

Approved \_\_\_\_\_ Date 2-20-85

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Senator Edward F. Reilly, Jr. at \_\_\_\_\_  
Chairperson

11:00 a.m. ~~xxxx~~ February 4, 1985 in room 254-E of the Capitol.

All members were present except: Senator Vidricksen and Senator Walker were excused.

Committee staff present:

Fred Carman, Assistant Revisor of Statutes  
Russell Mills, Legislative Research  
Emalene Correll, Legislative Research  
June Windscheffel, Committee Secretary

Conferees appearing before the committee:

Jonathan Small, Kansans for Pari-Mutuel, Topeka  
John A. Shoemaker, Ph.D., Capital Research Services, Inc., Topeka  
Albert Becker, President, American Horse Council, Kansas City, Kansas  
Jerry Holley, Vice President Broadcasting, Stauffer Publications,  
Topeka  
Father Blaise Mcinerney, Donnelly College, Kansas City, Kansas  
Paul Ryding, D.V.M., Wichita, Kansas  
Representative Art Douville  
Dr. Elwood J. Slover, Topeka  
C. L. Olson, D.V.M., Salina, Kansas  
Charles Wright, Kansans for Life at Its Best, Lecompton, Kansas  
Dr. William T. Terrell, Wichita, Kansas

Minutes were distributed and the Chairman asked for consideration.  
Senator Arasmith moved that the Minutes of the Meetings of  
January 24 and 25, 1985, be approved. 2d by Senator Strick.  
Motion carried.

SCR1606 - horse racing with parimutuel wagering with county option.

Senator Reilly called the Committee's attention to SCR1606. He introduced the first conferee, Jonathan Small, of Kansans for Pari-Mutuel. His prepared testimony is Attachment #1. He mentioned several key points in support of their position in it. He also distributed copies of a brochure from his organization in support of voting on a constitutional amendment. Attachment #1A.

The next conferee was Dr. John A. Shoemaker, of Capital Research Services, Inc. His firm had done a random sampling of Kansas residents to see if they would support a measure to put parimutuel racing on the ballot. They found that 79% would support such a measure and that 55% would vote to legalize parimutuel. His testimony is Attachment #2.

Jerry Holley, Vice President of Broadcasting, Stauffer Communications, was the next conferee. His prepared testimony is Attachment #3. His personal feeling is that the Legislature should allow the citizens of Kansas to vote on the question of parimutuel wagering. He feels the right to vote is the question.

Father Blaise Mcinerney of Donnelly College, Kansas City, was the next proponent. His statement is Attachment #4. He discusses gambling in his statement, and states that it is time now to allow the people of Kansas their constitutional freedom to vote.

The Chairman introduced Dr. Paul Ryding, veterinarian from Wichita. His statement is Attachment #5 and discusses race track medication and associated horse health factors at the race track. He stated that he believes the equine athlete is better cared for and better regulated in regard to drugs than its human counterpart.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS,room 254-E, Statehouse, at 11:00 a.m./~~p.m.~~ on February 4, 1985.

Representative Art Douville appeared to read a letter from the Pastor Robert H. Meneilly, The Village Presbyterian Church, in opposition to parimutuel wagering. It is Attachment #6.

The next conferee was Dr. J. Elwood Slover. His statement is Attachment #7. He states that his purpose is to discuss with the Committee the procedure under the Constitution of Kansas for amending the Constitution by resolution of the legislature. He states that if legislators think parimutuel is good for Kansas it is their duty to submit the matter for vote of the people. If legislators do not think it is good for Kansas, they should vote against a resolution submitting a proposed amendment for vote of the people.

Because there were so many conferees who appeared concerning SCR1606, and because others were waiting to appear, the Chairman announced that he would hear those from out-of-town today and appoint a sub-committee to meet to hear the rest of the testimony and to report back to the Committee. He appointed Senator Bill Morris as Chairman of the Sub-Committee, along with Senator Phil Martin and Senator Neil Arasmith as Members. The sub-committee will meet tomorrow at 7:00 a.m. in Room 254-E. Following hearing conferees and later deliberation by the Sub-Committee, it will report back to the Committee.

Dr. C. L. Olson, a veterinarian from Salina was the next conferee in opposition to the proposed legislation. The main thrust of his testimony was that in the races in New York State the average "starts" is only 3 races. He said that the horse trains all his life to run 3 races, that if they run after that they are running on arthritic knees.

The Chairman recognized Charles Wright, former Mayor of Topeka and a member of the Advisory Committee to Kansans for Life at Its Best. Mr. Wright's testimony is Attachment #8. In it he states that legalizing the sale of alcohol did reduce the amount of illegal alcohol sold in Kansas but total consumption skyrocketed and so did problems caused by it.

The next conferee was Dr. William T. Terrell, of Wichita, who appeared as an unaligned conferee. Dr. Terrell had done a study on the Estimated Impact of Pari-mutuel Horse Racing in Kansas: 1986, which is Attachment #9.

The meeting was adjourned.



Mr. Chairman and members of the Senate:

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 citizens of Kansas should be allowed to exercise their right to vote on a constitutional amendment to allow pari-mutuel horse racing in Kansas. In this 1985 Session, KPM supports pari-mutuel horseracing in Kansas. In this 1985 Session, KPM strongly urges your favorable approval of 1985 SCR 1606. Several key points in addition to those I will discuss with you individually are offered here in support of our position:

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

As we approach the end of the twentieth century, Kansans can appreciate that 36 states now have pari-mutuel racing and that 83% of the population of the United States enjoys pari-mutuel racing in their home state. Currently, Nebraska, Oklahoma, Missouri and Colorado allow such racing activities. It should not be 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. It is a sad irony that we have one of the largest horse industries in the United States and owners and fans must leave the state to enjoy the sport.

The people and 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, that their people enjoy it? We have lived as neighbors 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 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 electors 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

certain issues of state-wide concern and to participate with the legislature in adjusting such of its provisions 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 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. 1985 SCR 1606 embodies two significant provisions to safeguard local interests.

A. The proposed resolution before you (1985 SCR 1606) addresses local concerns which may arise by providing a carefully structured mechanism to prevent any pari-mutuel horseracing 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, Barton, etc. However, as we all know, it takes a favorable vote by 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. 1985 SCR 1606 also entails a specific type of pari-mutuel horse racing: 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 horseracing, 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 horseracing for nearly a half century have clearly over the past few years in response to inquiries from Kansas, opinioned otherwise.

If there be a motive to attract any "criminal element" whatever, it is quite simply the profits produced from operating the track facility; 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 horseracing 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 has been commissioned in 1985 to examine the potential economic benefits pari-mutuel horseracing



would have for Kansas. 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 annual state revenue from all taxes: \$32,629,621;
- (c) new Kansas personal income recurring annually: \$193,567,930;
- (d) new employment: 9,583

Your approval this day is requested not as a vote for or against pari-mutuel wagering but a reaffirmation of a simple, fundamental right of all Kansas voters: their inalienable right to address a change in their Constitution. Our presentation is a plea to you to help 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 on horseracing.

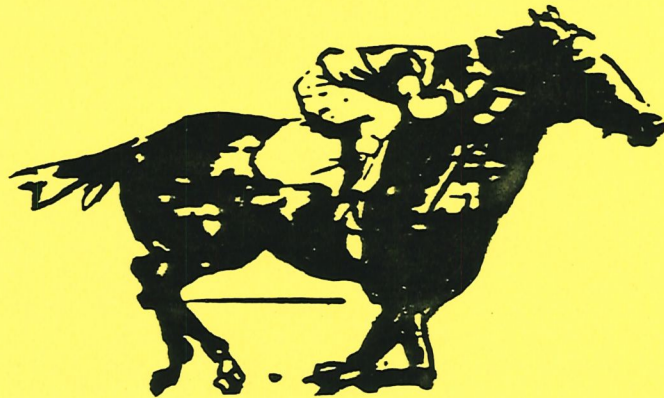
For this legislative body in light of what has been presented to it over and over to continue its refusal to let Kansans address this matter for themselves is a travesty and true testament that it has lost sight of the fact that it is supposed to be a government "of the people, by the people, and for the people."



2/4/85  
Attachment #1A

January 20, 1985

**Trust The People**



**Let Us Vote!**  
**PARI-MUTUEL**

BUSINESS OFFICE: RAMADA INN DOWNTOWN • 420 E. 6TH • SUITE 34 • TOPEKA, KANSAS 66607  
MAILING ADDRESS: P.O. BOX 2008 • TOPEKA, KANSAS 66601 • TEL. (913) 233-1984

Attachment 1 A

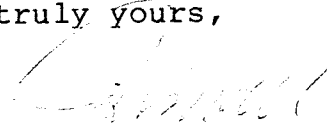


Dear Legislator:

This booklet is designed to give the reader an overview of the issue regarding a statewide vote on pari-mutuel horseracing in Kansas as an amendment Article 15 §3b to the Kansas Constitution. (See enclosed at page 26, 1985 Senate Concurrent Resolution 1606.)

The fundamental question is whether the legislature should allow Kansans to vote on a constitutional amendment. Coupled with this is often-times a discussion of the ultimate merits of the final question Kansas voters will address; e.g. social and moral concerns, law enforcement questions, economic benefits, etc. These subordinate issues are generally addressed herein. However, this should not be considered a definitive treatment of all facets of the issue. Should the reader desire additional information he or she should contact the address listed below.

Very truly yours,

  
Jonathan P. Small  
Attorney/Lobbyist  
Kansans for Pari-Mutuel

(1)

I N D E X

1.	Letter	(1)
2.	Editorial Sampling	(2)
3.	Public Opinion Survey	(5)
4.	Quotes From Neighboring Officials	(7)
5.	Economic Potential: statistical analysis	(10)
6.	Moral and Social Concerns	(16)
7.	Recent Press Releases	(23)
8.	Definition of pari-mutuel racing	(25)
9.	Copy of 1985 SCR 1606	(26)



## 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.

KANSAS  
Arkansas City Traveler

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."



^ conservative view

## Wanna bet?

### You deserve the chance

New controversies often involve old principles. That's the case these days out in Kansas, where some lively arguments are being heard about a proposal to authorize pari-mutuel gambling. George Neavoll, editor of the editorial pages of the Wichita Eagle-Beacon, is foursquare against the idea. If I were in Kansas, I'd be about three-square in favor of it. Let us break a lance.

My brother Neavoll finds the whole proposition "wrong, wrong, wrong." He scoffs at the notion that pari-mutuel betting would produce significant revenue for the state of Kansas—maybe \$14.7 million a year, less than 1.5 percent of total revenues. Taxes are the least of his concerns.

Mr. Neavoll is more deeply troubled by the social and moral issues of legalized gambling. "Low-income people who can afford it the least — and because of their deprived status are tempted the most — are hit the hardest." My brother cites a study showing that in New York, bettors in the lowest income class wagered the highest percentage of their income. "Of those New Yorkers with incomes of less than \$10,000, less than 10 percent played the horses, but their gambling took 2.17 percent of their annual paycheck."

This "cruel enterprise," he contends, leads thousands of new bettors into temptation, and contributes toward the ranks of an estimated six to nine million compulsive gamblers. Moreover, pari-mutuel betting suggests to the gullible that it's possible to get something for nothing, that one doesn't really have to work, and that it's possible to beat the system and live on easy street. Mr. Neavoll's strong advice to the lawmakers at Topeka is: Vote it down!

Well, that is a powerful case, but not a convincing case. Maybe I'm wrong, but it seems to me that in a free society

we ought to be very leery of fixing public policies out of some superior appreciation of the Finer Things of Life. Consider this benighted New Yorker. Billy Brooklyn, the one with an income under \$10,000 a year, who spends \$217 annually betting on the bangtails. My brother out in Kansas thinks this is just teddible, teddible, teddible. I don't think it's teddible at all.

Live and let live, says I. Different strokes for different folks! De gustibus non est disputandum. And all that sort of thing. Our governments at every level already are deeply involved in the entertainment business. Our federal taxes subsidize symphony orchestras (including Wichita's), choral groups, theater companies and the like. Our state and local taxes subsidize parks, zoos, stadiums and ice-skating rinks.

My thought is that if Bill Brooklyn wants to squander his \$217 (or invest it, or risk it, or simply spend it) by putting four bucks a week on the horses, that's Billy's business. If he would rather go the opera, OK, or take the kids to the zoo. Fine with me. Maybe his \$217 worth of dreams or excitement or tall stories, and now and then a lovely memory of a 20-to-1 shot that came home in the mud. Why don't we just leave Billy alone?

Thirty-two states now permit pari-

mutuel tracks. Fourteen states have lotteries, and Colorado, Arizona and the District of Columbia last month approved measures toward that end. Two states have casinos. Others have legalized dog tracks and jai alai. Last year nearly \$9 billion was wagered in public gaming. That may not make it right, but it does suggest that the pastime is popular. And the states, incidentally, took in nearly \$2 billion in taxes as their share of the pot.

Maybe it's immoral for government to authorize sin and then tax the proceeds, but the practice is ancient in public finance. We've had taxes on whiskey and cigarettes for more than 200 years. Sixty-odd years ago we tried to keep Bill Brooklyn from buying booze. The misguided effort produced the long dark night of Prohibition — a fiasco that the state of Kansas helped to create and later refused to correct. Kansas wouldn't even let its people vote on the repeal amendment in 1933.

For the record: This is no personal crusade from a broken-down horse player. Old dad is so square he wouldn't bet on the next tide or the phases of the moon. My idea of a pleasant evening in Las Vegas is to stay in the hotel room watching "Tale of Two Cities" on the tube. But Billy doubtless has a different idea. He's entitled.

December, 1984

Capital Research Services  
511 S. Jackson  
Topeka, Kansas 66603

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TABLE 1

Pari-mutuel racing is an issue that has been debated by the Kansas Legislature for several years. Do you think the Legislature should adopt a resolution that would permit Kansas voters to vote on this issue at the next election?

	N	Pct.
Yes	584	79%
No	118	16%
Not Sure	<u>36</u>	<u>5%</u>
Total	748	100%

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Of course, some people are more likely to support a vote on pari-mutuel than others. Since politicians are more sensitive to some constituencies than others, it is important to know how much support there is for such a vote within the various demographic groups which make up the electorate in Kansas. To find out, we broke the results down by party identification, age, occupation and sex. These figures are presented in Table 2.

Interestingly, we found no significant differences in the level of support for the chance to vote on pari-mutuel racing. An overwhelming majority of persons in all demographic groups believe that Kansas voters should be given a chance to vote on this issue.

There were, however, some very real differences between groups with respect to the extent to which they opposed a vote on the issue. Sixteen percent of the sample did not believe for whatever reason that the voters should have the opportunity to vote on pari-mutuel. Lower-middle income people (\$15,000 to \$25,000 per year) were even more likely to oppose a vote on pari-mutuel. Slightly over 20% of the people in this group were opposed to such a vote.

Significantly fewer people in the white collar and upper income (over \$40,000 a year) categories were opposed to a vote on parimutuel racing.

Lastly, there was considerable variation with respect to the extent to which people were able or willing to give an opinion on the issue. A relatively small percentage of men and those in the professional occupations did not express an opinion. A much higher percentage of women and those



not part of the labor force (homemakers, students and retired persons) did not express an opinion.

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TABLE 2  
Support for Vote by Demographics

	Yes	No	Not Sure
<b>Total Sample</b>	79%	16%	5%
<b>Party</b>			
Republicans	79%	19%	3%
Democrats	77%	16%	7%
Independents	85%	11%	4%
<b>Age</b>			
18-24	80%	15%	5%
25-39	83%	14%	3%
40-65	81%	15%	5%
Over 65	69%	21%	10%
<b>Occupation</b>			
Professional	80%	20%	0%
White Collar	86%	9%	5%
Blue Collar	79%	18%	3%
Non-labor	75%	15%	10%
<b>Income</b>			
Under \$15,000	76%	15%	9%
\$15,000 - \$25,000	76%	21%	3%
\$25,000 - \$40,000	82%	16%	2%
Over \$40,000	90%	7%	3%

Continued

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# Pari-mutuel racing is all right

by Bill McGregor

Against a tidal wave of the emotional, and usually unfounded, complaints that threaten to flood any attempt to legalize pari-mutuel wagering must stand a breakwater of defense. The most effective resistance to this rumormongering at its worst is to present well-documented truth. In an attempt to compile a strong rebuttal to these inevitable attacks, the Texas Horseracing Association has conducted a letter-writing campaign seeking endorsements of horse-race betting. After contacting Chamber of Commerce groups and police departments of cities which have pari-mutuel tracks, a battery of responses was received, most of them strongly favoring horseracing. In addition to this testimony, statements from state racing commissions, state fair chairmen, and church leaders have been gathered stressing the integrity and desirability of the horseracing industry.

It is interesting to note the variety of individuals who responded with praise for horserace betting. The police department officials, none of whom would ever favor horseracing if it attracted a criminal element, strongly support the racetracks in their cities. Their worst complaint is that occasionally a traffic problem is created on racing days. This support from law enforcement officials, along with the blessing of the *Commission on the Review of the National Policy Toward Gambling* (a study group created by Congress), tends to neutralize, if not overwhelm, the opposition's cry of "criminal influence." The executive director of the above-mentioned federal commission, Mr. Jim Ritchie, stated that after two years of intense research and several million dollars, one of his commission's conclusions was that the horseracing industry was indeed a healthy, productive asset to our country. Following are comments from various police department officials:

"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." 3 May 1976

**Richard R. Anderson**  
Chief of Police  
Omaha, Nebraska

"The tax benefits derived from the system make it worthwhile to the state; the simple, and I use that word in the best sense, pleasures it gives to the countless numbers of people who enjoy racing and love horses, does away with the bad aspects of pari-mutuel wagering. As long as it is policed well, it is an asset." 26 May 1976

**Robert J. diGrazia**  
Police Commissioner  
Boston, Massachusetts

"Frankly, I am not against horseracing and I have been impressed with the professionalism of security at Hollywood Park." 10 May 1976

**Edward M. Davis**  
Chief of Police  
Los Angeles, California

"May I say that my personal experience with the racing conducted at Arlington Park Race Track has been that it has not had any negative effect upon the morals of the members of this community. On the contrary, the Track is a vital part of our community, and offers its facilities for such events as Easter Sunrise Service, evangelism meetings, etc." 30 April 1976

**Maurice J. English, Captain**  
Arlington Heights Police Dept.  
Arlington Heights, Illinois

Chamber of Commerce groups, who are also very concerned about any possibility of crime rate increases in their cities, tend to mainly stress the tremendous economic

(Continued on page 182)

## **Pari-Mutuel Racing . . .**

*(Continued from page 178)*

value of horseracing to their cities. The opinions of these organizations also are certainly unbiased, as they would be violently opposed to any industry which would be detrimental to their community; their responses indicated that the related pari-mutuel tracks were far from harmful. On the contrary, in the case of Bowie Race Course in Hyattsville, Maryland, the Chamber of Commerce there bitterly opposed an attempt to close the track. ". . . the Prince George Chamber of Commerce reiterates the fact that the closing of the Bowie Race Course would be detrimental to all of Prince George County. Only a complete lack of appreciation of fiscal, recreational and ecological benefits would inspire one to support the moving of the present use of this facility to another location."

Another example of an important monetary contribution by a race track is in the cases of New Orleans and in the state of Nebraska. During 1975, the Fair Grounds track in New Orleans provided \$1,943,093 to the City of New Orleans, \$1,870,000 to Louisiana State University and other area colleges, and \$1,293,160.90 to various civic and charitable groups. In Nebraska, all race tracks are operated as non-profit organizations and not as private enterprise. All profits from race tracks are required by law to be expended only for improvements and for benevolent purposes, which eliminates any possibility for undesirables to gain influence in the tracks.

Following are comments received from several Chamber of Commerce presidents:

"There are many intangibles that are overlooked when evaluating the economic worth of such an enterprise (horseracing). It goes far beyond the very large number of dollars and number of people employed. There are many related services and retailers that benefit tremendously from the track being in the county. We believe that those people who oppose such an endeavor are very short-sighted in their thinking. They obviously do not think in the terms of what is best for our community. We have found no noticeable increase in the level of crime that can be attributed to the race track. We believe that this is an easy objection to make but more often than not, cannot be backed up by facts." 16 June 1976

**Robert M. Zinsmeister**  
**Director of Governmental Affairs**  
**Prince George's Chamber of Commerce**  
**Greenbelt, Maryland**

". . . not only is Bay Meadows (racetrack) our number one visitor attraction, but when the Thoroughbred meeting is in session the track represents the greatest source of employment in the city of San Mateo. Bay Meadows also serves as a focal point for civic affairs and social events

and is a major source of fund raising for charitable projects. The business community is very aware of the benefits of Bay Meadows." 7 May 1976

**Ken Brown, Executive Vice-President**  
**San Mateo Chamber of Commerce**  
**San Mateo, California**

"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." 24 May 1976

**Kent J. Galvin, Director 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 more than 100 years. It is Louisville's number one tourist attraction and a popular recreational facility for local residents of all ages." 21 May 1976

**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." 25 May 1976

**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." 4 June 1976

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

Also important in the defense of the horseracing industry are the feelings of state racing commissions (regulatory bodies usually appointed by the governor) and of state fair chairmen, who often have a few days of horseracing in conjunction with annual state fairs. Each state which

*(Continued on page 184)*

## **Pari-Mutuel Racing . . .**

*(Continued from page 182)*

has pari-mutuel wagering has a racing commission made up of non-salaried individuals whose regulatory powers determine the quality of that state's racing. These bodies assign race days, oversee the policing and penalizing of any offenders of racing regulations, monitor the flow of state revenue from the pari-mutuel tax, and in general, supervise their state's racing activities. The National Association of State Racing Commissioners meets annually to discuss problems and new developments in their activities, in addition to the promotion of horseracing as a national sport.

Following are a few comments from racing commission officials and several other sources:

"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." 18 June 1976

**J. Morton Porter, Executive Secretary  
Nebraska Racing Commission**

"... the experience of this office is that racing involves no extraordinary amount of criminal activities relevant to any business enterprise. It is my judgment that in any racing operation, carefully supervised and regulated, the recreational and economic benefits far outweigh any detrimental factors." 23 June 1976

**Kenn Christopher, Racing Analyst  
Michigan Dept. of Agriculture**

"... Massachusetts has had pari-mutuel wagering on Thoroughbred, harness, and greyhound racing for over forty years and has suffered no serious problems with criminal elements." 14 June 1976

**Thomas R. Lynch, Secretary  
Massachusetts Racing Commission**

"Growth in the availability of horseracing and expenditures by the public at horserace meetings has stimulated development of a large breeding and racing stable industry, which now represents an investment of nearly \$250 million. It has stimulated the construction and operation of fourteen race tracks, with investments at present of approximately \$200 million. Direct employment, accounted for by breeding farms, racing stables, and racing associations, is of approximately 15,000 persons." 7 June 1976

**James Ahern, Acting Chief Investigator  
California Horse Racing Board**

"When we started Sunday racing three or four years ago, there was no objection from any of the religious factions in the area. In fact, we only hear from the churches

when some of the pastors request passes. Last year, the Monsignor from the adjoining town of Solana Beach conducted a Mass each Sunday in the saddling paddock after the last race. It was quite well-attended." 3 June 1976

**Donald B. Smith, President  
Del Mar Thoroughbred Club**

"The state pari-mutuel fund is a big source of income to agriculture, agricultural-related projects and the general fund. The criminal or undesirable element has been no problem, either. All of this is a result of a good, strong, hard-working commission and staff." 17 May 1976

**Harold W. Heller, Chairman  
Oregon State Fair Commission**

Granted, we would be naive to think that infractions in the racing world could not be made, or that there have not been cases of poorly-regulated state racing programs. One of the most significant was in the case of Texas' own short-lived pari-mutuel wagering bill, which suffered from the absence of a strict and powerful racing commission. A new development since Texas' experience has been the formation of the Thoroughbred Racing Protective Bureau, a national organization which polices and protects racing establishments, and which is a major deterrent to crime in racing. Like any other major sport where large amounts of money are at stake, some dishonest individuals are attracted with the hope of gain. The TRPB, working with local and federal law enforcement agencies, has representatives at each pari-mutuel track, where they work to fingerprint and investigate applicants for owner, trainer, and jockey licences. In addition, the TRPB conducts urinalyses on each horse finishing in 1st, 2nd, and 3rd places of each race. Special highly-trained lab technicians, who are constantly kept informed of new drugs and testing procedures, are employed by each racing commission to assist in this effort.

When considering the integrity and desirability of horse-race betting, we must consider the credibility of the above-mentioned supporters of this industry. A more unbiased and more informed group would be hard to find, and in comparing these solid endorsements with the arguments of the opponents to horserace betting, one tends to view most opposition as unfounded and emotional. In the months ahead, supporters of Texas' pari-mutuel wagering bill who sincerely want racing renewed in 1977 will take on the responsibility of contacting their Senator and Representative and presenting these views. At the same time, horse-race enthusiasts must not disregard constructive criticism and some of the more valid complaints of the opponents of horserace betting, of which there are some. We must work hard in order to be successful in this effort, and when our pari-mutuel bill has passed, we must ensure that we have as clean, well-policed, and professional a horseracing program as can be found in the country.





### KANSAS NEEDS PARI-MUTUEL HORSE RACING

The Institute For Economic & Business Research at the University of Kansas reports that 100 new jobs will produce the following changes in the Kansas economy:

- Create a total of 458 new jobs.
- Produce \$5,900,000.00 more annual personal income.
- Add \$3,100,000.00 in total bank deposits.
- Create the need for 9 new retail establishments.
- Generate \$3,200,000.00 of additional retail sales each year.
- Generate \$200,400.00 in additional property taxes each year.
- Create the need for 8 new service establishments.
- Generate \$370,000.00 more in annual service receipts.
- Increase housing demand.

Dr. William Terrell, Wichita State University in his 1984 economic projection of Pari-Mutuel Horse Racing in Kansas states "Pari-Mutuel in Kansas would create 2,470 direct new jobs (967 at tracks; 1,203 at breeder/owners, 300 at travel)."

Combining the data of these two studies, Pari-Mutuel Horse Racing in Kansas would:

Create 2,470 new jobs which in turn would create:

- 11,312 total new jobs.
- \$145,730,000.00 more annual personal income.
- \$76,570,000.00 in total bank deposits.
- Create the need for 222 new retail establishments.
- \$79,040,000.00 of additional retail sales each year.
- \$4,000,000.00 in additional property taxes each year.
- Create the need for 197 new service establishments.
- Generate \$91,490,000.00 more in annual service receipts.
- Increase housing demand.
- Add \$15,000,000.00 of direct state revenue at wagering.

Kansas needs Pari-Mutuel Horse Racing. Polls show Kansas voters by a majority of two to one want State Senators/Representatives to vote "YES", thus letting the voting public decide the issue.

THE LIKELY ECONOMIC IMPACT OF PARI-MUTUEL  
HORSE RACING IN KANSAS: 1984 ESTIMATE

by

William T. Terrell  
(Economist)

Wichita, Kansas  
February, 1983

## INTRODUCTION

The July, 1980 study of pari-mutuel horse racing in Kansas provided estimates of economic impact as of 1979. Both the text and the estimation procedure in this earlier study were based on attendance patterns deriving from the Nebraska experience. In March, 1981 two additional estimates were developed. One reflected attendance patterns in states where on-track wagering is legal ( the Racing States model). The other estimate took into account average attendance in metropolitan areas (the Metropolitan racing model). All three estimates employed the same method. They differed only with respect to the proportion of persons in a 50 mile radius surrounding track location that could be expected to attend: a) 15 per cent in the July, 1980 study; b) 16 per cent in the Racing States estimate; c) 20 per cent in the Metropolitan estimate. In view of the urbanization trend in Kansas and the age structure, as well as per capita income, of the urban population, the Racing States model provides reasonably conservative estimates of economic impact. The purpose of this note is to review the general findings of the 1980 study and to present estimates from the Racing States model as of 1984.

## GENERAL REVIEW OF PARI-MUTUEL HORSE RACING.

The 1980 study involved considerable reading of government, academic, and industry publications with respect to economic characteristics and other public concerns. These are presented below in summary form.

1. Each form of legalized gambling exhibits unique socio-economic attributes.
2. Pari-mutuel horse racing is a form of recreational activity. As such, it meets the diversification criterion for balanced economic growth.
3. Pari-mutuel expenditures net of returns to winning tickets is about .10 per cent of total consumption spending.

4. Owners of racehorses spend far more on boarding, breeding, and training than they receive from purses.
5. The percentage of persons betting at horse races increases as family income increases until reaching the upper income groups, where it stabilizes at about 20 per cent.
6. Pari-mutuel taxes are about equal in regressivity to sales and excise taxes. These taxes are only one half as regressive as bingo taxes.
7. On-track pari-mutuel horse racing is legal in 32 states. This includes all states west of Kansas except Utah and the border states of Kansas except Missouri.
8. Pari-mutuel horse racing will provide revenues to the state, but it is not a panacea for state fiscal problems. On the average, pari-mutuel taxes provide one to two per cent of general fund revenue. Via relatively high parimutuel tax rates, states can adversely affect the dollar amount of tax revenues.
9. NON-PROFIT pari-mutuel horse racing in Nebraska has worked well in terms of government revenue, economic impact, social cost, and law enforcement. On a variety of social well-being measures, Kansas (without pari-mutuel horse racing) is not significantly different from Nebraska (with pari-mutuel horse racing).
10. Generally, on-track parimutuel horse racing has no impact on law enforcement.
11. There are no firm and widely-accepted measures regarding the incidence of compulsive gambling. A 1976 Federal study suggests that .77 per cent of the adult population exhibits tendencies towards compulsive gambling behavior. But the same study indicates that such behavior is often associated with fundamental psychological disorders. There is no unambiguous direction of causation between compulsive gambling and personal problems.
12. A track in metropolitan Kansas City would be one of the ten largest in the nation with respect to average daily attendance and the total amount of bets (handle). If Missouri legalizes pari-mutuel horse racing before Kansas, a Kansas City, Kansas track would no longer be economically feasible.

#### METHOD AND INTERPRETATION

New industry alters existing income-expenditure flows among various economic sectors. Sectors expected to participate heavily in pari-mutuel horse racing comprise households (consumers), racing associations (track sites), owners-breeders-trainers (horsemen), and residents from other



states (travel). The study of changes in intersectoral flows focuses on leakages from the income stream, injections to the income stream, and the extent of likely expenditure-switching activity. Such examination also excludes intrasectoral flows (internal flows) and avoids double-counting new flows (once as expenditure and again as receipt). Some new sources of expenditure are recurring, and therefore would have a multiple impact leading to a permanent increase in income. Other new expenditures are nonrecurring. These also increase income by a multiple of the initial expenditure, but the increase is not permanent. Below, recurring expenditures are used to estimate state government revenues, personal income, and employment assuming that a mature horse-racing industry existed in Kansas during the year of estimation (1979 or 1984). Alternatively, non-recurring expenditures (primarily construction) indicate the cost of setting the industry in place as of 1979 or 1984. Neither estimate constitutes a time-path forecast of economic variables during the years subsequent to legalization. They do, however, impose a lower bound on such forecast magnitudes.

#### RACING STATES ESTIMATE FOR KANSAS: 1979 AND 1980

Relative to 1979, the 1984 estimates allow for a three per cent increase in the urban racing population base, and incorporate a 20 per cent increase in per capita income. In addition, the 1984 estimates are based on a total takeout of 15.8 per cent which is distributed as follows: 5.5 per cent to the state as pari-mutuel tax plus a share of breakage; 5.3 per cent to purses; 5.0 per cent as track revenues. In 1979 the total takeout was 16 per cent with 5.0 per cent to the state, 5.34 per cent to purses, and 5.64 per cent to racing associations. The income multiplier in 1979 was estimated to be 2.2. This is reduced to

2 in the 1984 estimates.

1. Nonrecurring Investment.

New investment spending on track, restaurant, hotel, service, and retail establishment construction is estimated in the amount of \$220 million for 1984 (\$200 million in 1979). The total impact on Kansas personal income is \$440 million, which would be spread over several years.

2. New Direct State Revenue from Racing Activity.

A variety of new tax sources would appear in the annual report of the racing commission to the state. Such revenues would be collected at the track site in the amount of \$24,173,353 in 1984 (\$16,995,247 in 1979).

3. New Direct State Revenue from All Taxes.

In addition to revenues reported by the racing commission, the state would receive sales and income taxes from patron spending at tracks, travel spending, and industry employees. These taxes plus those from racing activity would provide additional revenue of \$26,213,531 in 1984 (\$18,501,750 in 1979).

4. New Direct and Indirect State Revenue from All Taxes.

New expenditures have a multiple effect on income and subsequent expenditure. Such multiple effects (indirect) are not included in the direct revenue estimates. The total increase in state revenues associated with pari-mutuel horse racing is \$32,629,621 for 1984 (\$23,834,760 in 1979).

5. New Personal Income.

New sources of expenditure derive mainly from travelers to Kansas from outside the state (particularly from Kansas City, Missouri) and from new spending by horsemen (both in and out of state). Such recurring expenditure has a multiple impact on Kansas personal income. This permanent increase in personal income is \$193,567,950 in 1984 (\$157,704,281 in 1979).

6. New Employment.

New expenditures generate new employment opportunities. Based on the total increase in personal income, it is estimated that 9,583 new full-time employment positions would be created in 1984. The comparable 1979 figure is 9,831. The decline from 1979 to 1984 reflects a continuing rate of increase in Kansas per capita income relative to the United States.

## 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%
Incapacitated	<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.

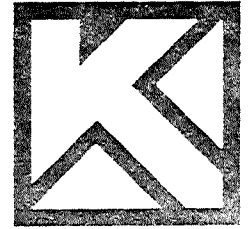
The 1976 President's Commission on Gambling in America had this to say about compulsive gamblers:

"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.

# NEWS RELEASE



## Kansas Chamber of Commerce and Industry

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

\*\*\*\*\*  
FOR IMMEDIATE RELEASE January 11, 1985  
\*\*\*\*\*

TOPEKA -- The Kansas Chamber of Commerce and Industry announced today it continues to support a statewide vote on the question of whether the Kansas Constitution should be amended to allow pari-mutuel wagering on horseracing in Kansas. The state organization headquartered in Topeka is comprised of over 3,000 business firms from across the state.

Ed Bruske, KCCI president, notes that for many years a majority of its members have supported the idea of allowing the people of Kansas the opportunity to vote on this issue. He indicated that there now appears to be a strong showing of statewide support for a vote on this issue through a series of recent public opinion surveys.

"Kansans have long since earned the right to participate with the Legislature in addressing this constitutional question. Voting on this kind of issue is absolutely fundamental to our form of constitutional government in this state," Bruske said.

Both Governor John Carlin and Attorney General Bob Stephan publicly have announced their support for the right to vote on the pari-mutuel question. Bruske also pointed out that Kansas is now virtually surrounded by states that allow pari-mutuel horseracing. He observed that the legislative climate for favorably reviewing the pari-mutuel issue appears to have greatly improved in recent years, particularly because of the need for additional revenue to fund state services including education.

Bruske noted that letting Kansans vote on the issue would let Kansans decide whether they want additional sources of tax revenue, additional job opportunities and an enhanced agricultural economy for their state. With neighboring states having a combination of pari-mutuel and lottery, many Kansans are spending their money outside state borders.

"The additional income could be used to boost tourism in Kansas and help increase the advertising and promotion of Kansas throughout the world," Bruske said.

\*\*\*\*\*

For more information, call:

Ed Bruske, KCCI, 357-6321  
Jim Edwards, KCCI, 357-6321



FOR IMMEDIATE RELEASE

A state-wide public opinion survey was released in Topeka today canvassing Kansans regarding their attitudes about voting on pari-mutuel horseracing and wagering in Kansas. The survey, undertaken by an independent public opinion research firm in Topeka, concluded Kansans by over a 3 to 1 majority want to vote on whether the Kansas Constitution should be amended to allow pari-mutuel wagering on horseracing. Those polled further indicated favorable support for a constitutional amendment to ultimately allow pari-mutuel wagering in Kansas by nearly a 2 to 1 margin.

Jonathan Small, attorney and lobbyist for Kansans for Pari-Mutuel, a non-profit organization supporting a constitutional reform to allow pari-mutuel horseracing, stated that the results of the poll clearly demonstrate a very healthy support for addressing this constitutional issue. "Kansans have grown very frustrated with the legislature depriving them of an opportunity to vote on this important issue. The public knows quite well what being denied an opportunity to vote on state-wide issues means, and people all across this state have grown quite tired of it," Small said.

John Schumaker, President of Capital Research Services, Inc., the firm which produced the survey concluded that based upon the interviews "...it is clear that a majority of Kansans believe that the Legislature should adopt a resolution which would permit a vote by the people on this issue. Even those who oppose the legalization of pari-mutuel racing would like to have an opportunity to vote on it." Of the people interviewed 79% said they wanted to vote on the issue, 16% were opposed to a vote, and only 5% remained undecided. Addressing the ultimate issue of whether the persons interviewed actually favored pari-mutuel horseracing, 55% indicated they approve a constitutional change outright, 32% said they would not, and 14% said they were undecided. This conclusion projects how Kansans would vote if all were surveyed.

Small stated that members of Kansans for Pari-Mutuel from all across Kansas were planning a very aggressive campaign to encourage the legislature to at last include the citizens of Kansas in the decision making process regarding pari-mutuel horseracing. He added that this is an issue that the legislature should feel comfortable in letting their fellow citizens participate with them in shaping the future of this state. "Kansans have certainly earned the respect and trust of their state representatives and senators. The time has come for the legislature to share responsibility for voting this issue once and for all."

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(24)

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#### WHAT IS PARI-MUTUEL WAGERING?

Pari-Mutuel means, literally, a mutuel wager, or betting against other bettors. It is legal in thirty-four states, including all states west of Kansas except Utah. A pari-mutuel wager is much like a stock transaction. When you buy a \$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 track has no interest in which horses win or lose, because the patrons do not wager against the track; they wager against each other via a mutuel pool, based on the odds existing at the close of betting. The odds on each horse, and the eventual payoffs, are determined by the sums wagered on the various entries.

In pari-mutuel wagering all bets of each type (e.g. "win") are added together. This sum (handle) is reduced by a state-determined percentage (takeout) and by about one percent of the handle, due to rounding payouts to the nearest ten cents (breakage). The handle minus the takeout and breakage forms the mutuel pool.

## Senate Concurrent Resolution No. 1606

By Committee on Federal and State Affairs

1-16

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0017 A PROPOSITION to amend the constitution of the state of  
0018 Kansas by adding a new section thereto authorizing the legis-  
0019 lature to permit, regulate, license and tax horse racing by bona  
0020 fide nonprofit organizations and parimutuel wagering thereon  
0021 and to provide for county option thereon.

0022 *Be it resolved by the Legislature of the State of Kansas, two-*  
0023 *thirds of the members elected (or appointed) and qualified to*  
0024 *the Senate and two-thirds of the members elected (or ap-*  
0025 *pointed) and qualified to the House of Representatives con-*  
0026 *curring therein:*

0027 Section 1. The following proposition to amend the constitu-  
0028 tion of the state of Kansas shall be submitted to the qualified  
0029 electors of the state for their approval or rejection: Article 15 of  
0030 the constitution of the state of Kansas is amended by adding a  
0031 new section thereto to read as follows:

0032 "§ 3b. Regulation, licensing and taxation of horse racing  
0033 and parimutuel wagering thereon; disbursal of revenue  
0034 therefrom. Notwithstanding the provisions of section 3 of  
0035 article 15 of the constitution of the state of Kansas, the legis-  
0036 lature may permit, regulate, license and tax the operation or  
0037 conduct, by bona fide nonprofit organizations, of horse racing  
0038 and parimutuel wagering thereon in any county in which the  
0039 qualified electors of the county have determined, by a major-  
0040 ity vote of those voting thereon, to permit such racing and  
0041 wagering within the boundaries of the county."

0042 Sec. 2. The following statement shall be printed on the bal-  
0043 lot with the amendment as a whole:

0044 "*Explanatory statement.* This proposed amendment would  
0045 authorize the legislature to permit, license, regulate and tax

0046 horse races and parimutuel wagering on horse races, con-  
0047 ducted by nonprofit organizations, in any county where the  
0048 voters have approved the conduct of the races and wagering in  
0049 their county.

0050 "A vote for the proposed amendment would permit horse  
0051 racing with parimutuel wagering in any county where the  
0052 voters approve the conduct of the races and wagering in their  
0053 county.

0054 "A vote against the proposed amendment would continue  
0055 the current prohibition against parimutuel wagering on horse  
0056 races."

0057 Sec. 3. This resolution, if approved by two-thirds of the  
0058 members elected (or appointed) and qualified to the Senate and  
0059 two-thirds of the members elected (or appointed) and qualified  
0060 to the house of representatives, shall be entered on the journals,  
0061 together with the yeas and nays. The secretary of state shall  
0062 cause this resolution to be published as provided by law and  
0063 shall cause the proposed amendment to be submitted to the  
0064 electors of the state at the general election in the year 1986  
0065 unless a special election is called at a sooner date by concurrent  
0066 resolution of the legislature, in which case it shall be submitted  
0067 to the electors of the state at such special election.

Press Release

In the middle of December, we asked a random sample of Kansas residents if they would support a measure to put pari-mutuel racing on the ballot at the next general election and if it were on the ballot, how they would vote. We found that an overwhelming majority (79%) would support such a measure and that a somewhat smaller majority would vote to legalize pari-mutuel (55%).

The questions were included as a part of our annual legislative survey conducted each December. In this survey, we sampled 748 Kansas residents by telephone. Respondents were selected by means of random digit sampling methods and alternative selection procedures. The interviews were conducted by our staff at our central interviewing facility using a computer-assisted interviewing system. The data were weighted to achieve the greatest possible congruence between sample and population parameters. The entire process was supervised by Dr. John A. Shoemaker, President and Director of Research.

The results of any survey which employs sampling methods are subject to a certain amount of sampling error. In this survey, sampling error ranges from 2.9% to 3.6%

We believe that these results strongly suggest that if a vote were taken today, Kansans would vote to legalize pari-mutuel racing by a relatively wide margin. Many of the surveys which we have conducted over the past three years have proved to be right on the mark. Moreover, surveys conducted by the Wichita Eagle-Beacon and the Center for Public Affairs at the University of Kansas have obtained similar results.

Jerry Holley  
Vice President, Broadcasting  
Stauffer Publications

2/4/85  
Attachment #3

TESTIMONY

CHAIRMAN RILEY, MEMBERS OF THE COMMITTEE:

Thank you very much for allowing me to present my views on the matter before this committee that will affect virtually every citizen of our state.

Let me say at the beginning that it is my feeling that the Kansas Legislature should allow the citizens of our state to vote on the question of pari-mutuel wagering. Whether a person is for or against the actual question, our people should have the right to vote. This question should not be decided by the elected members of this legislature, but by the citizens of Kansas.

My reasons for favoring this proposal are many, but let me say at the outset that every poll I have been able to find, including those conducted by my own broadcast operations, clearly show an overwhelming plurality of the citizens of our state do want the right to vote. These surveys conducted by several different groups and in most cases with different methodology, all point to the same conclusion, and no amount of playing with the numbers will change the fact. The people have spoken and do want the right to vote.

Some of the obvious reasons have or will be explained during this hearing today. I will only mention them briefly. First, Kansas is now an island, completely surrounded by pari-mutuel states; Missouri, Iowa, Nebraska, Colorado, Oklahoma, and Arkansas, with Texas coming closer to passing the issue each day.

For a period of nine years our company televised to a national audience the Triple Crown or Tres Coronas of quarter horse racing, the Kansas, the Rainbow, and All American Futurities from Ruidoso Downs, New Mexico. The irony of this situation is that the Kansas Quarter Horse Futurity is one of the top five money races in the world, but must be run in New Mexico because of our antiquated system here in Kansas. In spite of the fact the race cannot be run in our own state, it is known worldwide by owners, breeders, and fans of quarter horse racing.

Another reason for my support of this issue is I breed and raise quarter horses here in Topeka. It is a matter of pride that I would prefer to some day race my horses in my own state. So as not to mislead this committee, I don't have a great race horse yet, but I hope to have some day and when that day occurs, I would hope that I could run him in the state of his birth. Another very important point in this discussion is that the state of Kansas has some of the finest quarter horses and thoroughbred stock in the nation. The breeding, racing and training of fine horses is an important industry in Kansas. We produce some of the finest animals in the field.

Referring back to the New Mexico situation. Once again, I have seen and talked with officials there about how the racing industry has contributed to the well-being of that state. In 1984 the racing industry in New Mexico contributed 2.2 million dollars to the state's general fund just in taxes from their six tracks. This money may be used for anything the state lawmakers decide. But in quoting Ron Beserra, the Executive Secretary of the State Racing Commission for New Mexico, their latest studies show that the New Mexico racing industry, including tracks, breeding farms, hotels, tourism, and food sales, contributed between 50 and 100 million dollars to the state's economy. In the nine years I was closely associated with racing in New Mexico, the Governor and the State Racing Commission were in complete control and I saw no example of illegal actions by organized crime. I saw no examples of people squandering all their money at the betting windows of the track either.

I would urge this committee to put aside the coercive tactics of some of the people who oppose this issue. I ask you to think of the people's right in this matter and to allow this question to be decided by our citizenry. After all, each of you was elected by the people. If you have faith in the fact that they elected you, then you must also believe the same people will decide this question fairly.

I appreciate your allowing me this time to present my views on this extremely important piece of legislation. Thank you.

Good morning. I am Father Blaise McInerney of Donnelly College in Kansas City.

Horseracing gambling exists in many countries, including, Canada, the United States, Argentina, Colombia, Mexico, Puerto Rico, Venezuela, Australia, Indonesia, Japan, the Philippines, Denmark, Great Britain, France, West Germany, Ireland, Italy, Norway, Sweden, Poland, and the Soviet Union. Are we to assume that these people all enjoy more freedom than Kansans?

In Western society attitudes toward gambling have varied significantly among different religious groups. While the Bible is silent on the subject of gambling, there are numerous references to the use of lots for serious purposes, as when Moses was instructed by the Lord to allocate the promised land among the Israelites by lot (Numbers 26.55). Since chance events were considered "acts of God," the use of the lot, with appropriate ritual and respect, was regarded as justified for discerning the divine will in serious matters. Since the Middle Ages gambling has been widespread within the Jewish community. Roman Catholics have also come to take a liberal attitude toward gambling, holding that there is nothing wrong in principle with gambling, providing only that certain conditions be met: that the game be honest, that the stakes be moderate and within the means of the players, and that the money staked be one's own.

A person is entitled to dispose of his own property as he wills, so long as in doing so he does not render himself incapable of fulfilling duties incumbent upon him by reason of justice or charity. Gambling, therefore, though a luxury, is not considered sinful except when the indulgence in it is inconsistent with duty.

Gambling may be sinful also on the part of one who cheats or engages in other dishonesty in the transaction, or who bets upon a certainty. The gambling contract is unjust if there is no reasonable proportion between what is risked and what may possibly be gained, unless it concerns state lotteries conducted for purposes of revenue, or in lotteries held to gather money for charity. In these cases the participants understand that only a portion of what is taken in will be returned to winners in the form of prizes, and they are presumed to consent to the arrangement.

There is no evidence that petty gambling is in any way damaging to character or that petty gamblers differ in significant ways from non-gamblers (Tec 1964). On the contrary, petty gambling may function as a kind of institutionalized "solution" for many of the specific psychological problems generated by the conflicts, strains, and ambivalences embedded in the economic system. It may serve to revitalize certain relevant patterns of motivation that are given little scope in routine economic pursuits, such as motives relating to themes of daring, combat, faith, and willingness to take chances. It has also been argued that the existence of institutionalized petty gambling is functional for society in providing a channel into which potentially disruptive speculative tendencies



may be safely deflected from the legitimate market place. To these should be added the positive (and perhaps somewhat perverse) value-reinforcing and scapegoating societal function of the disapproval of gambling, for which institutionalized gambling provides a convenient target.

If recreational petty gambling is harmless enough and may even perform useful functions for personality and society, the question naturally arises, should gambling be legalized? In fact, several forms of gambling have already been legalized during the present century. Horseracing gambling flourishes in many European countries and in Latin America; many nations, including even the Soviet Union and China, have adopted state lotteries; and legalized football betting pools have captured enormous followings in England and Sweden. I ask you, do their citizens enjoy a greater degree of freedom than the citizens of Kansas?

Gambling is probably harmless, possibly beneficial, and in any case ineradicable. Antigambling statues can never be effectively enforced. By keeping antigambling statutes on the books, we throw the entire operation into the hands of the underworld, create thereby an enormous source of revenue and power for organized crime, and keep alive a major source of political graft and corruption in America. Moreover, we place an unnecessary burden of guilt and hypocrisy upon the lay public, which must patronize these illegal and frequently dishonest establishments to indulge their gambling propensities. Partial legalization, as it currently exists in the United States, is doubly unsatisfactory, the argument continues, for it is discriminatory, hypocritical, and sabotages the moral convictions needed for effective law enforcement. Legalization will effectively end this sort of hypocrisy, get gambling into the open where it can be suitably regulated and controlled, dry up a major source of underworld income and power, eliminate the occasion and resource for police graft and political corruption, and make available to the state a highly lucrative source of additional revenue, achieved through the most painless known form of taxation. These arguments were ably stated some fifty years ago by a leading American sociologist, E. W. Burgess (1935), and have been repeated ever since. Until now they have not prevailed in Kansas, even though recent public opinion polls show unmistakable trends in this direction.

The opposition to legalization stems from several sources and draws on a variety of arguments. The core of resistance in the United States is still firmly rooted in the residual Puritan culture, which regards gambling as inherently sinful and placates its restive conscience by keeping the official facade of culture officially against it. Whatever the merits of the moralists' theological or ethical grounds, their arguments tend to be sociologically naive; in the empirical world one drink does not necessarily make an alcoholic or one lottery ticket an addicted gambler. While conceding that a generalized gambling mania and I emphasize the word mania might have disastrous consequences for society, it is an empirical question whether legalization would have this consequence.

The solution, of course, does not have to be of an either-or nature. Although few are willing to admit it and still fewer to recommend it, since it violated all the principles of logic and common sense, the Kansas legislature has again and again shown by its behavior that it still covertly prefers the present type of compromise solution, in which a formal facade of disapprobation and legal taboo is combined with half-hearted enforcement and widespread practice. Through this arrangement it does achieve at least some measure of regulation and constraint, keeps the public conscience appeased, and yet provides generous opportunities for those who would gamble to do so. Instead of this hypocritical half-solution, it is time now for you to allow the people of Kansas their constitutional freedom to vote.

Sincerely,

Father Blaise McInerney  
Donnelly College

As they heard these things, he proceeded to tell a parable, because he was near to Jerusalem, and because they supposed that the kingdom of God was to appear immediately. He said therefore, "A nobleman went into a far country to receive kingly power and then return. Calling ten of his servants, he gave them ten pounds, and said to them, 'Trade with these till I come.' But his citizens hated him and sent an embassy after him, saying, 'We do not want this man to reign over us.' When he returned, having received the kingly power, he commanded these servants, to whom he had given the money, to be called to him, that he might know what they had gained by trading. The first came before him, saying, 'Lord, your pound has made ten pounds more.' And he said to him, 'Well done, good servant! Because you have been faithful in a very little, you shall have authority over ten cities.' And the second came, saying, 'Lord, your pound has made five pounds.' And he said to him, 'And you are to be over five cities.' Then another came, saying, 'Lord, here is your pound, which I kept laid away in a napkin; for I was afraid of you, because you are a severe man; you take up what you did not lay down, and reap what you did not sow.' He said to him, 'I will condemn you out of your own mouth, you wicked servant! You knew that I was a severe man, taking up what I did not lay down and reaping what I did not sow? Why then did you not put my money into the bank, and at my coming I should have collected it with interest?' And he said to those who stood by, 'Take the pound from him, and give it to him who has the ten pounds.' (And they said to him, 'Lord, he has ten pounds!') 'I tell you, that to every one who has will more be given; but from him who has not, even what he has will be taken away. But as for these enemies of mine, who did not want me to reign over them, bring them here and slay them before me.'"

It is surely evident that the central interest lies in the scene of the reckoning, and in particular in the position of the cautious servant, whose hopeful complacency receives so rude a rebuff. The details of the story are subordinate to this dramatic climax. The master's journey is necessary in order to provide an interval during which the servants can prove their worth. It has no independent interest. All is contrived to throw into strong relief the character of the scrupulous servant who will take no risks. It is upon his conduct that the judgment of the hearers of the parable is invited. Here is a man who with money to use will not risk its loss by investment, but hoards it in a stocking. An over-cautious, unenterprising person, we judge, too careful and too fearful to make his mark. But, further, the money belongs to someone else, and was entrusted to him for investment. His over-caution, then, takes a worse color. It amounts to a breach of trust. He is an unprofitable servant, a barren rascal. That is the judgment which the parable is intended to elicit.

The parable was intended to lead such persons to see their conduct in its true light. They are not giving God His own; they are defrauding Him. "The Judaism of that time," says Dr. Klausner, "had no other aim than to save the tiny nation, the guardian of great ideals, from sinking into the broad sea of heathen culture." Put that way, it seems a legitimate aim. But from another point of view, might it not be aptly described as hiding the treasure in a napkin? To abandon the scrupulous discipline of Pharisaism would be a risk, no doubt. It was precisely the risk that the early Christians took, and they took it under the inspiration of their Master. It is the kind of risk, this parable suggests, that all investment of capital involves; but without the risk of investment the capital remains barren. We have here, it seems, a pointed application of the parable which arises directly out of the historical situation.

PAUL RYDING, D. V. M.  
3500 EAST 45TH NORTH  
WICHITA, KANSAS 67220  
AREA CODE 316 686-8181

Feb. 4, 1985

Senate Subcommittee Hearing

Address:

Race track medication and associated horse health factors at the race track.

Discussion will be limited to the equine athlete and some of the economic factors.

The "Sport of Kings" has enjoyed a unique, colorful and very lengthy history. It no longer is enjoyed by the heirarchies alone, but has evolved over the years to a sport and entertainment for thousands of people with an economic impact on local, state and federal agencies.

The horse is indeed a magnificent creature with a highly developed musculo-skeletal system that nature intended for speed. the very inherent fight-flight mechanism that evloved was for escape.

It was logical for man to take advantage of what nature had provided him, so we evolved over the centuries to where we are today. Horseman from coast to coast and border to border willingly meet the challenge to protect and secure this industry.

Welfare of the equine athlete is of paramount importance and is entrusted to us in the animal health professions. Owners, trainers and veterinarians meet the challenge of horse care through a broad scope of programs that function separately and in concert. The following are organizations that are committed to this end.

1. Breed associations
2. Racing commissions
3. Trainers
4. Jockeys
5. Independent testing Labs.
6. Veterinarians
7. AAEP and its appointed committees
  - a. medication
  - b. track design
  - c. ethics
8. Local rules and regulations

PAUL RYDING, D. V. M.

3500 EAST 49TH NORTH

WICHITA, KANSAS 67220

AREA CODE 316 686-8181

Questions concerning pre-race medication are a concern to all of us. Certainly a multitude of statistics and graphs could be submitted to bore all of us.

Pre-race medication is not a problem-----we make it a problem. Sophisticated testing is available for us to use. We do need to define what chemical agents should or should not be allowed. For those that choose to abuse racing rules and regulations there is the need for judgements that are enforceable and severe. The horse is dependent on us to make and insure the safest possible racing conditions.

It does speak well of the horse industry that so few violations occur. I would submit to you that the equine athlete is being better cared for and better regulated in regard to drugs than its human counterpart.

Economic impact is a very positive influence to local and state economies. The list of support people and businesses is long. A six day racing week would put a very minimum of \$45,600 per day into the economy. This figure does not include wagering. This is a positive local influence with this money turning over locally.

Attachment #6  
Art Douville

— ROBERT H. MENEILLY —  
4110 WEST 89th STREET  
PRAIRIE VILLAGE, KANSAS 66207

February 2, 1985

The State of Kansas Senate Federal and State Affairs Committee:

Representing The Village Presbyterian Congregation of more than 7000 adult members, I would ask you to consider the highest welfare of the State of Kansas. The possibility of parimutuel betting threatens the quality of life and the integrity of the state. You are knowledgeable and wise enough to know that wherever such betting is legalized it gives rise to multiple problems. Invariably it invites in the criminal element. It lends toward that human temptation to try to get something for nothing and compulsive gambling. The citizen who can least afford it tends to lose the most. The revenue benefits to the state never exceed the actual costs if everything is taken into consideration. It contributes to a way of life that proves ultimately unhealthy.

As in times past when this issue has come before the legislature, this congregation urges the Senate Federal and State Affairs Committee to affirm a strong "no" to parimutuel betting in the State of Kansas. If it ever becomes a part of our state life you can bet we will all be the losers!

Sincerely Yours,

*Robert H. Meneilly*  
Robert H. Meneilly  
Senior Pastor  
The Village Presbyterian Church  
Prairie Village, Kansas



2/4/85  
Attachment #7

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

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 Lincoln Nebraska Journal recently announced 9.214 million received in pari-mutuel gambling taxes for 1984. Big deal! Does that reduce 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!

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 SCR 1606.

Thank you very much.

ESTIMATED IMPACT OF PARI-MUTUEL  
HORSE RACING IN KANSAS: 1986

William T. Terrell  
February 1985

KANSAS ESTIMATES

Relative to 1979, the 1986 estimates allow for a five per cent increase in the relevant urban population and a 65 percent increase in per capita income. It is assumed that racing associations are non-profit corporations. Distribution of the amount wagered is assumed as follows: 84.2% to winning ticket holders; 5.5% to the State; 5.3% to purses; 5.0% to race tracks.

1. TRACK SITES. Based on Kansas' urban population and racing patrons from other states, it is estimated that the following sites are economically viable track locations (average daily attendance, racing season): Kansas City (21,546; 70), Topeka (7,267; 40), Wichita (11,885; 50), Salina (5,088; 30), Eureka (5,088; 30)
2. REVENUE: NEW SPENDING. New spending in Kansas due to pari-mutuel horse racing provides both new tax sources and more revenue to the state from existing taxes. If the industry were in place as of 1986, the new taxes would yield about \$34 (million), with an additional amount of almost \$3 (million) from existing taxes.
3. INITIAL INVESTMENT. At 1986 levels it is estimated that about \$230 (million) of new investment would be required to develop a mature racing industry. This includes new construction and new capital equipment with respect to race tracks, restaurants, hotels, stables, and a variety of related businesses. The total impact of this nonrecurring investment on Kansas personal income is about \$480 (million), which would be spread over several years. However, during the investment period the State would receive increased revenues from existing taxes although the annual amount cannot be estimated.
4. RECURRING SPENDING. New spending that occurs in each future year has a multiple effect on State revenue, personal income, and employment. Such spending provides new income, which in turn is spent, thus creating more income. Additional State revenues and employment are generated at each successive round of converting expenditures into income. At 1986 levels, the ultimate annual impact of new recurring spending is estimated as follows:
  - a. State Tax Revenue: \$47 (million).
  - b. Personal Income: \$302 (million).
  - c. Employment: 13,000 year-round jobs.

## GENERAL FINDINGS

Preparation of an earlier and more comprehensive study (1979, 60 pp.) required extensive reading of government, academic, and industry publications with respect to the social and economic characteristics of gambling in general and of pari-mutuel horse racing in particular. Conclusions from this literature are presented below in summary form.

1. GAMBLING FORMS. The social and economic characteristics of gambling depend upon the specific form in question. Consequences of legalizing one form do not generalize to other forms.
2. BALANCED GROWTH. As a form of recreational consumption spending, pari-mutuel horse racing meets the diversification criterion for balanced economic growth.
3. CONSUMER SPENDING. Household spending on the services of pari-mutuel horse racing is about one tenth of one per cent of total consumption spending.
4. HORSE OWNERS. Owners of race horses spend far more on breeding, boarding and training than they receive from winnings (purses).
5. BETTORS INCOME. The percentage of bettors on horse races in various income classes tends to be small for low income classes. It increases with increased income until it stabilizes at about 20 per cent.
6. TAX IMPACT. Pari-mutuel taxes on horse racing are about equal in tax regressivity to state general sales taxes. Both are mildly regressive taxes. Bingo taxes are twice as regressive as sales or pari-mutuel taxes.
7. LEGAL STATES. Pari-mutuel horse racing is legal in 35 states. Recent states legalizing this activity are Oklahoma (1982), Minnesota (1982) and Iowa (1983). Missouri is the only border state of Kansas whose legislature has not authorized pari-mutuel horse racing.
8. STATE REVENUE. Pari-mutuel horse racing does provide several new tax sources, but it is not a solution to long-term fiscal problems. From the experience of racing states, it is reasonable to expect revenues from horse racing to comprise about two per cent of general fund revenue. Relatively high pari-mutuel taxes can adversely affect state tax revenues.
9. NEBRASKA. Non-profit pari-mutuel horse racing in Nebraska has worked very well. This evaluation extends to several criteria: response to the economic demand for recreation, employment impact, state revenue, law enforcement, track administration, civic participation, and social cost versus social benefit. On a variety of social welfare measures, Kansas is not much different from Nebraska.
10. ENFORCEMENT. There is no evidence that pari-mutuel horse racing either increases or decreases the law enforcement burden.
11. COMPULSION. Conclusions regarding the incidence and causes of compulsive gambling are not firm. One Federal study suggests that eight tenths of one percent of the adult population exhibits compulsive gambling characteristics. The same study warns that such behavior is often symptomatic of fundamental psychological disorder. There is no unambiguous direction of causation between compulsive gambling and personal problems.



**OBJECTIVE #20:**

Support legislation to allow the voters of the State of Kansas to vote on a constitutional amendment to authorize the legislature to regulate, license and tax non-profit, local option, pari-mutuel wagering with some portion of the tax revenues being applied to property tax relief through city/county revenue sharing.

**OVERVIEW:**

Many states are turning to alternative revenue sources. With the need for additional monies for education this session and talk of tax increases, allowing voters the opportunity to authorize this revenue source makes sense. As a major quarterhorse and greyhound producing state, there has been interest for years in such a plan. Voters in all four surrounding states have authorized this wagering and all but Missouri has started operation (Missouri voters just approved of the measure in November, 1984).

**COMMENTS:**

See that a concurrent resolution is introduced.

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ESTIMATED IMPACT OF PARI-MUTUEL  
HORSE RACING IN KANSAS: 1986

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Economist

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The 1980 study of pari-mutuel horse racing in Kansas provided estimates of economic impact as of 1979.<sup>1</sup> The estimation procedure relied heavily on the urban population, racing attendance, per capita income and expenditure patterns in Nebraska, as well as in other racing states. Certain core measures were developed in that study that are also used in recent updates. For example, the population within a 50 mile radius of a track site comprises the racing population base. About 16 per cent of the persons in this base attend horse races at the rate of six days per racing season. Other findings take the form of a relationship between economic variables. One of the most important is that recreational spending in general, and amounts wagered at horse races in particular, are very sensitive to increases in income. That is, a small percentage increase in income gives rise to a much larger percentage increase in recreational spending and the amount people are willing to wager per day of racing. Since 1979, per capita personal income in Kansas has grown at the unexpected annual rate of 7.4 per cent, and the working age urban population has increased at about 2.0 per cent per year. These changes are reinforcing with respect to the economic viability of pari-mutuel horse racing.

Preparation of the prior study required extensive reading of government, academic, and industry publications with respect to the social and economic characteristics of gambling in general and of pari-mutuel horse racing in particular. Conclusions from this literature follow in summary form.

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<sup>1</sup> W. T. Terrell, "The Likely Economic Impact of Pari-Mutuel Horse Racing in Kansas," Wichita, July 1980 (60 pp).

1. The social and economic characteristics of gambling depend upon the specific form in question. Consequences of legalizing one form do not generalize to other forms.
2. As a form of recreational consumption spending, pari-mutuel horse racing meets the diversification criterion for balanced economic growth. That is, the extent to which income earned in Kansas stays in Kansas depends upon the development of relevant spending opportunities.
3. Household spending on the services of pari-mutuel horse racing is about one tenth of one per cent of total consumption spending.
4. Owners of race horses spend far more on breeding, boarding and training than they receive from winnings (purses).
5. The percentage of bettors on horse races in various income classes tends to be small for low income classes. It increases with increased income until it stabilizes at about 20 per cent.
6. Pari-mutuel taxes on horse racing are about equal in tax regressivity to state general sales taxes. Both are mildly regressive taxes. Bingo taxes are twice as regressive as sales or pari-mutuel taxes.
7. Pari-mutuel horse racing does provide several new tax sources, but it is not a solution to long-term state fiscal problems. From the experience of racing states, it is reasonable to expect revenues from horse racing to comprise about two per cent of general fund revenue. Relatively high pari-mutuel tax rates can adversely affect state tax revenues.
8. Pari-mutuel horse racing is legal in 35 states. Recent states legalizing this activity are Oklahoma (1982), Minnesota (1982) and Iowa (1983). It is legal in all states west of Kansas except Utah; Missouri is the only border state of Kansas whose legislature has not authorized pari-mutuel horse racing.
9. Nebraska is a pioneer in placing race track ownership in the hands of civic organizations (nonprofit associations). There, nonprofit pari-mutuel horse racing has worked very well. This evaluation extends to several criteria: response to economic demand for recreation, employment impact, state revenue, law enforcement, track administration, civic participation, and social cost versus social benefit. On a variety of social welfare measures, Kansas is not much different from Nebraska.
10. There is no evidence that pari-mutuel horse racing either increases or decreases the law enforcement burden.
11. Conclusions regarding the incidence and causes of compulsive gambling are not firm. One Federal study suggests that eight tenths of one per cent of the adult population exhibits compulsive gambling characteristics. The same study warns that such behavior is often symptomatic of fundamental psychological disorder. There is no unambiguous direction of causation between compulsive gambling and personal problems.

New industry contributes to state economic growth by altering financial

flows between residents and non-residents. Such flows consist primarily of consumption and investment spending. Pari-mutuel horse racing will increase resident spending on recreational activity via reversing some current out-of-state spending by Kansas families. It also increases the Kansas expenditures of non-residents. In light of increasing urbanization, the trend toward a younger urban population, and growing income in Kansas, these sources of new spending will continue to increase into the 1990's. Pari-mutuel horse racing also requires new and substantial private investment spending in Kansas. Here, reference is made to construction and the purchase of capital equipment. Such spending is directed towards race tracks, breeding farms, stables, hotels, restaurants, veterinary associations and other similarly related businesses. There are two major sources of new investment spending. First, new industry permits in-state investment of Kansas savings that are presently used to finance capital projects in other states. Second, residents in other states will increase their investment spending in Kansas. In short, economic impact analysis of new industry begins with an evaluation of new in-state spending. This, in turn, leads to estimates of new income, new employment, and new government revenues.

Relative to 1979, subsequent 1986 estimates allow for a five percent increase in the relevant urban population and a 65 per cent increase in per capita income. Distribution of the total amount wagered (handle) is assumed as follows: 84.2 % to winning ticket holders, 5.5 % state pari-mutuel tax, 5.3 % to purses, and 5.0 % to race tracks. Several points should be noted with respect to this distribution. First, the amount that is not returned to bettors (takeout) is 15.8 % of every dollar wagered, but the pari-mutuel tax is 5.5 % of the handle. Dividing the latter by the former yields a tax rate of 34.8 %. Second, some of the 5.0 % to race tracks must be turned over to the state in the form of daily license fees and salaries for racing stewards,



who are technically employees of the state racing commission. Third, since the racing associations that own tracks are nonprofit, none of the 5.0 % track share is allocated to proprietary income. Finally, it should be kept in mind that the following 1986 estimates are based exclusively on new spending as opposed to expenditure switching by Kansans.

1. Based on Kansas' urban population and non-resident visitors, it is estimated that the following sites are viable track locations (average daily attendance; racing days): Kansas City (21,546; 70), Topeka (7,267; 40), Wichita (11,885; 50), Salina (5,088; 30), Eureka (5,088; 30).
2. New spending in Kansas associated with pari-mutuel horse racing provides both new tax sources as well as more revenue from existing sources. If the industry were in place as of 1986, the new taxes would yield about \$34 million with an additional amount of almost \$3 million from existing taxes.
3. At 1986 levels it is estimated that about \$230 million of new investment would be required to develop a mature racing industry. This includes new construction and new capital equipment. The total impact of this nonrecurring investment on Kansas personal income is about \$480 million, which would be spread over several years. During the investment period, the State would receive increased revenues from existing taxes, although the annual amount cannot be estimated.
4. New spending that occurs in each future year has a multiple effect on State revenue, personal income and employment. Such spending provides new income, which in turn is spent, thus creating more income. Additional State revenues and employment are generated at each successive round of converting expenditures into income. At 1986 levels, the ultimate annual impact of new recurring spending is estimated to be:
  - a. State Tax Revenue: \$47 million.
  - b. Personal Income: \$302 million.
  - c. Employment: 13,000 year-round jobs.

NOTE: Estimates (2) and (4) above differ in that (2) only includes direct effects of new spending. Estimates (4) take into account both direct and indirect effects.