farnham said.

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25 CENTS

Racing

From Page 1

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"There's a grand jury investigation going on and that accounted for our only reluctance to holding these hearings now," Farnham said. Farnham was referring to "Operation Zookeeper," a task force probe of illegal drug sales, use and delivery currently underway in the Omaha area.

"But we wanted to clear the air as quickly as possible. Our position from the beginning has been that no matter how bad it was, nothing was going to be swept under the rug," he said.

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LINCOLN, NEB.

THURSDAY MORNING, July 7, 1983



"Dedicated to the People of Nebraska, and to the Development of the Resources of the State" — Sept. 7, 1867.

Lincoln Journal

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Editorials: Opinions of the Journal

Drugs: At the track . . .

Drugging a race horse invites scandal. So does a race track that takes a tolerant attitude when those who train, tend and ride horses drug themselves.

Nebraska's State Racing Commission had little choice but to move swiftly and decisively in dealing with reports of illegal drug activity among people associated with Ak-Sar-Ben track in Omaha. Racing's good name in this state was at stake.

The commission understandably had some reluctance in acting now, lest it interfere with law enforcement agencies' investigations into drug activities in the Omaha area, or jeopardize the rights of individuals involved. But the alternative to "clearing the air" quickly — Commission Chairman Harry Farnham's phrase — was to risk letting a bad situation grow worse.

The commission has suspended two jockeys, one of whom won a temporary court order blocking the suspension. Commissioners also lifted the licenses of five other persons who worked at Ak-Sar-Ben, as well as placing three more on probation. In addition, one trainer surrendered his license voluntarily. Other jockeys and train-

ers are to appear at a commission hearing next week.

Will all this preserve the confidence of the racing public in the Ak-Sar-Ben operation? One hopes so. The commission and the industry it oversees, which helped finance the investigation, appear to be making a sincere effort to keep racing respectable in Nebraska.

Horse racing is a sport highly vulnerable to loss of public trust because of the money that changes hands. When word spreads that people around a race track are using cocaine, suspicion is bound to grow that some may be tempted to tamper with races in order to pay for what can be an expensive habit. Or that they will be rendered incapable of giving their best efforts.

Racing is by no means the only sport afflicted with a cocaine problem. Unfortunately, the others have not matched the Nebraska racing commission's openness in addressing the problem.

Nebraskans in general, the Journal feels sure, support swift and stern measures by the racing commission to keep the sport clean.

. . . and in the courts

Obviously the duties of the Nebraska State Racing Commission and the courts are different.

As an article in Wednesday's Journal related, of 30 persons arrested in Lancaster County a year ago on drug-dealing charges, only two have been sent to prison.

Ten were placed on probation. Three others were transferred from district court to juvenile court, again with probation as the result. Charges against another 10 were dismissed, with four of the suspects going into the pre-trial diversion program. Five cases are still pending.

Given the severity of America's drug problem, some will ask whether in all these cases the punishment fits the crime.

Yet probation is not an uncommon result in a variety of criminal cases, especially where the crime is a first offense.

Moreover, being on probation hardly shapes up as an easy life. It imposes restrictions on the offender. In certain of the drug cases, those on probation have had to pay restitution to the fund which police use to buy drugs from suspected dealers.

The ones who went into pre-trial diversion or were handled by juvenile court were required to demonstrate an effort toward rehabilitation. The success or failure of rehabilitation, of course, cannot be assessed until the offender's behavior is observed over a period of years.

Rehabilitation of criminals remains a goal of society. So does deterrence of crime. The rehabilitative virtue of prison is in dispute. Perhaps the deterrent effect of probation is, too, though surely it is not without some deterrent value.

A problem could arise if law enforcement agencies, feeling that courts are too lenient with drug offenders, lose their zeal for pursuing such cases. Lancaster County Attorney Mike Heavican would like to see pre-sentence investigations pay more attention to police officers' knowledge about offenders. That seems reasonable.

Dispensing justice is seldom easy. But if society truly believes drug offenders should be dealt with more severely, the courts may well respond. Judges are not immune to public opinion.

Ak-Sar-Ben track management bars Williams

OMAHA (AP) — Jockey Rob Williams, suspended from riding at Ak-Sar-Ben for using cocaine, was almost back in the saddle Friday until the track management barred him from the grounds.

The order to bar Williams, 25, was issued by Dick Becker, Ak-Sar-Ben general manager and executive director.

On Wednesday, the Nebraska Racing Commission suspended Williams from riding for the remainder of the year for using cocaine. Jockey Tim Doocy was also suspended — for 30 days.

Williams — through his lawyer, J. William Gallup — had obtained a temporary restraining order Thursday that would have allowed him to ride Friday.

The restraining order issued by District Judge James Murphy barred the racing commission from enforcing its suspen-

sion until a hearing tentatively set for 9 a.m. Monday before District Judge Jerry Gitnick.

Becker said the restraining order did not include Ak-Sar-Ben and its management. A spokesman in Gallup's office said an amended petition would be filed for the restraining order to include Ak-Sar-Ben.

"The restraining order by the court was placed on the Racing Commission, not on Ak-Sar-Ben. Ak-Sar-Ben management decided that Mr. Williams would not be allowed to ride," Becker said. "The restraining order apparently involves the length of the sentence issued by the commission and not a question of whether the use of drugs took place."

In addition to Williams and Doocy, six track employees were suspended after admitting they had possessed or used cocaine.

Williams's suit filed Thursday also sought temporary and permanent injunctions that would bar the commission from suspending his jockey's license.

Williams' suit alleges that his suspension was more severe than Doocy's because he refused to cooperate in the investigation of drug trafficking and use among Ak employees.

Williams admitted to the commission Wednesday that he had used cocaine, but he said he had never given anything but his best ride on a race track.

A drug investigation by law enforcement authorities has resulted in grand jury proceedings and led to the racing commission summoning 18 race track employees for a hearing on their licenses.

Seven men, including jockeys Perry Compton and Tom Greer, are scheduled to appear Tuesday before the commission.

Schlichter always did enjoy gambling

BALTIMORE (AP) — Art Schlichter's friends say the Baltimore Colts quarterback always had a taste for gambling, but his troubles began when he became a professional football player and had big money to spend.



Art Schlichter

"He liked to bet before he turned pro and the main thing now is he just had more money," Anthony Berlin, a friend of Schlichter's since high school, told the Baltimore Sun in a report published Saturday.

Berlin, 24, a county highway worker in Wilmington, Ohio, said the former Ohio State football star started betting on professional basketball games last fall.

He said Schlichter, who grew up in Bloomingburg, Ohio, and lives in Columbus during the off-season, confessed several weeks ago that he was troubled about his gambling debts.

"He said he had gotten himself in a lot of trouble by getting way in over his head gambling," Berlin said. "He was just worried and everything, afraid he had went too far. He didn't know what to do."

Schlichter, 22, was identified Friday as the National Football League player cooperating with the FBI in an investigation of sports gambling. The probe already has resulted in an indictment against four Baltimore men.

Reports said he lost \$389,000 on bets this year, and contacted federal agents after he was pressed for payment by gamblers who threatened to tell the Colts about his gambling.

A federal source in Washington, D.C., has said Schlichter himself is not a target of the probe.

Schlichter has refused to comment on the matter. He was smiling and chewing gum Friday when he emerged from his lawyer's office in Columbus. "I'm fine. I'm OK — really," he said.

He said he could not comment further because "I'm not allowed to say anything."

Schlichter has been staying in an apartment in the Columbus area and recently re-enrolled in classes at Ohio State, his grandfather and namesake, Arthur Schlichter, said Friday.

Recalling a conversation the two had several weeks ago during an independent league basketball game, Berlin said Schlichter was upset but vowed to solve his problem.

"He said he had decided to quit it, get out of it, and was going to talk to his dad about it," Berlin said.

John Patton, a Wilmington, Ohio, car dealer who knew Schlichter and a number of his teammates at Ohio State, said, "Art definitely had a taste for gambling."

"At Ohio State, he went a lot to Beulah Park and Scioto Downs, Columbus area racetracks," Patton said.

But Berlin and other friends of the quarterback say Schlichter never bet large amounts of money.

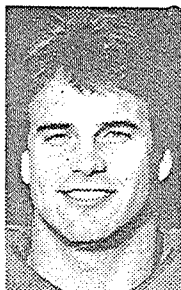
Ohio State football coach Earle Bruce said he would sometimes run into Schlichter at Scioto Downs, where the Schlichter family has a box near the finish line. But Bruce said he never had any cause for concern.

"Scioto Downs was a form of entertainment for Art and his family," Bruce said, noting that trotters and pacers are bred in the area where Schlichter grew up and that many families went to the track together.

"Anyway, \$2 bets have nothing to do with thousands of dollars," Bruce said.

Rozelle hangs suspension on Schlichter

NEW YORK (AP) — Quarterback Art Schlichter of the Baltimore Colts, whose compulsive gambling cost him



Art Schlichter

thousands of dollars and his image as an All-American boy, was suspended Friday by commissioner Pete Rozelle for betting on National Football League games and other sports events.

Schlichter, a 23-year-old former star at Ohio State University who failed in his rookie year to justify his selection as a first-round draft choice, could have been banned for life by the NFL, or he could simply have been fined.

Instead, Rozelle chose the middle road, benching Schlichter for the present time and promising to review his case and consider him for reinstatement before the 1984 season. It is the first time since 1963 that Rozelle has had to bench a player for gambling.

A statement by Rozelle said Schlichter had admitted placing "sizable bets on at least 10 NFL games during the 1982 season and postseason" and on other pro team sports. But Schlichter said he never bet on or against the Colts and never attempted to influence the outcome of a game "or accepted money or anything of value from those who might have been interested in doing so

"While I have compassion for him and his illness," Rozelle said, "an NFL player with his record of gambling, whether prompted by uncontrollable impulses or not, cannot be permitted to be active in the NFL until the league can be solidly assured that the serious violations of cardinal NFL rules he has committed will not be repeated. Public confidence in the game of professional football requires this."

Schlichter, who met with Rozelle for four hours two weeks ago, told him then that he was willing to undergo treatment for his compulsive gambling. On Friday, Schlichter was in an unidentified hospital "undergoing intensive therapy," his lawyer, Jack Chester, said from Columbus, Ohio.

Said Max Schlichter of his son: "I think he just got pulled in by some big-city boys."

Topeka Capital-Journal, Saturday, May 21, 1983 21

Schlichter

mulled suicide,

SI reports

NEW YORK (AP) — Art Schlichter, the suspended Baltimore Colts quarterback, was burdened by such large gambling debts — almost double the reported amount — that there were signs he considered suicide, according to Sports Illustrated magazine.

The magazine, in its May 30 issue released Wednesday, said it was told that Schlichter's gambling-related debts actually exceed \$750,000, almost double the \$389,000 the quarterback has acknowledged losing. And it quotes his lawyer, John Chester of Columbus, Ohio, as saying there was "some indication," Schlichter contemplated suicide.

"I only have his word for it," Chester was quoted as saying.

The former Ohio State star, currently undergoing treatment at an undisclosed hospital for compulsive gambling, was suspended indefinitely last week by National Football League commissioner Pete Rozelle for his gambling activities.

Chester refused to divulge the exact size of Schlichter's gambling debt, but told the magazine, "It's terrible. It's so bad that I don't know how he's going to make it."

SI did not reveal the source of its figures.

Of the gambling addiction, Chester said, "It's a terrible, terrible burden. It's the type of thing where you don't want to get up in the daytime because you know you're faced with the same thing all over again. And this is what leads people to suicide."

On March 15, Schlichter approached the FBI for help in dealing with four bookmakers who had threatened to tell the Colts about his gambling habits. Schlichter told law enforcement officials he had lost \$389,000 and still owed the four men \$159,000.

Expert on Organized Crime Refutes Gambling Claims

By David Wilkinson, CLC Staff

WASHINGTON (BP)—Despite recent trends toward its legalization, illegal gambling still ranks as a major source of revenue for organized crime in the United States, according to an FBI expert of organized crime activities.

Sean McWeeney, chief of the organized crime section in the FBI's criminal investigation division, told Southern Baptist Christian Life Commission staff member Larry Braidfoot gambling joins narcotics and labor racketeering as the most lucrative ventures of organized crime.

The FBI official refused to confirm estimates of revenues generated for organized crime by gambling, since such estimates "are not part of the FBI's job." Some gambling experts have estimated \$26-30 billion comes annually from organized crime's gambling operations.

McWeeney also refuted claims of pro-gambling forces that legalized gambling, particularly state lotteries, reduces illegal gambling activities and thereby bites into the pocketbook of organized crime.

He cited recent studies of legal gambling in New Jersey and of off-track betting in

New York as evidence the result may be the opposite. "The major track problem," he pointed out, "is credit. Legal gambling creates new gamblers who switch over to illegal gambling when their money is exhausted. They switch to the illegal games because they can get credit."

McWeeney identified illegal sports bookmaking as the number one money producer for organized crime's gambling activities, due primarily to the immense popularity of pro football. Sports gambling, he said, would be followed by parimutuel gambling (mostly on horse races), illegal lotteries and casino gambling, in that order.

"Small individual bets by themselves don't seem significant," he explained. "But millions of these small bets provide an enormous source of income which can then be used in other organized crime activities like the narcotics trade.

"Those who go overboard in their betting are likely to wind up getting involved with loan sharks. Only then, when they are unable to pay the exorbitant fees, do they run into the violent aspect of organized crime." February 23, 1984

THE BAPTIST MESSENGER

Thursday, February 2, 1984 The Kansas City Times A-3

New Jersey will open clinic to treat gamblers

The Associated Press

TRENTON, N.J. — New Jersey, dubbed the "gamblingest state," will open its first clinic to help some of the state's estimated 65,000 compulsive gamblers by the end of the month, officials said Wednesday.

About 250 gamblers and their families will be treated annually at the Mental Health Institute at John F. Kennedy Medical Center in Edison, said Riley Regan, director of the state Division of Alcoholism.

A \$70,000 state grant will fund the Compulsive Gambling Treatment Center, which will provide social and medical services, referrals and

State might fund other centers if first one is successful

around-the-clock crisis help. Mr. Regan said that if the program is successful, the state probably will fund another one in southern New Jersey.

The National Council on Compulsive Gambling estimates there are as many as 12 million compulsive gamblers in the United States and that about 375,000 of them live in New Jersey.

Conservative state estimates place the number of compulsive Garden State gamblers at 65,000, Mr. Regan said.

State officials predict there eventually will be five such centers. But Mr. Regan said none will be in Atlantic City because that "would be like running a Weight Watchers clinic in the back of a bakery."

"This is an idea whose time has come," said Arnold Wexler, vice president of the gambling council.

"We do know that it's a problem. We don't know how many people are doing what kind of gambling. Clearly, all of the gambling problems in the state do not belong in the casino," said Assemblyman Chuck Hardwick, a Union Republican.

The center's counselors will evaluate the clients and develop a treatment program tailored for each individual. Clients will not be billed for the counseling service but will be billed for medical care such as laboratory tests.

Insurers often do not reimburse policyholders for care related to gambling addiction.

Legalized gambling is offered at nine Atlantic City casinos, several horse-racing tracks and through the New Jersey Lottery and neighborhood bingo games.

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Chicago Tribune, Sunday, September 11, 1983

Section 1 2

Chicago Tribune, Sunday, September 11, 1983 Sec 1 21

Loan shark trial reveals treadmill of the 'gambling habit'

By Douglas Frantz

THE PLOT IS a bit worn for Hollywood: A hard-working family man bets the horses and his habit grows. He goes deeply into debt to loan sharks and can't pay. Fearing for his life, he runs to the FBI and becomes an informant.

This drama, however, is not on a movie screen. The story is Danny Borak's and it is being told from the witness stand in the trial of four men on loan-sharking charges. Two deputy U.S. marshals sit in court while Borak testifies and escort him out when he finishes.

Borak's story is about his descent into the gritty world of loan sharks and the fierce gambling habit that he rode to those depths. The details, augmented by conversations he taped secretly after he became

an informant, were revealed to a jury last week in U.S. District Court. The trial before Judge William T. Hart resumes Monday.

A Chicago native and father of two, Borak, 42, was a clerk in the Chicago Water Department's south district office at 7521 S. Western Ave. for seven years. His former boss said he was a steady, unflamboyant worker.

BORAK TESTIFIED that he routinely placed small wagers on horse races through bookies at work, but that in the late 1970s his gambling escalated.

"It got to the point where I was betting hundreds, five-hundreds, and toward the end I was betting thousands," said Borak.

To support his gambling, Borak began taking bets on horse races from fellow employees in 1977. In the summer of 1979, he said, a coworker introduced him to

Joseph LaMantia, who promised to bankroll the expansion of Borak's bookmaking operation.

Federal authorities say LaMantia, 49, of 2815 S. Shields Ave., is a loan shark and front man for Angelo LaPietra, the mob's gambling boss on the South Side. LaMantia is one of the four defendants.

WITH LAMANTIA'S financing, Borak said, his bookmaking operation grew to almost \$10,000 a week by 1982. Most business was conducted over Water Department telephones.

The operation was going so well that in September of that year, Borak said, LaMantia promised him unlimited funds to loan people who placed their bets with him. LaMantia insisted that the money go to "working people" and that no one get more than \$500.

But Borak saw the money as a way to reverse his luck:

"I was in trouble," he testified. "I was losing a lot of money and I owed money and I didn't have the money to pay my gambling debts off. So, I was taking this money and paying off my gambling debts. I was betting heavier and all I did was just get deeper in the hole."

In two months, Borak lost \$50,000 of LaMantia's money. To cover up the loss, he claimed that the money had been loaned to fellow workers. He even gave LaMantia a list of real people and said they owed the money.

BORAK HAD also lost \$14,000 in bets to LaMantia, so that his total debt to him was \$64,000. He saw no way to pay it back.

"I was completely broke," he testified. "I

owed everybody money, friends, family. I had nowhere to turn to and I was fearful for my safety and my family's safety."

Borak went to the Internal Revenue Service with his story. The IRS turned him over to the FBI, which wired him with a tape recorder and sent him back out on the streets to gather evidence against his former friends.

The fruits began turning up in court last week as prosecutors John Scully and Jeremy Margolis played six of the 14 tape recordings they plan to introduce as evidence in the trial.

The tapes in the coming week are expected to shed more light on the world of loan-sharking and the consequences of playing a game where, as LaMantia said in one tape, "Everybody pays, Danny."

Nebraska Thoroughbred Tracks

Track	Daily Average Attendance					Daily Average Handle		
	1983	1982	1983	1982	%	1983	1982	%
AK-Sar-Ben	85	46	13,655	15,252	-10.5	\$1,612,152	\$1,756,691	-8.2
Atokad Park	37	40	1,765	1,457	+5.8	556,786	94,913	+26
Columbus	22	26	3,630	3,492	+3.7	350,504	327,393	+7.1
Fonner	39	40	5,205	4,983	+4.3	646,480	592,979	+9.0
Lincoln	43	50	4,395	5,397	-18.6	485,173	620,921	-21.9

Various Other Thoroughbred Centers

Track	Daily Average Attendance					Daily Average Handle		
	1983	1982	1983	1982	%	1983	1982	%
WAqueduct	57	57	13,574	13,394	+1.3	2,790,517	2,573,324	+8.4
XAqueduct	54	52	14,749	16,549	-10.9	3,005,666	3,299,352	-8.9
Arlington	109	121	11,288	10,620	+6.3	1,502,414	1,459,957	+2.9
Bay Meadows	75	79	9,477	9,222	+2.8	1,756,917	1,753,071	+0.2
Belmont Park	60	70	19,530	18,424	+6.0	3,283,110	3,163,898	+3.5
Centennial	93	96	3,056	3,269	-6.5	319,157	319,157	-11.3
Churchill Downs	93	55	3,391	13,078	-28.2	1,076,140	1,369,391	-21.9
Del Mar	43	43	19,584	19,583	0.0	3,267,720	3,111,587	+5.0
Detroit	90	90	5,037	4,851	+3.8	726,563	657,948	+10.8
NOrleans Fair	97	96	8,933	7,989	+9.6	1,326,625	1,339,631	-1.0
Gulfstream	50	50	14,074	10,800	+30.3	2,119,636	1,473,287	+43.9
Hialeah	50	50	8,964	12,882	-27.0	1,335,495	1,855,931	-28.0
Hollywood	68	66	28,891	27,223	+6.1	5,201,186	5,079,628	+2.4
Oaklawn Park	56	56	23,271	23,154	+0.5	3,013,231	2,842,784	+5.7
Pimlico	76	60	8,903	9,720	-8.4	1,161,359	1,208,042	-3.9
Santa Anita	89	86	32,014	31,289	+2.3	5,231,670	5,112,405	+2.3
Sportsman's	75	74	9,883	9,708	+0.3	1,459,177	1,432,415	+1.5
yPhoenix	78	96	6,420	5,841	+9.9	457,414	560,511	-22.5
zPhoenix	80	58	4,841	4,825	+0.3	457,867	480,266	-4.7

sSpring-summer meeting only. wWinter meeting. xSpring meeting. yFall-winter meeting. zWinter-spring meeting. Source: Daily Racing Form.

Nebraska Quarterhorse Tracks

Track	Daily Average Attendance					Daily Average Handle		
	1983	1982	1983	1982	%	1983	1982	%
Broken Bow	12	12	740	724	+0.2	\$24,665	\$25,040	-2.0
Deshler	15	15	993	1,156	-3.0	35,662	40,037	-2.0
Hastings	18	18	1,205	1,230	-0.2	41,522	44,612	-2.0



A 1/20th cent Kansas sales tax will produce more than \$9.2 million.

Continued from Page 23

as lights for night racing, a longer straightaway and a longer track.

"Those, in turn, would necessitate some grandstand changes," he said.

Henry Brandt, the Fairgrounds manager, said in November that such remodeling is planned. But he said no time schedule has been set because of the lack of money.

The Fairgrounds still is paying on the \$5.4 million debt for the 1976 grandstand construction. The major difficulty in getting better race dates for Lincoln, Farnham said, is the annual State Fair in late August and early September.

"The state has to realize that Lincoln is not only a race meet but the State Fair," he said.

Fonner Park Succeeds

Farnham complimented Fonner Park's officials on the promotion of the annual winter-spring meeting, in spite of usual foul weather.

"Fonner Park has always taken the attitude that adversity is something that you figure out how to overcome," Farnham said. "With that kind of thinking, it has become the most successful small track in the United States."

Churchill Downs in Louisville, Ky., joined Ak-Sar-Ben in expanding the season in 1983 — and also recorded dips in attendance and handle. The tracks ran at essentially the same time, and also shared much of the calendar with middle-of-the-nation tracks in Chicago, Louisiana, Detroit, Ohio and Denver.

That burdened the quality Thoroughbred roster, Farnham said.

"There are only so many good horses," he said. "If you're going to have big handles and good attendance, you're going to have to have good horses."

'Drastic Fall' Avoided

Farnham defended Ak's expanded dates as a move to keep good stables coming to Omaha.

"If we had not made the change in the Nebraska dates, we would have seen a really drastic fall in Ak-Sar-Ben attendance," Farnham said. "Nebraska racing's main job right now is to solidify and hold onto what we have, as op-

Pari-Mutuel Taxes

Track	1983	1982
Ak-Sar-Ben	\$4,801,644	\$5,747,080
Fonner Park	1,210,636	1,135,959
aLincoln	993,123	1,502,303
Columbus	135,554	375,610
bAtokad	39,555	65,217
Total	\$9,180,512	\$8,826,169

posed to any big gains."

Farnham said Nebraska's quarterhorse tracks — at Broken Bow, Deshler and Hastings — have yet to flourish because "trying to start a quarterhorse circuit in a more sparsely portion of the state is a problem."

Hastings is the healthiest, he said, because its track is in the largest of the three towns. And its financing, Farnham said, involved citizens who bought bonds to build the plant.

Nebraska is not alone in racing date problems, Farnham said.

'Bickering Costs Florida'

Florida's two Thoroughbred centers — Gulfstream Park and Hialeah — suffer from allocations. Generally, they alternate choice January and February dates, with only the one with the preferred season really prospering.

"That's when all the wealth from the north United States and Canada goes down," he said.

Florida, he said, has "lost a lot of horses to California because of date bickering."

Kentucky tracks also bicker, with Churchill finding much opposition.

California racing, Farnham said, is healthy because of a strong commission. "They just exercise great wisdom over the years," he said.

State's Pari-Mutuel Tax Is \$9.2 Million

By Don Lee

World-Herald Staff Writer

Nebraska's five Thoroughbred race tracks paid a record pari-mutuel tax of almost \$9.2 million in 1983.

It was a 4 percent increase over 1982, and the first time the tax went above \$9 million.

The tax totaled \$9,180,512 in 1983, the result of the 5 percent tax on pari-mutuel wagering at the five Thoroughbred tracks.

Ak-Sar-Ben, which increased its racing days from 66 in 1982 to 85 in 1983, again led the field in wagering. The Omaha track's check for \$6,801,644 continued a record of another kind.

That is the largest single tax payment the state receives every year," State Treasurer Kay Orr said.

The money goes into the state general fund.

Fonner Park in Grand Island placed second in 1983 racing tax, with \$1,210,636. The others: Lincoln Fairgrounds, \$993,123; Agricultural Park in Columbus, \$135,554; and South Sioux City's Atokad Park, \$39,555.

The total continued an annual record climb since leaving the \$7 million mark after 1980. It was \$8,818,464 in 1981 and \$8,826,169 in 1982.

"It obviously reflects the health of the industry," said attorney Harry Farnham of Elkhorn, chairman of the Nebraska Racing Commission.

Farnham said the tax isn't the only benefit from racing.

"Whenever anybody asks me about the pari-mutuel tax," he said, "I always say that figure is misleading because it is nothing compared to the overall financial benefits to the state and cities from horse racing."

Farnham recalled a Boston analyst's 1981 report which showed that horse-connected jobs in Nebraska were worth \$250 million to the economy annually.

That impact, Farnham said, includes the racing and breeding of horses plus such related industries as the production of hay and grain to feed horses; farms where horses are trained for racing; sites for boarding horses; and other businesses such as equipment, transportation, restaurants, hotels and automotive services.

"The \$9 million tax is great," he said. "But consider the benefits of the allied things, and they are 20 or 30 times more valuable to the state than the tax."

There's a bit of irony in the upward trend of the betting tax: The tracks in the state's two largest cities dropped in daily average attendance and wagering during 1983.

Ak-Sar-Ben's attendance average of 13,655 was 10.5 percent below the record 15,252 of 1982. And its \$1,612,152 daily betting was 8.2 percent lower than the previous year's \$1,756,691.

Lincoln Fairgrounds' comparative crowd and betting figures for 1983 and 1982: the 4,395 average crowd in 1983 was 18.6 percent under 5,397; the \$485,173 average wagering in 1983 was 21.9 percent less than \$620,921.

"I expected Ak-Sar-Ben would be down," Farnham said, "because when a track goes to a longer meet, the averages are bound to dip."

Lincoln was changed from a split summer-fall season in 1982 to a complete autumn campaign.

Farnham said Lincoln won't show a spurt in growth until it gets such things

Please turn to Page 25, Col. 1

J

Testimony of J. Elwood Slover

Re: Parimutual Amendment

My name is J. Elwood Slover and I am a retired professor of Law from Washburn University. My purpose in being here today is to discuss with you the procedure under the Constitution of Kansas for amending the Constitution by resolution of the legislature. I should hasten to tell you that one of the courses I taught at Washburn Law School was the course in legislation.

The Constitution provides as follows: "Propositions for amendment of this Constitution may be made by concurrent resolution originating in either house of the legislature, and if two-thirds of all members elected (or appointed) and qualified of each house shall approve such resolution (emphasis added) the Secretary of State shall cause such resolution (emphasis added) to be published in the manner provided by law. At the next election for representatives or a special election called by concurrent resolution of the legislature for the purpose of submitting constitutional propositions, such proposition to amend the Constitution (emphasis added) shall be submitted both by title and by the amendment as a whole to the electors for their approval or rejection."

The first thing to be noted, and that explains why I added emphasis to certain language of the Constitution, is that the resolution you will be voting upon is not a simple resolution to let the voters decide whether they want parimutual in Kansas. The resolution will be one carrying the very language of the proposed constitutional amendment and when you vote upon the resolution you will be recommending or rejecting that constitutional change. In other words, a positive vote on the resolution by you will be a vote saying, "I approve of this constitutional change and recommend it to my constituents."

I am told that those favoring parimutual betting are falsely stating to you that your positive vote is to be taken only as your willingness to let the voters decide. I submit, however, that you have a weighty role in the matter of constitutional changes in Kansas. Look at it this way. What is the more weightier matter -- a statute enacted by a bill or an amendment of the state constitution? If you enact legislation which you later determine not to be in the best interests of Kansas you can always correct your mistake in the next session of the legislature. If you resolve to amend the constitution and the voters approve, it is not an easy matter to return to the law as it was before the amendment was made. Since this is such a weighty matter surely you should give it no less attention than you would a bill. That includes not only holding hearings and taking testimony in committee but voting your conscience and best judgment on whether the amendment would be good for Kansas.

Justice Brewer in an old case before the Kansas Supreme Court (The Prohibitory Amendment Cases 24 Kansas 711) capsulized my interpretation of the Constitution in this manner. He said that the amending process through concurrent resolution bears great similarity to the process by which a committee of the legislature

Atch. J

brings a bill from committee to the whole body of the legislature. He said, "It presents, it recommends but it does not decide." (emphasis added) In other words, a bill ordinarily doesn't get onto the floor of the legislative body unless, after thorough investigation the majority of the committee favor the passage of the bill.

As I mentioned earlier, those favoring parimutual are now saying, "Your positive vote only indicates your willingness for the people to decide." What do you suppose they will be saying come November if the proposition is on the ballot? They will surely tell the voters that you gave this matter the weighty consideration that it deserved and in your wisdom determined it was good for Kansas. They will then urge the voters not to go against what you so carefully considered as was your duty under the Constitution. If I were in your shoes, I would be embarrassed to admit that I didn't give serious consideration and vote my best judgment and conscience on such a weighty matter.

I hope you will recall your oath to uphold the Constitution of Kansas and give this matter the consideration it so clearly deserves. If you think parimutual is good for Kansas then it is your constitutional duty to submit the matter for vote of the people. If you do not think it is good for Kansas, your oath of office demands that you vote against a resolution submitting a proposed amendment for vote of the people.

I am Charles Wright, former Mayor of Topeka and a member of the Advisory Committee to
KANSANS FOR LIFE AT ITS BEST! As a public servant, I have had experience with taxes

Pari-mutuel wagering promoters tell us taxes from race track gambling will reduce property taxes, provide money for increased teacher salaries, help our elderly, and benefit highways. Uninformed people believe that!

But I remember 1948 when those who wanted to get rich selling our most abused drug told the public that legal liquor would "provide more money for OLD AGE PENSIONS, pay raises for TEACHERS, better ROADS for FARMERS, assistance to VETERANS, or any other worthy public project."

What happened? The more alcohol people drink, the more problems, and the higher our taxes go! Persons in New Jersey and other states have found that every time you legalize another form of commercial gambling, you end up paying higher taxes.

Legal alcohol did reduce the amount of illegal alcohol sold in Kansas, but total consumption skyrocketed and so did problems caused by the drug! Legal gambling always brings an increase in illegal gambling, so problems caused and taxes needed to repair the social damage will skyrocket even faster than with alcohol.

The front page of the Omaha World-Herald announced \$9.2 million received in pari-mutuel gambling taxes for 1982. Big deal! Did that reduce their taxes? The front page of the Topeka Capital-Journal on October 2, 1983 said, "One difference that appeared when the Capital-Journal began collecting statistics on the two cities was the tax rates. The property tax rate in Lincoln (NEB) is nearly twice as high as in Topeka. Operators of cars on the city streets there pay a wheel tax of \$12 a year, which Topeka drivers don't pay. The total sales tax paid on purchases made in Lincoln is 1 cent higher than the sales tax in Topeka. A motorist filling his gasoline tank in Nebraska pays 5 cents a gallon more in taxes than Kansans pay."

If Kansas needs another \$9.2 million, I'll gladly pay an additional 1/20th cent sales tax to raise that amount.

This idea of letting Kansans vote on pari-mutuel gambling is plain and simple...a scheming calculated ploy by big gambling interests, so they can spend millions of dollars "brainwashing" our citizens on all the marvelous things race track gambling can bring to Kansas...just like back in 1948, and as was done in Oklahoma. There the gambling interests bought YES votes by spending over \$1 million on advertising to convince voters that pari-mutuel would reduce their taxes. How deceptive can you get!

This is already happening in Kansas. In yesterday's Topeka Capital-Journal, they placed this ad urging you to let Kansas people vote on the issue. They know that already most Kansas people...uninformed on the real issue...believe pari-mutuel will reduce their taxes. Taxpayers today are ready and willing to buy anything they hear about reducing their taxes...never mind the consequences!

Kansans who know the facts oppose pari-mutuel, realizing that state and local taxes paid by Kansans, as a percent of personal income, are already among the lowest in the nation. People who want to keep it that way are working hard to defeat pari-mutuel wagering.

Michigan has bingo gambling, race track gambling, a state lottery, and now headlines proclaim PROPERTY TAX RELIEF OFFERED IN EXCHANGE FOR SLOT MACHINES. Kansas gambling promoters are dealers in the BIG LIE just like their counterparts in Michigan.

I ask you...yes, I URGE YOU...TO VOTE NO ON HCR 5082!

Thank you very much.

Atch. K

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE HEARING

March 19, 1984 - 1:30 p.m.

I am Bob Groff, Topeka Attorney and member of the Advisory Committee to KANSANS FOR LIFE AT ITS BEST! I recently answered an editorial on TV concerning pari-mutuel wagering.

Arguments used by gambling promoters provide some of the best reasons why you ought to vote NO on HCR 5082. Promoters say pari-mutuel would be a new source of revenue for Kansas. Consumer dollars now spent on main street would be lost at the track, causing a loss of sales and other taxes. Gambling taxes would simply be redistributed taxes. Parimutuel wagering would be a new source of revenue for track operators and gambling horse owners as they pocket over \$2 for each \$1 received by the state. (16% take out, 5% for the state, 11% for gambling promoters)

Pari-mutuel promoters say Kansas has half again the population of Nebraska, so we should receive more than the \$9.2 million pari-mutuel taxes received by Nebraska. That proves most money lost at gambling tracks is from local people.

The editorial said Kansas is three-fourths surrounded by pari-mutuel states, so we should quickly legalize it to bring tourist dollars here. With gambling tracks all around us, will gamblers come from out of state?

The editorial said backers of pari-mutuel are only asking for the chance for citizens to vote on the issue. Honest lawmakers who vote YES on pari-mutuel wagering acknowledge they are approving race-track gambling, in accordance with the provisions of our Constitution. Dishonest lawmakers claim they are only approving the right of the people to vote on it.

Why are gambling horse people working so hard for pari-mutuel wagering in Kansas? I clipped an article from the Wall Street Journal on August 8, 1983 which said, "It is estimated that only one in 10 of the nation's 70,000 racing Thoroughbreds earns his keep these days, against one in seven or eight a decade ago."

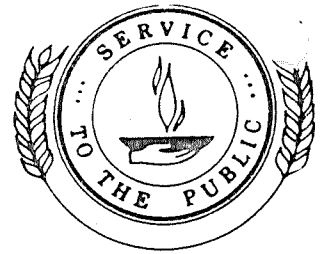
This thick 1981 study by the Killingsworth Company of Massachusetts, paid for by gambling promoters in Nebraska, revealed that total purses at Nebraska tracks are not amounting to enough to keep horsemen solvent. In 1979, while horsemen were winning eight million dollars in purses at Nebraska tracks, it was costing them \$15 million just to keep the horses in training, a net loss of more than six million dollars.

We are opposed to commercial race track gambling because it hurts horses that are drugged and abused, it hurts those persons who lose the most and cannot afford to lose, it hurts merchants on Main Street who lose retail dollars and experience increased bad debts, but maybe we should work to oppose pari-mutuel wagering because it hurts the majority of gambling race horse owners. Do they promote commercial gambling because of their race horse hobby, hoping that pari-mutuel wagering may reduce their losses?

Former Illinois Governor and United States Court of Appeals Judge Otto Kerner became a criminal because of pari-mutuel wagering promoters. The pressure for corruption from gambling race tracks was great enough to destroy this highly respected man. Please keep this pressure for corruption out of Kansas by voting NO on HCR 5082.

Atch. 4

wibw Editorial



Editorial Reply
Bob Groff, Topeka Attorney
Member of the Advisory Committee
to Kansans for Life At Its best
March 4, 1984

Consumer dollars lost at Kansas pari-mutuel tracks would be a new source of revenue for track operators and gambling race horse owners. If Kansas received \$14 million in revenue, another \$30 million would go into pockets of pari-mutuel promoters, according to their own literature.

Pari-mutuel promoters claim Kansas would receive more taxes than Nebraska because our population is greater. This proves most money lost at gambling tracks is from local people. If we had pari-mutuel, Kansans not now driving to gambling states would begin to gamble away consumer dollars now spent on Main Street, causing lower retail sales and increased bad debts for local merchants. The Dallas Morning News on March 15, 1983, said, "Pari-mutuel didn't work last time it was tried in 1933-37. Too many Texans squandered time and money at the track, couldn't pay their bills." For each \$1 Kansas tracks might keep at home, local persons not now gambling would probably lose \$1,000 to gambling promoters. With pari-mutuel all around us, who will come from out of state?

KBI Director, Kelly and Attorney General, Stephan, tell us pari-mutuel wagering will bring an increase in illegal gambling and other crime.

Kansans who say they will vote YES on pari-mutuel believe it will reduce their taxes. Pari-mutuel has not reduced taxes for persons in any state. Kansans already pay lower taxes than persons in pari-mutuel states.

A free booklet is available for persons who want facts. Write to ECONOMICS, Box 888, Topeka, 66601.

Oklahoma pari-mutuel promoters flooded their state with over \$1 million in advertising to buy a YES vote of the people. Concerned Kansans do not have money to spend defeating at election time what dedicated lawmakers can easily defeat in Topeka.

The Wall Street Journal is right. Pari-mutuel is technically a swindle, theft by deception. Dishonest lawmakers claim they are voting for the right of people to vote on it. Lawmakers loyal to our constitution and concerned for consumer protection will refuse to approve the public swindle called pari-mutuel. Let us thank them!

THANK GOD KANSANS ENJOY LIFE AT ITS BEST WITH FREEDOM FROM LEGALIZED GAMBLING, THE POWER OF WHICH IS SO STRONG IT CAN CORRUPT THE MOST IMPORTANT PERSONS IN GOVERNMENT.

Chicago Tribune

THE WORLD'S GREATEST NEWSPAPER

Midwest Edition

Tuesday, February 20, 1973

42 Pages

Judge Kerner guilty

Isaacs also convicted on all charges

Daley names Pikarsky to head CTA

By Tom Buck
JEROME PIKARSKY, the city's public works commissioner for the last nine years, yesterday was named by Mayor Daley to be the new chairman of the Chicago Transit Authority. Pikarsky will fill the vacancy created by the death Jan. 17 of Michael Caffery, who had headed the CTA since early in 1971.

Jerome Pikarsky

Altha Daley appointed Pikarsky only as a board member, under long-standing practice in Chicago. Pikarsky will be named chairman of the board by an election of CTA board members.

DALEY SAID HE had named Pikarsky after conferring with more than 20 nationally known transit leaders. As a result of those interviews, the mayor said he found Pikarsky to be "the most outstanding man in the nation" for the job.

The mayor's appointment of Pikarsky in the CTA board will be submitted to the City Council for confirmation at its next meeting, March 14. The appointment also will require the confirmation of Gov. Walker.

Pikarsky, 57, will become the first mayor chairman of the CTA since it was created in 1957, and the third public works commissioner to assume the post. Previous CTA chairmen who had been city public works commissioners were the late Virgil Goetz and the late George L. DeMet.

PIKARSKY BECAME public works commissioner in 1961. He was in charge of the city's transit system during the 1960s.

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Judge Otto Kerner driving his car into the underground garage of the Dickson Federal Building yesterday morning. Shortly after the jury delivered its verdict of guilty on all counts.

Jury shatters Kerner career

By Fredric Solt
AT 11:05 A.M., before Gov. Otto Kerner walked into the courtroom, smiled a little and sat at his old friend Theodore Isaacs, and slipped into his chair and the impeachment process he was through the total.

It would only take a moment for the jury to shatter the career of the man who once ruled the state.

It was a holiday—President's Day—to mark the birthdays of George Washington and Abraham Lincoln, and the Federal Building was empty except for the people going to Judge Robert Taylor's courtroom.

For those who were in the hall and the history of Otto Kerner's long career would soon be shadowed by the word "guilty."

HE SAT in the courtroom, all the defense table, talking only with Isaacs, while the eyes of the press watched from the gallery and the judge and the jury.

Isaacs was there first with a "hello" on his face and his hands in the pockets of his dark brown suit. He was now for a moment later, the jury would deal with him first.

Warren Wolfson, Isaacs' attorney, wearing a fuzzy red sport coat, jumped his client. Isaacs held on to the defense table and the two men argued for a minute and Isaacs showed his eyebrows arched with his shoulders.

And then Kerner walked in and he and Isaacs talked until the jury was called.

There was no indication who would be indicted.

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There was no indication who would be indicted.

Two face 83, 73 yr. terms

By Thomas Powers
FORMER GOV. OTTO KERNER and Theodore J. Isaacs, former state revenue director, were convicted yesterday on all 22 counts of an indictment charging them with bribery, conspiracy, income tax evasion, and mail fraud.

A jury of seven women and five men deliberated for 12 hours near three days before returning their verdict in the packed courtroom of Judge Robert L. Taylor in the Dickson Federal Building.

Kerner, 83, was a United States Court of Appeals judge on leave of absence, also was convicted of making false statements to special agents of the Internal Revenue Service and concealing property before a federal grand jury.

Kerner could be sentenced to 83 years in prison and fined \$750,000. Isaacs faces a maximum sentence of 73 years in prison and a \$750,000 fine.

REHNER AND ISAACS were smiling nervously at the jury, which had been sequestered since Jan. 25, walked into the courtroom. The jury's appearance was casual as they filed into the jury box and the verdict was handed to clerk John Harris.

It was about the two-minute statements before the jurors, who were called at 10:30. The jurors were read their oaths, and Kerner and Isaacs took the verdict without flinching, but Kerner was taken to his attorney, Paul R. Tompkins. "I want the jury paid!"

But the judge already had started asking each juror if it was his verdict, and each said it was, then all held up their hands to show there was no mistake.

THE BULLETIN service and the whole delivery was over in three minutes.

A witness for Kerner and Isaacs, said for 30 days in the prison for a new trial. The judge granted them 30 days, an equivalent.

One of eight United States Atty. James H. Thompson said he will recommend prison sentences for both men.

"I don't think the evidence here warrants probation, and with the crimes committed here, it is not."

Kerner, the first U. S. Court of Appeals judge to be indicted, took and evaded in the state history of the nation's second highest court, avoided interviews after court was adjourned and walked with his two children and three attorneys out the back door of the courtroom, where he took a special elevator to his own chambers on the 27th floor of the building.

ON LEAVE FROM HIS \$12,000-a-year post, Kerner is expected to appear in a special panel of federal judges to go to hear evidence of his case and to the United States Supreme Court.

He issued a statement from his chambers which reads: "Despite the verdict of the jurors, at no time that I have had public affairs have I taken any advantage and I have always acted in a fair and equitable manner in the conduct of the people I have served."

"I have been in many lattices in my life when I've lived with a star. This matter is even more important than I've lived with because it involves my reputation and honor which are dearer than life itself, and I intend to continue to live better."

Isaacs and his attorney, Warren Wolfson, started in the courtroom shortly before leaving the main floor. Isaacs first refused comment when asked for his reaction. Later he said, "I'd like to sit down and write my whole philosophy before I could answer that."

KERNER AND ISAACS were holders of several portfolios, including a stock in 1964 which had been offered to them in 1962 by Mrs. Marie Powell, former hostess of the Lincoln Park and Washington Park restaurants, in both parks former could after they allowed a stock, such as signing a stock sale.

They bought the stock at bargain price prices in one instance paying \$50,000 for stock valued at \$100,000 at the time of purchase. A money intermediary and phone intercept payments were used to make it appear they actually paid something on the stock before they acquired it in 1966.

They were convicted of conspiring with William S. Miller, former Illinois Racing Board chairman, Mrs. Ruth Bradford, Miller's private secretary, and Joseph R. Knobl, former state director of financial institutions. In exchange for the stock they conspired to release in the name of Kerner and Isaacs, a wife decided by the use of other names in transferring the stock.

Checks used by Kerner to purchase the stock were for Otto Kerner, Irving David Sherman, Mrs. Ruth Bradford, Miller's private secretary, and Joseph R. Knobl, former state director of financial institutions. In exchange for the stock they conspired to release in the name of Kerner and Isaacs, a wife decided by the use of other names in transferring the stock.

Verdict of guilty shocks politicians

By No. Meyer
THE VERDICT of a jury that Otto Kerner and Theodore Isaacs are guilty of bribery, conspiracy, income tax evasion, and mail fraud shocked politicians.

SEN. THOMAS J. BRADY called the Kerner trial "the most important event in the history of the state since the creation of former Gov. Otto Kerner in the state stock case."

A Democratic state legislator who said that Kerner has been held in high esteem by the public.

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Weather
CHICAGO AND VICINITY Cloudy and colder with a few snow flurries today; high in lower 40s, low in mid-30s; wind 12 to 22 m. p. Map and other reports on page 10.

French hero, traitor
Grave robbers take Petain body

HEAVY EXTRA guards have been stationed around the National cemetery in Paris, where the 1000 French soldiers who died in the Normandy campaign were buried.

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A Democratic state legislator who said that Kerner has been held in high esteem by the public.

A LEGISLATOR WHO VOTES FOR SUBMISSION OF A PURE GAMBLING AMENDMENT IS VOTING FOR THE 1ST STEP TOWARD THIS KIND OF PRESSURE ON LEADERS IN KANSAS GOVERNMENT.

Constitutional Change is Serious Business

Some legislators lightly pass off their vote for submitting a constitutional amendment with the remark, "The people have the right to vote on it." In this way a legislator feels absolved from all responsibility by simply saying it is entirely up to the people. But legislators who understand our form of government do not speak so lightly of constitutional change.

KANSAS REPORTS, the record of proceedings of the Kansas Supreme Court, Volume 207, page 651, carries an opinion written by Chief Justice Fatzer in 1971. Mr. Fatzer writes, "The Kansas Constitution was adopted in 1859, and is the supreme and paramount law, receiving its force from the express will of the people. It established three separate departments of government and placed upon each of them limitations which experience has shown to be essential to a progressive government. It has worked well in practice, and is a monument of the wisdom and patriotism of its framers. But no product of the human mind is perfect, so the framers prescribed the manner by which the Constitution could be amended or revised, which is clearly defined. Those wise men saw that, in a state where the people were admitted to a direct participation in the government, party passions and interests might likely lead to too much tampering with the Constitution, if effectual checks were not imposed, and, what may be thought otherwise, restriction with respect to amendment and revision was the policy of the constitutions of the states that were selected as models from which to fashion the new Kansas Constitution. (Proceedings and Debates, Wyandotte Constitutional Convention, 1859.)"

He continues in the next paragraph, "The idea of the Kansas people thus restricting themselves was a part of the American system of written constitutions, and was convincing evidence that amongst them liberty and freedom meant, not the giving of rein to passion or to thoughtless impulse, but the considered exercise of power by the people for the general good, and, therefore, always under the restraint of law. Hence the framers of our Constitution avoided the dangers attending a too frequent change in our fundamental law, and likewise obviated the danger—to be equally shunned—of making amendments too difficult. No government can expect to be permanent unless it guarantees progress as well as order; nor can it continue to secure order unless it promotes progress. Thus, the Kansas Constitution reconciled the requisites for progress with the requisites for safety and order."

Chief Justice Fatzer later quotes from a previous decision that said, "The action of the legislature in respect to constitutional changes is something like the action of a committee of the legislature in respect to the legislative disposition of a bill. It presents, it recommends, but it does not decide . . ."

A committee member may have many reasons for being in favor of sending a bill to the floor of the House or Senate, but no committee member would simply say, "I believe the full House or Senate has the right to vote on this bill." If such were the case, then no need exists for committees.

Three steps are required to bring legalized gambling or liquor by the drink to Kansas. 1st Step—Legislators vote for submission of an amendment. 2nd Step—Persons at polls vote for the amendment. 3rd Step—Legislators vote for a gambling or liquor by the drink law.

Every legislator, for whatever reasons, who votes for submission of an amendment is voting for the 1st step toward whatever that amendment will do. Every legislator has the right to vote however desired, but responsibility for that vote can not be evaded with the casual remark, "but the people have the right to vote on it."

Chicago Tribune, Tuesday, February 20, 1973

By Thomas Powers

FORMER GOV. OTTO KERNER and Theodore J. Isaacs, former state revenue director, were convicted yesterday on all 19 counts of an indictment charging them with bribery, conspiracy, income tax evasion, and mail fraud.

Kerner, 64, now a United States Court of Appeals judge on leave of absence, also was convicted of making false statements to special agents of the Internal Revenue Service and committing perjury before a federal grand jury.

Out of court, United States Atty. James R. Thompson said he will recommend prison sentences for both men.

"I don't think the evidence here warrants probation, not with the crimes committed here," he said.

Kerner, the first U. S. Court of Appeals judge to be indicted, tried, and convicted in the 189-year history of the nation's second highest court, avoided interviews after court was adjourned. He walked with his two children and three attorneys out thru the judge's door of the courtroom, where he took a special elevator to his own chambers on the 27th floor of the building.

KERNER AND ISAACS were convicted of secretly purchasing racetrack stock in 1966 which had been offered to them in 1962 by Mrs. Marje Everett, former head of the Arlington Park and Washington Park racetracks, to gain favors Kerner could offer thru official actions such as signing racing bills.

They bought the stock at bargain 1962 prices, in one instance paying \$50,000 for stock valued at \$300,000 at the time of purchase. A phony promissory note and phony interest payments were used to make it appear they actually paid something on the stock before they acquired it in 1966.

They were convicted of conspiring with William S. Miller, former Illinois' Racing Board chairman, Miss Faith McInturf, Miller's private secretary, and Joseph E. Knight, former state director of financial institutions, to purchase the stock thru a complicated scheme in which the identities of Kerner and Isaacs were shielded by the use of other names in transferring the stock.

Kerner and Isaacs were convicted of filing false tax returns in hiding racetrack stock under other names in their returns. Both men had Chicago Harness Racing, Inc., stock under the name "Chgo. Co." Their Chicago Thoroughbred Enterprises, Inc., stock was listed as "C. T. Co." and Isaacs hid his as "Bajo."

KERNER WAS CONVICTED of perjury when he said he never discussed the allocation of racing dates with anyone while he was governor from 1961 thru mid-1968, when he resigned to become a federal judge.

Clyde Lee, general manager of the Egyptian Trotting Association, testified he discussed allocation of the association's racing dates. Thomas Bradley, former Illinois Harness Racing Commission chairman, testified Kerner once gave him a direct order to change the Maywood Park Trotting Association dates and he refused.

Kerner was convicted of making false statements when he told Oliver T. Stufflebeam and Robert Campbell of the IRS when they first interviewed him July 15, 1970 the "Chgo. Co." listed on his return was a financial company in which a good friend of his, Isadore Brown, was a director. Kerner denied several times he had Chicago Harness Racing stock, the agents testified.

3

KANSAS FEDERATION OF HUMANE SOCIETIES

779 LOCUST · LAWRENCE · KANSAS · 66045

March 4, 1983

To: Members of the House Federal and State Affairs Committee

From: Dick Ketterman, representative of the Kansas Federation of Humane Societies

Re: The Opposition of the Federation to Parimutuel Betting

Our organization, which is an association of local Kansas Humane Societies, opposes parimutuel betting because of the hidden cruelty to animals involved in horseracing and greyhound racing. We do not believe issues of humaneness are appropriate for referendum voting. We further oppose a referendum on paramutuel betting because traditionally those interests which spend the most money can prevail in a referendum.

Please see the attached information on cruelty to animals involved in horse-racing and greyhound racing. Thank you for your consideration of the Federation's position.

Atch. M

HORSE RACING

The increased use of drugs in horse racing to mask injury and pain has resulted in increased injury and death of race horses. Because drugs are enabling animals to run which otherwise would not be competitive due to injury or illness, there are increased "breakdowns" on the track when the conditions of the animal is exacerabated by racing. "Breakdowns" is racing parlance for an animal becoming so severly injured it must quit in mid-race. States that presently have pari-mutuel betting on horse-racing have allowed the legal use of more and more drugs. Only New York prohibits all drugs.

A drug called "bute", phenlybutazone, is legal in the majority of states that allow pari-mutuel betting on horse racing. This drug is a pain killing anti-inflammatory drug. In Illinois 98% of the horses that had to be destroyed on Chicago racetracks between March and December 1978 were racing with Bute in their system. In states where records have been kept a Humane Society of the United States Analysis showed a 100% increase in the number of breakdowns since the relaxation of drug rules. In Philadelphia in the 35 days before bute was legalized, there were no breakdowns. In the 35 days after bute was approved, there were nine breakdowns, of which seven horses had been administered bute. All were severly injured or destroyed.

Although some drugs can be readily detected there is not adequate testing developed to screen horses for use of all drugs. If Kansas legalizes pari-mutuel betting it will be faced with pressures about which drugs to allow and will have to finance veterinarians to screen all horses racing for detection of illegal drugs.

GREYHOUND RACING

Live Rabbits used in Training:

A common training practice is to release jackrabbits in enclosed areas to be chased and killed by young greyhounds. This fact is openly acknowledged by Norman McAsey, Executive Secretary of the National Greyhound Association and Wayne Strong a Kansas greyhound Breeder in the Topeka Capitol Journal, October 12, 1980. A practice used by some trainers, as reported in The Christian Science Monitor as well as by humane organizations, is to string live rabbits by the hind legs from trucks or from mechanical lures for training dogs to chase and attack. The dogs are frequently not allowed to kill the rabbit on the first attack and the injured rabbit is used over again for the chase. A Kansan who lived near a greyhound training farm reported that he witnessed hind legs of jack rabbits being broken to slow them down for beginning dogs.

Native Kansas jackrabbits were formerly used for greyhounds trained in Kansas. However, jackrabbits are so scarce in Kansas now that trainers must import them from Texas.

Destruction of Unsuitable Dogs:

It is estimated by the Humane Society of the United States, using greyhound industry statistics, that more than one-half of the greyhounds bred for racing are killed because they aren't of winning quality. Two Miami veterinarians reported to the Christian Science Monitor in March of 1977 that they alone destroy 300 to 400 racing greyhounds a year. A major greyhound trainer in Florida, Richard Kiper estimated nearly fifty percent of all greyhounds are killed before reaching a real race.

Living Conditions:

Although well-fed and regularly exercised, racing greyhounds spend the majority of their existence in small cages. Often as in the case of Wayne Strong's farm in Abilene, the dogs are muzzled for most of their existence.

Although mistreatment and unnecessary death of animals already exists in Kansas because of the greyhound breeding and training industry here, legalizing pari-mutuel betting will greatly increase the number of animals involved. Just as importantly, the Kansas Federation of Humane Societies will be working to close the loophole in Kansas law which allows use of live rabbits in training on the owners property. If pari-mutuel betting is to be on the ballot closing this loophole will be harder to achieve because economic interests tend to take precedence over humane ones. Even when this loophole is closed we can't expect 100% enforcement due to the isolated areas in which these practices often take place. In addition, in greyhound racing animals trained in one state are raced in other states. So no matter what restrictions are put on training, dogs trained in other states would be brought into Kansas if there were legalized betting. Therefore, the legalizing of pari-mutuel betting in Kansas would inevitably result in expansion of mistreatment of animals both in training practices and in the additional needless deaths of the many animals bred and destroyed which are not of winning quality.



Kansas Farm Bureau, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

M E M O R A N D U M

TO: Representative Robert H. Miller, Chairperson, and
Members, House Committee on Federal and State Affairs

FROM: Paul E. Fleener, Director, Public Affairs Division, Kansas Farm Bureau

SUBJ: HCR 5082 - Proposed Constitutional Amendment

DATE: March 20, 1984

This brief memo will indicate the adopted policy position of Kansas Farm Bureau in regard to the resolution (HCR 5082) under consideration in the House Committee on Federal and State Affairs... the proposal concerning horse racing and county option parimutuel wagering. We were unable to be present for the hearings yesterday, Monday, March 19, 1984. Therefore we submit this statement in support of HCR 5082.

We want to be abundantly clear in our comments as to the position adopted by our people concerning parimutuel wagering. This is not a new topic for the Legislature. It is relatively new in our adopted policy positions. We did a brief study of the topic of horse racing and parimutuel wagering and submitted the study material to our members to ascertain their desire on having any position at all. The decision of voting delegates at our Annual Meeting was to make it clear that it would be proper to have the people vote on the question of local-option horse racing with parimutuel wagering, to be conducted at not for profit facilities.

Our statement is in support of putting the question before the people. Our position neither supports nor opposes horse racing, wagering, nor is it to be construed in any other way than the manner in which it reads. Our statement says this:

*Parimutuel Wagering:
Constitutional Amendment*

We support the right of Kansas citizens to vote on a Constitutional amendment allowing the Legislature to provide for development, regulation, licensing and taxation of parimutuel wagering at county local-option, non-profit horse racing facilities in Kansas.

Thank you very much for allowing us to share this information with the members of the Federal and State Affairs Committee.

jlb

TESTIMONY BEFORE THE HOUSE FEDERAL AND
STATE AFFAIRS COMMITTEE ON HCR 5082

GEORGE ADKINS

My name is George Adkins. I am a life-long resident of the state of Kansas and have been a public school teacher in this state since 1964. The purpose of my appearance here today is to discuss an aspect of pari-mutuel horse racing which many of you are not aware of. Every summer for the past seven years I have taken my family to spend the summer in the small town of Deshler, Nebraska where I have been employed as the racing secretary at Thayer County Downs race track which conducts pari-mutuel quarter horse racing during the months of July and August. Deshler, Nebraska is a small agricultural community of 1,000 people directly across the Kansas-Nebraska border some 30 miles from Belleville, Kansas and 100 miles from Salina, Kansas. Obviously, Thayer County Downs is not Ak-Sar-Ben. The state of Nebraska does not build many roads or bridges with the money derived from racing in Deshler. However, Thayer County Downs is a vital contributing element to the economy of Deshler, Nebraska and the surrounding county. The drive-in restaurant, supper club, gasoline stations, hotel and other establishments do a thriving business during the racing season. Some businessmen tell me that their sales during the racing season are equal to their total sales during the remainder of the year. Approximately 40 per cent of those who attend the races in Deshler comes from Kansas including busses from Wichita and Salina. The citizens of Deshler take pride in the fact that their small town conducts a race meet with a nightly attendance that exceeds the population of the town. There is whole-hearted support from the community with almost every business sponsoring a race with added money. The race track offers seasonal employment to many Deshler residents and a large portion of the teaching staff from the school serve as mutuel clerks, bookkeepers and concession employees during the season. Horsemen and their families are welcomed into the community and many long-lasting relationships have developed during

the summer and those that are permanent residents. Although there are those who would try to portray horsemen as being "undesirable" I can assure you that my experience with them has shown them to be honest, hard working and responsible. In the seven years that I have been employed by the track, I can recall no incident of criminal involvement with anyone associated with racing at Thayer County Downs. Once again, approximately one-half of those who bring horses to Deshler are residents of Kansas who must go outside their own state to find a pari-mutuel track. Consistently, our largest stable has been the Jack Baldwin stable from Derby, Kansas. Like all of the other seven Nebraska tracks where pari-mutuel horse racing is conducted, Thayer County Downs is under the jurisdiction of the Nebraska Racing Commission. All participants must be licensed by the commission and the conduct of racing is closely regulated by the same people who regulate racing at Ak-Sar-Ben and Fonner Park. Some have told you that racing in Kansas would be too costly to administer and regulate. Those who make that claim have obviously not investigated the Nebraska Racing Commission which is self funded. The cost of administering and regulating racing in Nebraska comes directly from the license fees of those who participate and a 15 cent per ticket admission tax which is charged at the admission gate. In fact, the racing commission annually distributes approximately \$4,000 to each of the 92 counties in the state to use as prize money for their 4-H Fairs. This is money which is left over after all the expenses of administering races is conducted. In conclusion, let me say that my involvement in Nebraska in racing has been a positive and pleasant experience. I thank you for your time and urge your support of HCR 5082 which would let the voters of Kansas decide this issue once and for all. I would also like to invite you to visit us in Deshler this summer to see for yourself the impact that pari-mutuel horse racing can have on a small community.

George Adkins
9328 Woodward
Overland Park, Kansas

Telephone (913) 381-1941

"Parimutuel racing has become such an obvious consumer swindle that management must now bribe horse-players to come out to the track."
New York Times, July 30, 1977

H O R S E S - Y E S !

Parimutuel

G A M B L I N G - N O !



In the Wall Street Journal, Professor Irving Kristol said parimutuel gambling is "technically a swindle: the payoffs on bets must be less than fair, and the overwhelming majority of the 'investors' must lose their money, if the gambling enterprise is to survive and prosper." He noted the case for legalized gambling is "simply an argument in favor of the government raising revenues by swindling its citizens rather than by taxing them."

"The disposition of low-income families to spend a greater fraction of income on gambling makes gambling a regressive expenditure and, where used as a source of revenue, government receipts from gambling become a regressive tax." - Commission on the Review of the National Policy Toward Gambling created by the 91st Congress.

When Texas defeated parimutuel in 1978, Catholic Bishop Flores of El Paso, a champion of the poor, said they would be the main victims of parimutuel, "it would entice them to lose what little they have." Texas Bishop C. D. Coleman of the C. M. E. Church said parimutuel would mean "added woes and stresses" for poor families.

Every lawmaker who votes for a parimutuel resolution is voting to take from the poor and give to the rich.

Legislators who want the people to approve parimutuel, who believe commercial gambling tracks are truly good for Kansas, should vote YES.

Senators and Representatives who oppose this consumer swindle will vote NO. They need your support. Tell them you want a NO vote.

Legislators who say they are voting for the right of people to vote on it are rubber stamps in the hands of parimutuel promoters.

The issue is not taxes or new jobs or tourism or recreation or horse racing. The issue is \$30 million a year into the pockets of gambling promoters.

(This explanation of parimutuel is from material distributed by Kansas gambling promoters.)

Parimutuel means, literally, a mutual wager, or betting against other bettors. It is legal in thirty states, including all states west of Kansas except Utah. A parimutuel wager is much like a stock transaction. When you buy \$2 ticket on a horse, you are, in effect, buying one share in the horse's performance in that race. The race track acts as the broker for the transaction and deducts its commission, which is fixed by state law.

The mutual pool is returned to the bettors. If the takeout is set at 15%, as in Nebraska, the mutual pool would be about 84% of the handle. Since the racing association in Kansas must be a nonprofit organization, the takeout plus breakage (16%) would be allocated to these three categories: 1) the State, 2) the horsemen, and 3) track operating expenditures.

Parimutuel rainbow chasers claim Kansas would receive \$13.7 million revenue from gambling tracks with 210 racing days a year. This would require a daily take of \$65,238.10. Kansas people would need to "invest" over \$250,000.00 a day statewide if all winners re-invested only their winnings and all losers on every race would not make additional wagers.

\$ 250,000.00	wagered by the public on the first race.	16% take-out leaves a mutual pool of
210,000.00	returned to the winners who bet it all on the second race.	16% take-out leaves
176,400.00	returned to the winners who bet it all on the third race.	16% take-out leaves
148,176.00	returned to the winners who bet it all on the fourth race.	16% take-out leaves
124,467.84	returned to the winners who bet it all on the fifth race.	16% take-out leaves
104,552.98	returned to the winners who bet it all on the sixth race.	16% take-out leaves
87,824.50	returned to the winners who bet it all on the seventh race.	16% take-out leaves
73,772.58	returned to the winners who bet it all on the eighth race.	16% take-out leaves
61,968.97	returned to the winners who bet it all on the ninth race.	16% take-out leaves
<u>\$1,237,162.87</u>	Total (Sales tax exempt)	\$52,053.93 returned to winners of ninth race.

\$ 61,858.15 Taxes for the state, (5% of \$1,237,162.87) Some of these dollars would be needed for increased law enforcement budgets, expenses of administration, and other social costs.

\$136,087.92 Into pockets of non-profit track operators, gambling lobbyists, lawyers for legal counsel, public relations firms, advertising agencies, rich owners of winning horses, shady vets with quick fixes for injured horses. (11% of bets)

\$ 52,053.93 Returned to the public. Due to 144% take-out for the afternoon (16% times 9 races times amount bet), a person who "won" on every race will end up with nearly the same number of dollars he brought to the track or less. Very few will end up with more. Gambling track operators enrich themselves from the \$250,000.00 "investment" by the public on which is charged a 55% "commission."

Who would pay a stockbroker a commission of \$136,087.92 on an "investment" of \$250,000.00 which was certain to be worth \$52,053.93 by the end of the day? Parimutuel is a swindle.

Most of the \$197,946.07 take-out lost by Kansans in one afternoon at gambling tracks would be taken out of the pockets of persons who can least afford to lose. It would have been spent for food and clothing and shelter. Merchants on main street lose \$197,946.07 consumer dollars in lost retail sales and increased bad debts. For each \$1 in taxes, an additional \$2 is taken from the poor and given to the rich gambling promoters.

Gambling promoters claim \$273.1 million would be wagered per year in Kansas with 5% going to the state and 11% for track operating expenses and purses for winning horses. With parimutuel tracks in Nebraska, Colorado, and Oklahoma, who would come to Kansas gambling tracks? People in Missouri are already in the habit of going to Arkansas, Illinois, and Nebraska. Except for a few dollars from out of state, this \$13.7 million in parimutuel taxes and \$30 million into the pockets of gambling promoters would simply be redistributed Kansas dollars now spent on goods and services, already turning over time and time again, generating jobs and taxes. If these dollars are redistributed toward supporting jobs in the parimutuel gambling industry, jobs they are now supporting will be lost. There is no such thing as a free lunch. It always costs somebody.

Kansas horse people who understand the economics of parimutuel do not want to expand their business at the expense of Kansas poor people who would lose their pay checks at commercial gambling tracks. Horse breeders concerned for others want no part of this public swindle.

Lawmakers concerned for important issues do not want to waste time on commercial gambling tracks. Parimutuel will not heat the homes of Kansas people. It will cause more to have their gas shut off.

Legislative Research says a 1/20th cent increase in state sales tax would generate \$9 million a year. This is now generated by long established tracks in Nebraska, Colorado, and Arkansas. Concerned Kansans will gladly pay an additional penny on a \$20 purchase rather than permit their neighbor to be swindled at the gambling track.

Nebraska gambling promoters paid some \$100,000 to the Killingsworth Co. of Massachusetts to make a study of Nebraska parimutuel racing. The Killingsworth Report of 1981 found the financial condition of Nebraska gambling tracks worsening and said the state's racing industry faced "a troubled future." Purses for winning horses were a bit more than half of what it was costing horsemen to keep their steeds running, so most were losing money. On March 22, 1982, the Nebraska Legislature voted to exempt from taxes the first \$5 million wagered at the ATOKAD gambling track near South Sioux City. ATOKAD officials said they expected only \$5 million to be wagered for the year. One lawmaker said, "Our priorities should not be saving small race tracks"

When parimutuel promoters say farming is a gamble just like parimutuel, they are using the same tactics as swindlers. They want to deceive the public. The farmer takes a risk when he buys the seed, plows the soil, plants and cultivates and fertilizes, hoping for rain and not hail. He produces food for the world and wants a fair price for his product. Gambling is an attempt to get rich from the financial losses of other persons. Farmers are risk takers, not gamblers.

Once upon a time all the parimutuel bettors at a commercial gambling track had a tip on a sure winner. Every bettor bet \$100 on that horse, and sure enough, it won! The HANDLE (total of all bets) was reduced by 16% TAKEOUT to form the MUTUAL POOL returned to the winners. Every bettor "won" \$84 for having wagered \$100 on the winner! Pure fraud.

Due to takeout, gamblers who break even at the parimutuel track lose 16% of all money bet on each race. If a person would break even betting with friends at some Kansas track today, he would go home with exactly what he came with, because there is no takeout. This explains why the illegal bookie using the legal track for his operation can give the bettor a better deal, and winnings are not reported to IRS.

Reported parimutuel revenue from well established tracks for 1981.

\$9.5 million	Colorado
\$9.4 million	Nebraska
\$8.5 million	Arkansas
\$2.2 million	New Mexico

Would Kansas produce 13.7 million?

For each \$1 in taxes, citizens in those states lost an additional \$2 into pockets of gambling promoters.

\$1,085,137,000.00 Total property taxes collected in Kansas for 1981.
\$1,486,029,000.00 State and local taxes for education in Kansas 1982.
(Kansas Legislative Research Dept)

P-A-R-I-M-U-T-U-E-L does not spell RELIEF for \$1 billion property or \$1½ billion taxes for education.

As a per cent of income, state and local taxes now paid by Kansans are lower than in any state around us.

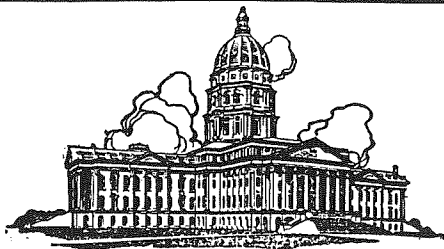
Legalized gambling dehumanizes persons and devalues society. The motive for shop-lifting and for gambling is the same. It is a desire to enrich yourself from the financial losses of others. A swindle is theft by deception.

In scorn and ridicule we are called a single-issue special-interest group. Our single issue is the prevention of alcohol and gambling suffering. Our special interest is the health, safety, and well-being of every Kansan. Our support comes from concerned citizens and churches. Your help is needed. (Copies of this flyer available on request)
KANSANS FOR LIFE AT ITS BEST!
218½ West Sixth, Topeka 66603

"Legal gambling is being promoted chiefly because there is money to be made by individuals from it."

—Christian Science Monitor, December 11, 1972

ECONOMICS IN THE PUBLIC INTEREST



Ask these questions. Help others think through important issues. Let lawmakers know of your concern.

ADVISORY COMMITTEE to KANSANS FOR LIFE AT ITS BEST!

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Include in mailings. Place next to cash register.
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(2)

For persons signing petitions asking the right to vote on parimutuel:

QUESTION - "SHOULD LAWMAKERS FOLLOW CONSTITUTIONAL REQUIREMENTS FOR AMENDMENT AND REVISION?"

Parimutuel promoters can not win legislative approval of race track gambling, so they are trying to circumvent constitutional requirements by claiming lawmakers are not voting for or against parimutuel, but are only voting for the right of people to vote on it. If successful, they will later tell voters statewide, "You are not voting for or against parimutuel, but just for the right of counties to vote on it."

That is deception, a tactic of swindlers and gambling promoters. The right of people and right of lawmakers to vote on amendments is guaranteed by the Constitution. According to the Kansas Supreme Court, V 207 p 651-4, the legislature may "initiate any change" and "in proposing and agreeing to amendments" is making "a request for a change", asking the people to approve or reject what lawmakers have already approved because "it is the right of every elector to vote on amendments to our Constitution in accordance with its provisions."

Article 14.—CONSTITUTIONAL AMENDMENT AND REVISION

§ 1. Proposals by legislature; approval by electors. Propositions for the amendment of this constitution may be made by concurrent resolution originating in either house of the legislature, and if two-thirds of all the members elected to each house shall approve such resolution, the same, with the yeas and nays thereon, shall be entered on the journal of each house. The secretary of state shall cause such resolution to be published in one newspaper in each county of the state where a newspaper is published, once each week for five (5) consecutive weeks immediately preceding the next election for representatives, or preceding a special election called by concurrent resolution of the legislature for the purpose of submitting constitutional propositions. At such election, such proposition to amend the constitution shall be submitted either by title generally descriptive of the contents thereof, or by the amendment as a whole, to the electors for their approval or rejection.

- 1st Step - If lawmakers approve a proposition to amend which is the resolution;
- 2nd Step - Such proposition to amend shall be submitted to the electors.

Lawmakers do not vote to submit a change. If they approve the change, it shall be submitted.

(3)

Speaking in the Downtown Rotary Club in Topeka on October 2, 1980, Governor Carlin told of his desire to protect the reappraisal of urban and rural real estate by passing a constitutional amendment. He did not say the people have the right to vote on his classification amendment. He said, "It requires a two-thirds vote of the Legislature to win approval of something that is truly good for Kansas."

Speaking at an Eggs & Issue Breakfast on February 4, 1969, concerning another constitutional amendment, Senator Bennett who later became Governor said, "We do not vote to submit that which we do not want passed."

Parimutuel gambling promoters want lawmakers to be rubber stamps who simply vote to submit it to the people. They believe the legislature does not have enough intelligence to consider parimutuel on its merits.

For Chamber of Commerce committees promoting parimutuel and lottery gambling:

QUESTION - "DO YOU WANT LOWER RETAIL SALES AND INCREASED BAD DEBTS FOR YOUR MEMBERS?"

When gambling tracks in other states are running, retail sales drop and bad debts increase because millions of local consumer dollars are lost at the track. As one merchant said, "They come to town to gamble. They don't spend money anywhere except in hotels and restaurants near the track. My business is down. The few dollars brought in from out of town are nothing compared to local dollars lost." It may be the sport of kings, but peasants lose the most.

Governor Rockefeller of Arkansas wanted to know the biggest problem experienced by local people when the parimutuel dog track and horse track are running. "Bad debts" topped the list. Hometown folk gambling away paychecks can't make payments on car, TV, rent, bank loan.

"Parimutuel didn't work last time it was tried, which was 1933-37. Too many Texans squandered time and money at the track, couldn't pay their bills." -Dallas Morning News, March 15, 1983

A grocery store owner said on the opening day of the Colorado lottery, "We might as well let our check out girls stay home. All we sold were lottery tickets." Most consumer dollars lost on parimutuel and lottery are taken from cash registers of main street merchants.

(4)

For persons who say we should have 1st r by the drink, Sunday beer sales, wine in grocery stores, cut rate alcohol prices, etc:

QUESTION - "DO YOU WANT PEOPLE TO DRINK MORE ALCOHOL? DO YOU WANT MORE ALCOHOLICS, MORE HIGHWAY TRAGEDY, MORE WIFE AND CHILD ABUSE?"

"total consumption is the common denominator for alcohol problems...if per capita consumption increases, alcohol problems increase"
-Information & Feature Service, Nov. 23, 1976
National Institute Alcohol Abuse & Alcoholism

"So promising and straightforward is the simple syllogism of reducing alcoholism by reducing total social consumption."
-Bruce C. Vladeck, Ph. D.
American Journal Public Health, Dec. 1975

"It is therefore important to observe that, in the long run, education, treatment and deterrence are all of secondary importance compared to the central task of cutting down the general level of consumption by regulating the price and controlling the availability of alcoholic beverages"
-Dr. Klaus Makela, Research Director 1974
Finnish Foundation for Alcohol Studies

According to the Third Special Report ALCOHOL & HEALTH to the U. S. Congress, for each \$1 in alcohol taxes, over \$4 is taken from all of us in HIGHER PRICES for goods and services because of alcohol impaired personnel, HIGHER PREMIUMS for hospital-medical-auto-fire insurance to cover alcohol related losses, and HIGHER TAXES to pay costs of welfare, criminal justice, treatment and needed social services resulting from alcohol consumption.

"One drug causes more human trouble than all other drugs combined. That drug is alcohol."
-THE TELEVISION REPORT DRUGS: A to Z
Columbia Broadcasting System, Inc.

"the drug that causes by far the greatest amount of damage both personally and socially to our college students - drug ethyl alcohol"
-Donald L. Cooper, M.D.
N.C.A.A. News, February 15, 1977

"alcohol - it continues to be the drug most associated with crime, violence, auto accidents, marital problems and child abuse."
-Dr. Walt Menninger
Hutchinson News, November 7, 1976

(5)

For parimutuel promoters who talk about freedom of choice:

QUESTION - "SHOULD SWINDLERS HAVE FREEDOM OF CHOICE TO OPERATE IN KANSAS?"

"There would seem to be an inconsistency in demands for consumer protection agencies, coupled with demands for legalized gambling. As professor Irving Kristol pointed out on this page several months ago, gambling is 'technically a swindle: the payoffs on bets must be less than fair, and the overwhelming majority of the 'investors' must eventually lose their money, if the gambling enterprise is to survive and prosper.' Therefore, he noted, the case for legalized gambling is 'simply an argument in favor of the government raising revenues by swindling its citizens rather than by taxing them.'" GAMBLING AND THE GOVERNMENT
The Wall Street Journal, Jan. 4, 1974

"Parimutuel racing has become such an obvious consumer swindle..."
-New York Times editorial, July 30, 1977

The Kansas Constitution is a bulwark for consumer protection by not permitting parimutuel and lottery swindlers to prey on the public.

They say parimutuel will reduce taxes:

QUESTION - "WOULD \$9 MILLION REDUCE PROPERTY TAXES OF ONE BILLION DOLLARS?"

Kansas property taxes totaled \$1,085,137,000.00 in 1981. \$9 million Nebraska 1981 parimutuel taxes equal a 1/20th cent Kansas sales tax.

Parimutuel wagering has not reduced taxes for persons living in Nebraska, Colorado, New Mexico, or Arkansas. Professor Glenn W. Fisher of Wichita State University told the Topeka Rotary Club on October 30, 1980 that "Kansas state and local general revenues as a percent of personal income are well below the U.S. average and the average of neighboring states... Only Kansas has had a negative growth rate in taxes as a percent of income."

For Kansas tracks to produce taxes promised by gambling promoters, Kansans must bet every day 250,000 consumer dollars on the 1st race if all winners wager total winnings on following races. With 16% takeout on each race, at the end of a 9 race afternoon, bettors would "win" \$52,000 with \$62,000 going for taxes and \$136,000 going into pockets of non-profit track operators and owners of winning horses. (Details sent on request)

For persons promoting lottery in Kansas:

QUESTION - "WOULD YOU RATHER HAVE \$50 MILLION CONSUMER DOLLARS TAKEN FROM THE PUBLIC WITH A LOTTERY AND ONLY \$35 MILLION GOING TO THE STATE OR WOULD YOU RATHER HAVE \$45 MILLION CONSUMER DOLLARS TAKEN FROM THE PUBLIC WITH A 1/4TH CENT SALES TAX AND ALL \$45 MILLION GOING TO THE STATE?"

"35 percent of each lottery ticket dollar goes to improve the quality of life for all Coloradans, 15 percent goes to lottery operations and 50 percent goes to player prizes."

-Public Gaming Magazine, March 1983, p. 25
(Promoting commercial gambling nationwide and mailed free to lawmakers in every state. The magazine is paid for by those who get rich from commercial gambling operations.)

They mean 35% is hidden taxes, 15% goes to improve quality of life for lottery gambling promoters, and 50% is taken from the pockets of 1,999,999 ticket buyers to pay off one buyer who won a million dollars. (2 million \$1 tickets must be sold to create a \$1 million prize) For each \$100 million in lottery sales, \$35 million is taxes and gambling promoters receive \$15 million - receive 42¢ to collect \$1.00 tax. Who gets 42¢ to collect \$1.00 sales tax?

The motive for shop-lifting and gambling is the same, enrich yourself from the financial losses of others. Farming is a risk. Lottery is a swindle - theft by deception as 2 million expect to win a million & 1,999,999 are swindled! Thieves rob homes. Lottery robs pocketbooks! Most lottery dollars come from poor people. A 1/4th cent sales tax would come from everyone.

"Recently Charles Hardwick, a New Jersey assemblyman, talked with a woman who tearfully described buying one ticket a week in the beginning and then gradually increasing her purchases to 15 tickets a day...such concerns helped kill a lottery bill in Virginia this month... 'A lot of people get their unemployment or welfare checks and come down here and try their luck,' says Cynthia Harris, who sells lottery tickets at the Whitman Card & Tobacco shop in Camden. Critics charge that states advertise their lotteries in flashy television commercials, that rarely mention the miniscule odds of winning. 'The state's commercials are as skillful and enticing as the ones used to sell sexy perfume,' state Sen. Hardy Williams of Pennsylvania complains."

-The Wall Street Journal, Feb. 24, 1983
STATE LOTTERY HURTS THE POOR

For parimutuel promoters who claim concerned citizens do not trust people to vote on it;

QUESTION - "IF YOUR OPPONENT OUTSPENDS YOU \$100 TO \$1, IS IT A FAIR ELECTION?"

Parimutuel promoters expect to pocket \$30 million yearly if the people vote YES. They will spend large amounts to buy a YES vote.

"My wife and I tithe to support our little church that is doing a positive work for good in our community and beyond. I would hate to use some of this money in a campaign to defeat parimutuel gambling at election time, but I would. Those who hope to make money out of parimutuel gambling can probably outspend us 100 to 1. I'm counting on dedicated lawmakers to defeat this gambling resolution so my wife and I and thousands of other concerned Kansans will not be forced to use part of our sacrificial giving to fight something negative instead of supporting some positive program for good."

-John Bower, McLouth, long-time legislator
Testimony to Senate Committee, 1981

If 111 lawmakers (27 in Senate & 84 in House) approve parimutuel, concerned citizens will be forced to raise over \$1 million to advertise truth and fight the big lie at election time to equal what was spent on advertising by gambling promoters in Oklahoma. Each lawmaker who votes YES would cost concerned Kansans \$10,000.00. (\$10,000.00 times 111 is over \$1 million)

For beer wholesalers and college students who oppose age 21 for beer:

QUESTION - "IS DRINKING BEER AND MAKING MONEY SELLING IT MORE IMPORTANT THAN SAVING LIVES?"

The Kansas Department of Transportation reports some 4% of licensed drivers are age 18 and 19, yet they are involved in nearly 12% of all alcohol related auto crashes in Kansas. States that raised the legal drinking age have had a decrease in crashes for that age group.

The American Medical Association at its national meeting in 1983 called for age 21. Other groups that have called for age 21 nationwide include the Presidents Commission on Drunk Driving, the National Transportation Safety Board, the Insurance Institute for Highway Safety, MADD and the National Safety Council. Half our nation's youth live in states where they may not buy 3.2 beer until age 21.

(8)

For persons who claim commercial gambling is the most rapidly expanding growth industry:

QUESTION - "DO YOU WANT MORE JOB ABSENTEEISM, LOWER WORKER PRODUCTIVITY, MORE ACCIDENT-PRONE EMPLOYEES IN KANSAS?"

"Gambling adversely affects business. INEFFICIENT EMPLOYEES. Workers will be prone to waste time by visiting or roaming about in search of a racing form, the latest sporting news, the in-plant bet collector. ACCIDENT-PRONE EMPLOYEES. When a gambler becomes a loser - and in the long run they all do - he becomes worried, distracted, perhaps tense as debts mount. POTENTIALLY DISHONEST EMPLOYEES. As losses mount, the employee may resort to a loan shark to bail himself out. He becomes subjected to such intense loan-shark pressure that he begins to steal or embezzle from the company."

-DESKBOOK ON ORGANIZED CRIME, PAGE 31-32
Chamber of Commerce of The United States

Parimutuel promoters claim an average daily attendance of 40,000 for the 210 day racing season. That is a lot of job absenteeism.

For persons who say we should keep home Kansas dollars now going to Nebraska gambling tracks:

QUESTION - "IF GAMBLING TRACKS IN KANSAS WOULD HURT NEBRASKA, WHY DO GAMBLING PROMOTERS FROM NEBRASKA HELP KANSAS PARIMUTUEL PROMOTERS?"

Healey and Fudge came to Topeka and testified for parimutuel at the Senate Committee Hearing. They know gambling tracks in more states cause more people to become regular bettors. This helps attendance at tracks in all states, and Nebraska tracks are in financial trouble.

Michael Healey, director of social services for the county in which AK-SAR-BEN is situated, tried to minimize problems by saying "There have been a few occurrences of people leaving young children in cars in the parking lot at the track."

-Topeka Capital-Journal Feb. 18, 1981

"Testifying about a pari-mutuel system in Nebraska, Duane Fudge, vice chairman of the Nebraska Racing Commission, said betting produced about \$8 million in revenue for (Nebraska) last year."

-Wichita Eagle-Beacon, February 18, 1981

For each \$1 Kansas tracks might keep at home, local persons not now gambling would probably lose \$1,000.00 into gambling promoters pockets.

(9)

For persons who say parimutuel will help the horse industry in Kansas:

QUESTION - "SHOULD HORSE BREEDERS BE SUBSIDIZED BY FINANCIAL LOSSES OF POOR PEOPLE IN KANSAS?"

Poor people are the main victims of parimutuel. They do not know it is technically a swindle.

A longtime New Jersey lawmaker told Senate President Ross Doyen that if he could have one vote back, it would be his YES vote for casino gambling in Atlantic City. New Jersey voters later approved casino gambling, but the legislature approved casinos as the First Step. Casino promoters in New York claim "An exclusive admission policy would discourage casual trade, keeping working people from gambling away their paychecks...Pardon our disbelief." (Quotation from New York Times editorial, Dec. 17, 1980)

"Bettin' on the races became an obsession with so many people who simply could not afford it, that much of my time was spent in counseling with them. On the surface there didn't seem to be anything wrong with placing a \$2 bet, but under the surface, it was a different story altogether! Most of my families were blue-collar workers and day laborers who could little afford the luxury of another addiction! Kansas would not benefit from parimutuel race tracks."

-Testimony to 1983 Committee Hearing by Pastor Theodore Staudacher. He served churches near Balmoral and Washington Park race tracks outside Chicago and now serves St. John's Lutheran Church, Topeka.

The spectator sport of horse racing is legal in Kansas. Gambling is the issue. Parimutuel hurts people and horses. People become compulsive gamblers. Humane Societies & horse lovers oppose parimutuel because horses are drugged & abused by gambling promoters seeking riches.

For persons who believe freedom of choice to purchase alcohol should not be restricted:

QUESTION - "SHOULD PERSONS HAVE FREEDOM OF CHOICE TO BUY MARIJUANA, HEROIN, OR COCAINE?"

People snort cocaine, shoot heroin, smoke marijuana, or drink beer because they like the way the drug makes them feel. Many become addicted or dependent on these mind altering chemicals.

Drug control laws have been passed for the sake of public health, safety, and welfare. Alcohol control laws are drug control laws.

(10)

For those saying parimutuel will create jobs:

QUESTION - "DO YOU WANT KANSANS TO LOSE JOBS THEY NOW HAVE?"

"The thing that bothers me most about it is that when people gamble away their money, they don't spend it on an honest product that someone has put work into. There's only so much money, and if it is lost at a gambling table, it is taken out of the productive part of our economy. Who would you rather see employed, a blackjack dealer in a casino in Las Vegas or a machinist at an automobile assembly plant in Detroit? Which contributes most to what's good about American life?"

-Andy Rooney, national columnist
Topeka Capital-Journal, August 24, 1983

"Attorney General Curt Schneider said Sunday he is opposed to a proposed amendment to the Kansas Constitution which would allow parimutuel betting. Schnieder said he opposed gambling because it doesn't add to the Gross National Product of the nation or to Kansas."

-Topeka State Journal, March 21, 1977

Virgil Peterson of the Chicago Crime Commission wrote, "As a business, gambling is parasitic. It is non-productive. It creates no new wealth and performs no useful service. It redistributes wealth from many into the hands of the few."

Parimutuel promoters say \$273.1 million would be wagered yearly with 5% going to Kansas and 11% or \$30 million going into pockets of non-profit track operators and owners of winning horses. (Gamblers lose \$3 for each \$1 to the State and \$2 to gambling promoters.)

If millions of consumer dollars are redistributed to support parimutuel jobs, jobs now supported will be lost. Who would you rather see employed, a tote board operator at a local gambling track or a factory worker in Wichita?

Oklahoma gambling promoters won a state wide YES vote by promising thousands of new jobs. If questioned, they could always say the new jobs were in some other part of the state. Counties are now voting and this has forced them to tell the truth. Creek County "Pro-betting force organizers like J.R. Payne said they are being cautious about claims to voters about jobs and tax dollars betting could bring to the county. 'We don't want to tell people something we can't back up.'"

-Tulsa Tribune, August 25, 1983

For persons who say legalized parimutuel will get rid of illegal gambling in Kansas:

QUESTION - "DO YOU WANT MORE ILLEGAL GAMBLING?"

Legal gambling tracks increase the number of persons who bet illegally and the amount bet.

"We can see that illegal bookies are operating in states without (gambling) tracks. One percent of our sample living in those states report they bet with a horse book. This compares to three percent who bet with a horse book who live in states with a (gambling) track, suggesting that while a local (gambling) track is not necessary for an illegal horse operation, it does stimulate betting on the horses with a bookie. And while heavy illegal bettors are found in both states, there are more of them in states with (gambling) tracks." Page 191-3

"As would be expected, the greater popular interest in horse racing naturally accompanying existence and advertising of racing and publication of results (at local gambling track) augments the demand for illegal betting facilities...Existence of (legal gambling on) horse racing also appears to increase the average amount wagered illegally per bettor, particularly with horse books." Page 172

-GAMBLING IN AMERICA, Appendix 2,
Commission on the Review of National Policy
Toward Gambling created by 91st Congress.

"Thomas Kelly, director of the Kansas Bureau of investigation, warned that introducing track-side betting would cause significant law enforcement problems. He said a KBI survey of the 31 states with parimutuel wagering indicated that such an operation in Kansas would mean increases in crime, including illegal gambling, bribery, race-fixing, fraud and corruption in the race organizations. 'There is a definite impact of parimutuels on law enforcement when it comes into a state,' he said."

-Wichita Eagle-Beacon, February 20, 1981
Committee Hearing on Parimutuel Gambling

For those saying you can't legislate morality:

QUESTION - "WHAT IS THE MEANING OF MORALITY?"

Morality has to do with right and wrong. A Wichita State University professor said, "Every law is legislated morality."

Every law says something is right and something is wrong. It is right to drive 55 MPH. It is wrong to drive faster. It is right to pay so much in taxes. It is wrong to pay less.

Before the General Election of 1982, Governor Carlin was asked, "If elected Governor"

-Will you support raising the beer drinking age so highway injury and death for Kansas youth will be reduced?

-Will you speak publically of the personal, social, and economic problems which will come with legal commercial gambling at Kansas race tracks?

-Do you want the legislature to vote NO on a Constitutional change which would permit parimutuel wagering in Kansas?"

His written response was YES to these questions.

"As Attorney General, my concern has been with commercial gambling. The losses become more extreme. The likelihood of infiltration by organized crime will increase. I prefer keeping the law as it is. We've got a healthy state and I'm very pleased with it.

"I've a lot of friends who are in favor of parimutuel gambling, and I have a lot of friends who are not. Some of my good friends have horses. They raise them for racing purposes and are somewhat bewildered at my position on the parimutuel question. It is just that I see no positives in opening up the state to commercial gambling. I see a lot of negatives.

"We have very little problem with public corruption in Kansas. One of the reasons for that, for example, are the difficulties involved in opening liquor stores, in regulated private clubs, in the lack of commercial gambling. The cash flow that attracts so many problems just isn't here. And I'm glad.

"The thing other than organized crime, is the fact that there is always illegal off track betting and there are many stories of the drugging of horses, and about cheating in regard to the races. And then the regulation, and the problem of people who can't afford to gamble, and gamble too much. They hurt themselves and hurt their families. We have enough problems with bingo gambling.

"My main concern about commercialized gambling, particularly parimutuel betting, is the fact that I don't see any positives. All I see are negatives. I think we can continue to have a wonderful state and enjoy our wonderful people without those negatives.

"Every law is a moral issue and that is the business of government, to determine what is best."

-Attorney General Bob Stephan
WIBW-TV interview, March 5, 1983