

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRSThe meeting was called to order by CHAIRMAN MILLER at \_\_\_\_\_  
Chairperson1:30 a.m./p.m. on February 12, 1987 in room 526S of the Capitol.All members were present except:  
Representative Sifers-E

## Committee staff present:

Raney Gilliland, Research  
Lynda Hutfles, Secretary

## Conferees appearing before the committee:

Dick Boushka, Sunflower Racing, Inc.  
F.E. Bliss, Kansas State Fair Board

The meeting was called to order by Chairman Miller.

Representative Peterson made a motion, seconded by Representative Rolfs, to approve the minutes of the February 11 meeting. The motion carried.HB2044 - Pari-mutuel

Dick Boushka, Sunflower Racing, Inc., gave testimony in support of the bill. Mr. Boushka introduced his partner, Dee Hubbard, and told the committee the sole purpose of the partnership is to apply for and get a license for pari-mutuel track in the State of Kansas.

Mr. Boushka told the committee he favored the dual track and has examined all the alternatives. He feels that to invest only in a greyhound track would be an excellent investment. The track he would build would be first class. He is proposing a dual track in the Kansas City area with two complete separate facilities with one common parking lot. This facility would cost \$50-\$70 million. The track would bring in \$100-\$110 million and have 1700 full time employees. In thw Wichita area he is proposing a dual track at the Kansas Coloseum with a greyhound track inside and on tope of a 7/8 mile horse track.

He discussed non-profit corporations. He said they should accept the liability of supervising racing, distributing charity funds, etc. He said he would be very low key regarding non-profit. The risk takers are putting up all the money. Merits of who gets licensed should be focused on owner licensee. Non-profit should not be used as a vehicle to get an owner license. He hoped the racing commission would think first about the owner side of things. The non-profit group should be at arms length. They should be people in the community with integrity.

In discussing the purse, Mr. Boushka said the minimum purse structure should be 4% for dogs. This gives the developer a chance to get started and you will have the finest dog racing in the Kansas City area. Quarterhorses with a 6% purse will be one of the highest in the country.

With regard to taxes, Mr. Boushka said that he was disappointed with a certain group of greyhound people who wanted to raise taxes from 3% to 5% to keep developers from including horseracing in the package. Most of the push came from out of state and he said he had no sympathy for them. The greyhound industry has played second fiddle for years. They are frustrated and angry. He said they don't feel Kansas should be the one to be short changed in the economic development area. Having the combination track work in Kansas might make other states more interested in allowing greyhound racing in their state. Unless we try the dual track system, we will not know if it works.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Federal & State Affairs,  
room 526S, Statehouse, at 1:30 a.m./p.m. on February 12, 1987

Going from 3% to 5% doesn't give the state the additional income. If the horse industry has 25% of the days, they would have handled 30%-40% more than greyhounds. Sunflower can handle whatever happens with the tax issue and it will be a first class facility. If the developer is doing extremely well, the racing commission can raise taxes. Think they should be 3% and 3% because we are concerned about being competitive on a regional basis. Kansas has started off with a great concept; this is not a time to get timid or shy; do it right. Keep Kansans and their money at home; let other people come to us. See attachment A.

There was discussion about the financial commitments needed when submitting an application to build a track; where this financing will come from and what kind of time period is required.

Also discussed was the way operators are paid and their relationship with the non-profit organization. When asked who would have control - the non-profit organization or the developer - Mr. Boushka said it was a standoff. The developer has a lot of money invested and a lot of risk. The non-profit organization has the power of closing the developer down if there is hanky-panky going on. The standard should be left up to the judgment of the racing commission. The non-profit organization directors group should not have any interest in the developers.

F.E. Bliss, President of the Kansas State Fair Board, Hutchinson, gave testimony in support of the bill. He explained how the bill relates to the Kansas State Fair grounds. According to a preliminary feasibility study, they can accommodate 50 or more days of racing at the state fair grounds. They are not advocating racing during the state fair. This would cause problems with parking and grandstands. Horseracing would enhance the fairgrounds. They would probably have a racing season during April, May and June. Renovations will be needed at the fairgrounds regardless of whether racing takes place or not. He estimated \$9 million to renovate. This money will be raised by private sources. An arrangement has been made with the City of Hutchinson to provide for a bonding company. The Board is in the process of completing a detailed feasibility study, done by Peat, Malwick & Mitchell. This should be completed by April 10.

Mr. Bliss suggested changing the number of members of the commission who can reside in the same congressional district at the time of appointment to "one".

When asked about the suggestion of building a track not less than 2500' from a church or school, Mr. Bliss said that many churches have built a church within that distance of a racetrack over the years.

There was discussion of using inmates during the racing season and Mr. Bliss said that he had talked with the Department of Corrections about using inmates for clean up detail.

When asked why they did not consider dog racing, Mr. Bliss said dogs would have to draw from a bigger population and he felt lower income people frequent the dog races. Horse racing is all they want at this time.

A memorandum was distributed for Kansas Racing Charities, Inc., in response to committee questions on suggested amendments to HB2044. See attachment B.

Hearings were concluded on HB2044.

Monday's meeting will include sub-committee reports and discussion of HB2044.

The meeting was adjourned.

GUEST LIST

FEDERAL & STATE AFFAIRS COMMITTEE

DATE 2/12

(PLEASE PRINT)

NAME	ADDRESS	WHO YOU REPRESENT
RICHARD A. NELSON	ABILENE	KIGO
Norman Pote	KCK	Kansas Racing Wgt
Kimberly Hanson	Abilene	KGOED
Oran Boatright	Mayfield	KGOED
Gordon Davis Jr	800 N. Buckeye Abilene	KGOED
ROSE NELSON	RR 4 Abilene	KIGO
Danna Weis	Brookville	KIGO
Norman Hanson	Solomon KS	KIGO
Julie McNeil	Topeka Ks	Hubb CC, KVMA - KGRM
F. E. Bliss	LONGTON, KS	Ks State Fair
Alfis FARRER	Jays Center Ks	Ks St. Fair
R. P. Guthrie	Hutchinson	C of C.
Michael J. McGuire	RR. 1 St. Paul Kansas	Self
ROBERT A LAKIN	Wichita	Sody Co.
Lollie K. Bittenbender	Lawrence	Self
Edna L Moore	Lawrence	Self
Johana Dellinger	Topeka	KPM
Denny Burgess	Topeka	Sunflower
Tom Burgess	Topeka	Sunflower Racing
Jim Youally	overland Park	Sunflower Racing
Alvie Price	Topeka	KRA
El Schaub	Topeka	Hutchinson Chamber of Commerce
Patrick Hurley	Topeka	Ks Rac mgmt. Inc.

TESTIMONY  
FEDERAL AND STATE AFFAIRS COMMITTEE  
THURSDAY, FEBRUARY 12, 1987, 1:30 P.M.

MR. CHAIRMAN, LADIES AND GENTLEMEN OF THE COMMITTEE:

MY NAME IS RICHARD J. BOUSHKA, HERE TODAY REPRESENTING SUNFLOWER RACING, INC. MY PARTNER, R. D. HUBBARD, AND I FORMED SUNFLOWER SEVERAL MONTHS AGO FOR THE EXPRESS PURPOSE OF OBTAINING RACING LICENSES IN KANSAS CITY AND WICHITA. I AM VERY PLEASED TO HAVE THE OPPORTUNITY TO BE BEFORE YOU TODAY AND I WOULD LIKE TO EMPHASIZE THAT MY COMMENTS SOLELY REFLECT THE ATTITUDES AND POSITION OF SUNFLOWER RACING AND WE DO NOT CARE TO COMMENT OR EDITORIALIZE ON ANY OTHER GROUP'S POSITION OR PROPOSAL.

WITH ME TODAY, AND A MEMBER OF OUR CONSULTING TEAM, IS BUZZ PRELOGAR, WHO I WOULD LIKE TO INTRODUCE AT THIS TIME. BUZZ IS A PARTNER OF ARTHUR ANDERSEN AND IS EXTREMELY KNOWLEDGEABLE REGARDING NATIONAL STATISTICS FOR PARI-MUTUEL. IF YOU, MR. CHAIRMAN, OR ANY OF THE COMMITTEE HAVE QUESTIONS WHICH MIGHT CLARIFY ANY OF THE PREVIOUS TESTIMONY, BUZZ IS AVAILABLE FOR CONSULTATION IN THE QUESTION AND ANSWER PERIOD. HE WILL NOT MAKE A FORMAL PRESENTATION.

WE SYMPATHIZE WITH YOU AS YOU HAVE BECOME INVOLVED IN A VERY COMPLEX SITUATION WITH VERY FEW PEOPLE HAVING THE SAME OPINION, WITH NONE OF THOSE OPINIONS BEING CLASSIFIED AS "LUKE WARM". HOPEFULLY, TODAY WE WILL NOT ADD TO THE CONFUSION WHICH HAS BEEN LAID BEFORE YOU AND, EVEN POSSIBLY, WE MIGHT JUST CLARIFY A FEW SITUATIONS.

I WISH TO TOUCH BRIEFLY ON FOUR DIFFERENT CATEGORIES REGARDING PARI-MUTUEL AND THEN OPEN IT UP TO QUESTIONS. THE FOUR KEY POINTS I WISH TO COMMENT ON ARE FACILITIES, NON-PROFIT, PURSES AND TAXES.

*Attachment A*

## FACILITIES

THERE HAS BEEN A GREAT DEAL OF DISCUSSION REGARDING DUAL TRACKS, COMBINATION TRACKS, ETC. SEVERAL MONTHS AGO WHEN DEE AND I FIRST MET REGARDING WHETHER OR NOT WE WISHED TO BE ACTIVE PARTICIPANTS IN OBTAINING PARI-MUTUEL LICENSES IN THE STATE OF KANSAS, WE WENT THROUGH THE FOLLOWING THOUGHT PROCESS. AN INVESTMENT IN A GREYHOUND TRACK APPEARED TO BE EXCELLENT OR OUTSTANDING IN KANSAS CITY AND VERY GOOD IN WICHITA. THE ECONOMICS WERE GOOD ENOUGH SO THAT WE COULD BUILD FIRST-CLASS FACILITIES TO SERVE THE PUBLIC IN BOTH MARKETS. THE ECONOMICS OF HORSE RACING IN KANSAS CITY APPEARED TO US TO BE MARGINAL AND IN WICHITA, POOR. AGAIN, WE MADE THE ASSUMPTION THAT WE DID NOT WISH TO BE INVOLVED UNLESS WE COULD BUILD FIRST-CLASS FACILITIES IN BOTH MARKETS. THIS LEFT US WITH A DILEMMA BECAUSE WE FELT THAT THE HORSE INDUSTRY IN KANSAS WOULD PROVIDE SIGNIFICANT ECONOMIC DEVELOPMENT FOR THE STATE AND IT SEEMED A SHAME TO US THAT THEY WOULD NOT HAVE AN OPPORTUNITY TO RACE THEIR HORSES IN THE STATE'S TWO LARGEST MARKETS. WE THEN DEVELOPED WHAT WE THOUGHT WAS A COMPROMISE PLAN FOR BOTH KANSAS CITY, AND WICHITA.

DENNY BURGESS IS HOLDING UP A RENDERING OF OUR PROPOSED DEVELOPMENT IN KANSAS CITY. TO MAKE SURE WE ARE CLEAR ON DEFINITIONS, THIS IS CALLED A DUAL TRACK, WHICH IS REALLY TWO DISTINCT SEPARATE FACILITIES SITTING SIDE-BY-SIDE ON THE SAME PIECE OF PROPERTY. BECAUSE KANSAS CITY IS A LARGE METROPOLITAN AREA, WE DID NOT THINK THAT ANYTHING LESS THAN TWO TOTALLY SEPARATE FACILITIES WOULD SUFFICE FOR OUR CUSTOMERS. AS YOU WILL NOTICE, THE DUAL TRACK HAS TWO SEPARATE FIRST-CLASS FACILITIES WHICH INCLUDE THE GRANDSTAND, CLUBHOUSE AND KENNEL CLUB ON THE THIRD LEVEL, AND THE HORSE TRACK, WHICH IS ONE MILE IN CIRCUMFERENCE, WILL ACCOMMODATE BOTH THOROUGHBRED AND QUARTER HORSE RACING AND WILL ALSO HAVE ITS SEPARATE FACILITIES WHICH INCLUDE THE GRANDSTAND, CLUBHOUSE AND TURF CLUB ON THE THIRD LEVEL. THE ONLY COMMONALITY IS THE PARKING, FOR BY PUTTING THE TWO FACILITIES SIDE-BY-SIDE, WE ECONOMIZE OUR LAND USAGE, SAVE SOME COSTS ON PARKING, HAVE THE OPPORTUNITY FOR MORE

EFFICIENT AND EFFECTIVE MANAGEMENT, AND OVER A PERIOD OF TIME, OUR ADVERTISING AND PROMOTION WILL LEAD THE PUBLIC TO ONLY ONE LOCATION. THIS FACILITY IS ESTIMATED TO COST IN THE RANGE OF \$50-\$70 MILLION WITH THE INITIAL ECONOMIC IMPACT OF THE TRACK ALONE REACHING AN ESTIMATED \$110 MILLION. OPERATING IMPACT IS ESTIMATED TO TOTAL ABOUT \$51-\$52 MILLION ANNUALLY WITH A TOTAL OF ALMOST 1,700 FULL-TIME JOBS CONNECTED WITH BOTH OPERATIONS.

AGAIN, I EMPHASIZE, THE RISK INVOLVED IN THE CAPITAL INVESTMENT, IN OUR OPINION, IS COMMENSURATE WITH THE ANTICIPATED ANNUAL CASH FLOW FROM BOTH OPERATIONS. BY COMPARISON, A GREYHOUND TRACK WITHOUT ANY HORSE FACILITIES WOULD REPRESENT APPROXIMATELY 40% OF THE INVESTMENT AND ECONOMIC IMPACT AND PROBABLY 200-400 FEWER JOBS ON AN ANNUAL BASIS.

TOM BURGESS IS HOLDING UP A RENDERING FOR OUR PROPOSED PROJECT AT THE KANSAS COLISEUM JUST OUTSIDE OF WICHITA. YOU WILL NOTE THAT THE GREYHOUND TRACK IS INSIDE AND ON TOP OF A SEVEN FURLONG HORSE TRACK. THIS IS CALLED A COMBINATION TRACK. IT REPRESENTS A COMPLETELY DIFFERENT SET OF VARIABLES THAN THE PROJECT THAT I JUST DESCRIBED FOR KANSAS CITY. THE WICHITA AREA'S POPULATION IS APPROXIMATELY 25% OF THE KANSAS CITY AREA. IN OUR OPINION, A CAPITAL INVESTMENT WHICH WOULD ENTAIL SEPARATE FACILITIES FOR HORSES AND DOGS IS NOT WARRANTED. THE COMBINATION TRACK CAUSES SOME QUESTIONS TO BE ASKED:

- . ARE THE TWO REMOVABLE PIECES OF THE DOG TRACK FREE FROM ANY VIBRATION WHICH COULD CAUSE THE GREYHOUNDS TO RUN ERRATICALLY?
- . WILL THE HORSE SURFACE ON WHICH THE GREYHOUND SURFACE SITS BE ALTERED OVER A PERIOD OF TIME?
- . WILL THE FACILITY IN A JOINT OR COMBINATION TRACK BE PERCEIVED BY THE PUBLIC AS BEING A "NEAT DEAL" OR A "MICKEY MOUSE DEAL"?

WE DO NOT WISH TO BE AND WILL NOT BE INVOLVED IN A SECOND-CLASS OPERATION. IF WE ARE NOT CONVINCED THAT THE COMBINATION TRACK IS TOTALLY SAFE AND APPEALING, WE WILL NOT BUILD IT. I DO NOT WISH TO RAISE ADDITIONAL CONCERNS IN YOUR MINDS. JIM BIRD, OUR ARCHITECT, HAS DESIGNED SIMILAR FACILITIES AND, OBVIOUSLY TO THIS POINT, HAS ASSURED US THE CONCEPT WILL WORK.

WHEN THE PUBLIC ALL OVER THE STATE, ESPECIALLY IN KANSAS CITY AND WICHITA, VOTED ON PARI-MUTUEL, FOR THE MOST PART THEY PERCEIVED HORSE RACING. BECAUSE OF THIS FACT WE WISH TO PURSUE WICHITA ON A COMBINATION TRACK BASIS SINCE, IN OUR OPINION, IT IS THE ONLY OPPORTUNITY TO GIVE RESIDENTS IN THAT AREA A CHANCE TO SEE HORSE RACING IN A QUALITY SETTING.

ONE OTHER POINT REGARDING OUR PROPOSALS -- ALTHOUGH WE HOPE TO BECOME ESTABLISHED IN GREYHOUND RACING IN BOTH KANSAS CITY AND WICHITA, WE ALSO HOPE THAT GREYHOUND RACING CAN BE DEVELOPED IN TOWNS SUCH AS ABILENE. AT NO TIME WAS PART OF OUR STRATEGY THE POSSIBILITY OF PUTTING HORSE RACING IN WICHITA TO BE COMPETITIVE WITH EUREKA OR HUTCHINSON. THAT WILL BE A MATTER FOR THE RACING COMMISSION TO DECIDE AS TO WHETHER THREE HORSE TRACKS OF ADMITTEDLY DIFFERENT QUALITY WILL BE ABLE TO SUSTAIN THEMSELVES IN A RELATIVELY CLOSE AREA.

IT HAS BEEN STATED THAT DUAL TRACKS HAVE NEVER WORKED. WE ARE NOT GOING TO GET INVOLVED, UNLESS YOU DESIRE TO DO SO, IN A LONG DETAILED DEBATE ON THIS ISSUE. THERE ARE MANY EXAMPLES WHERE GREYHOUNDS AND HORSES CO-EXIST AND BOTH DO EXTREMELY WELL: FLORIDA, PHOENIX, ETC. WE HAVE TAKEN THE ADDED PRECAUTION IN OUR PROPOSAL THAT WITH THE GREYHOUNDS HAVING 70-75% OF THE PERFORMANCE DATES AND HORSES 25-30%, WE THINK THAT BOTH WILL NOT ONLY DO WELL, BUT THRIVE BECAUSE WE ARE NOT GOING TO RUN THEM AGAINST EACH OTHER. IN OTHER WORDS, THEY WILL HAVE COMPLETELY SEPARATE RACING MEETS.

NON-PROFIT

WHEN DEVELOPERS START COMMENTING ON LEGISLATIVE NON-PROFIT PLANS, THEY ARE IN A "CATCH 22". IF I SAY THAT THE LEGISLATION NEEDS TO BE CHANGED, YOU ARE SITTING HERE THINKING "WONDER WHAT HE WANTS TO CHANGE IT TO AND HOW IT'S GOING TO BENEFIT HIM?" ON THE OTHER HAND, IF I SAY THE PRESENT PLAN IS GREAT, YOU WONDER "WHAT I KNOW THAT YOU DON'T KNOW". TRUTHFULLY WE FIND THE PLAN WORKABLE WITH IT BEING FAIR AND DIFFICULT AT THE SAME TIME. WE HAVE BEEN APPROACHED BY SEVERAL GROUPS WHO WISH TO JOIN WITH US IN MAKING APPLICATIONS ON A JOINT BASIS FOR LICENSES. BOTH THE CHARITY GROUPS AND OURSELVES HAVE DEEMED IT WISE TO WAIT UNTIL THE LEGISLATION IS FINAL BEFORE MAKING ANY FINAL DECISION.

ON THE CHARITY SIDE, THEY ARE EXTREMELY CAUTIOUS REGARDING THE RESPONSIBILITY AND LIABILITY THEY INCUR BY BEING IN CHARGE OF RACING AND PARI-MUTUEL. ON OUR SIDE, WE DO NOT WISH TO MAKE ANY PREMATURE PUBLIC ANNOUNCEMENTS WHICH MIGHT BE DEEMED THAT WE ARE ATTEMPTING TO RIDE THE COATTAILS OF THE REPUTATIONS OF THE CIVIC LEADERS WHO WOULD BE INVOLVED IN THE NON-PROFIT CORPORATION ASSOCIATED WITH US. WE FEEL VERY STRONGLY THAT THE INTEGRITY AND WORTHINESS OF THE OWNER-LICENSEE SHOULD BE THE FIRST CONSIDERATION SINCE THEY ARE THE RISK-TAKER AND THEY ARE THE PEOPLE KNOWLEDGEABLE REGARDING A RACE TRACK INVESTMENT AND OPERATION.

ASSUMING THE PRESENT LEGISLATION STAYS REASONABLY INTACT CONCERNING THE NON-PROFIT CORPORATION OR THE ORGANIZATIONAL LICENSEE, WE WOULD FILE WITH THE RACING COMMISSION AN AGREEMENT BETWEEN SUNFLOWER AND THE NON-PROFIT CORPORATION, WHICH AGREEMENT COULD NOT BE CHANGED ON A 3 OR 6 MONTH WHIM, AND IN THAT AGREEMENT, THE TOTAL RELATIONSHIP BETWEEN THE TWO ENTITIES WOULD BE FORTH-RIGHTLY PRESENTED WITH NO SECRETS BEING KEPT FROM THE RACING COMMISSION. WE THINK THE PRESENT STRUCTURE WORKS BECAUSE THE PROFIT CORPORATION SHOULD INVEST THE MONEY AND TAKE THE RISK WHILE THE NON-PROFIT CORPORATION ASSURES THE PUBLIC THAT THE RACING IS FAIR AND HONEST, ASSURES THE STATE THAT THE FIGURES



FOR THE PARI-MUTUEL HANDLE ARE ACCURATE, AND WISELY AND EQUITABLY DISTRIBUTES CHARITABLE FUNDS IN THE LOCAL AREA. IT IS OUR OPINION THAT THE PRESENT LEGISLATION HAS MANY, MANY SAFEGUARDS IN IT FOR THE STATE AND THE PUBLIC. THE RACING COMMISSION HAS THE POWER TO TAKE AWAY LICENSES IF VIOLATIONS ARE OFTEN AND FLAGRANT ONES. WE HOPE THE FINAL WORDING GIVES NOT ONLY THE STATE AND THE PUBLIC PROPER PROTECTION, BUT ALSO ALLOWS FOR THE DEVELOPER TO PROPERLY FINANCE HIS PROJECT.

### PURSES

JUST A SHORT COMMENT REGARDING MINIMUM PURSE STRUCTURE AS PROPOSED IN THE PRESENT LEGISLATION, ESPECIALLY RELATING TO GREYHOUNDS. WHEN THE 4% WAS FIRST PROPOSED TO US WE REALIZED IT WAS 30% HIGHER ON AN AVERAGE THAN MOST OF THE STATES AND THE NATION AS A WHOLE. HOWEVER, OUR CONCERN TURNED TO ENTHUSIASM OVER A PERIOD OF TIME WHEN WE REALIZED THAT BY ALLOWING THE GREYHOUND BREEDERS AND OWNERS TO RACE FOR THAT KIND OF MONEY, WE WOULD ATTRACT THE FINEST DOGS AND THE BEST KENNELS TO KANSAS, WITH KANSAS CITY HAVING THE OPPORTUNITY OF BEING THE FINEST GREYHOUND RACING IN THE COUNTRY WITH WICHITA NOT FAR BEHIND. QUARTER HORSE RACING IN KANSAS CITY, BECAUSE OF THE 6% MINIMUM PURSE AND POTENTIAL HANDLE WILL BE WELL UP ON THE NATIONAL SCALE FOR PEOPLE WHO OWN AND RACE QUARTER HORSES.

### TAXES

WE WERE, OF COURSE, DISAPPOINTED WHEN A CERTAIN GROUP OF THE GREYHOUND PEOPLE RAISED THEIR OWN TAXES FROM 3-5% WITH THE ONLY APPARENT PURPOSE BEING TO KEEP DEVELOPERS SUCH AS OURSELVES FROM GOING FORWARD WITH OUR PLANS TO INCLUDE HORSE RACING IN OUR PACKAGES. MOST OF THE PUSH FOR THIS INCREASED TAX POSITION CAME FROM PEOPLE FROM OUT-OF-STATE AND, IN A WAY, I TOTALLY UNDERSTAND THEIR FEELINGS AND SYMPATHIZE WITH THEIR EMOTIONS. THE GREYHOUND INDUSTRY FOR YEARS HAS HAD A DIFFICULT TIME BEING ALLOWED TO RACE IN MANY STATES EVEN THOUGH THEY COULD PROVE THAT THEY HAD

BETTER ECONOMICS AND A WIDER BASE OF CUSTOMERS. ALTHOUGH WE UNDERSTAND THEIR FRUSTRATION, WE DO NOT FEEL THAT ECONOMIC DEVELOPMENT IN KANSAS SHOULD BE SHORTCHANGED NOR THE RACING PUBLIC NOT HAVE THE OPPORTUNITY OF ENJOYING ANOTHER ENTERTAINMENT ALTERNATIVE. ALSO BECAUSE YOU NEVER KNOW FOR SURE UNTIL YOU TRY, OUR PLAN FOR COMBINING THE OWNERSHIP OF GREYHOUND AND HORSE TRACKS MIGHT JUST BE A METHOD FOR THEM TO ENTER SOME STATES FROM WHICH THEY HAVE BEEN ELIMINATED IN THE PAST.

IN HELPING TO SOLVE THE TERRIBLE DILEMMA INTO WHICH IT HAS PUT YOU LEGISLATORS, LET'S GET A FEW FACTS ON THE TABLE THAT HAVE NOT BEEN MENTIONED PREVIOUSLY. GOING FROM 3-5% AND ELIMINATING HORSES DOES NOT ADD A TOTAL OF 2%. IF HORSES HAVE A 90-100 PERFORMANCE MEET, DURING THOSE DAYS THE HANDLE FOR HORSES WILL BE AT LEAST 30-40% HIGHER THAN THE GREYHOUND HANDLE WOULD HAVE BEEN DURING A SIMILAR PERIOD. IN OTHER WORDS, THE 3% FOR HORSES IS MULTIPLIED BY A HIGHER NUMBER THAN THE 5% FOR GREYHOUNDS. ALSO, IF A GREYHOUND MEET WERE EXTENDED FROM 8-11 MONTHS, PUBLIC INTEREST WOULD WANE AND THE HANDLE FOR THOSE ADDITIONAL THREE MONTHS WOULD NOT BE AT THE SAME LEVEL AS FOR THE PREVIOUS EIGHT MONTHS. FOR EXAMPLE PURPOSES, IF KANSAS CITY WOULD HAVE AN ANNUAL HANDLE OF APPROXIMATELY \$150 MILLION, THE APPARENT INCREASED TAXES WOULD AMOUNT TO \$3 MILLION ADDITIONAL REVENUE FOR THE STATE OF KANSAS. HOWEVER, IF YOU TAKE INTO CONSIDERATION THE FACTORS I MENTIONED BEFORE, THIS NUMBER WILL BECOME SOMEWHERE BETWEEN ZERO AND \$2 MILLION.

NOW PUT YOUR ECONOMIC DEVELOPMENT HAT ON; HOW MANY TIMES IN THE PAST YEARS HAVE CITIES OR STATES BEEN WILLING TO GIVE MANY TIMES THAT AMOUNT IN THE FORM OF TAX RELIEF OR OTHER INCENTIVES TO GET \$50 MILLION OF ECONOMIC DEVELOPMENT AND 200-400 ADDITIONAL JOBS? YOU REALLY ARE DEALING WITH A SITUATION THAT IS VERY SIMILAR TO THE ONE THAT WE HAD TO MAKE REGARDING THE 4% MINIMUM PURSE FOR GREYHOUND BREEDERS. WE ASK YOUR CONSIDERATION IN LOOKING AT THE LONG TERM -- SURE THE 1% ADDITIONAL GREYHOUND PURSE LOOKED BIG TO US INITIALLY AS DOES THE 2% INCREASED TAXES, BUT HOPEFULLY, WE HAVE LAYED OUT HARD FACTS WHY THE LONG-TERM FAR OUTWEIGHS

THESE SHORT-TERM BENEFITS. WITH A COMPETITIVE TAX STRUCTURE, TERRITORY PROTECTION AND A QUALITY PROGRAM FOR GREYHOUNDS, THOROUGHBREDS AND QUARTER HORSES, IT IS HARD TO IMAGINE HOW WE COULD NOT SUCCEED.

THE STATE OF KANSAS HAS DEVELOPED A GREAT CONCEPT FOR PARI-MUTUEL RACING. THAT IS USUALLY THE HARDEST STEP TO TAKE. WE DO NOT FEEL IT IS THE TIME TO GET TIMID OR SHY. LET'S CARRY ON AND DO IT RIGHT. GIVE OUR CUSTOMERS, CITIZENS AND THE PUBLIC FIRST-CLASS FACILITIES SO THEY TRULY ENJOY THE ENTERTAINMENT OPTION WE ARE GIVING THEM. WE HAVE TALKED ABOUT ECONOMIC DEVELOPMENT PREVIOUSLY TODAY; ONE THING WE HAVEN'T MENTIONED IS THE FACT THAT WITH OUR PROGRAMS, WE HOPE TO KEEP KANSANS AND THEIR MONEY HOME. WE THINK IT IS TIME TO EVEN TAKE THAT STATEMENT ONE STEP FARTHER -- HOW ABOUT LET'S GET THE SEVEN OR EIGHT STATES SURROUNDING US CITIZENS TO COME TO OUR HOME AND SPEND THEIR MONEY IN OUR STATE FOR A CHANGE. THAT SHOULD BE OUR ULTIMATE MISSION.

SUNFLOWER IS GOING FORWARD WITH ITS PLANS REGARDLESS OF WHETHER THE TAXES ARE 5% AND 3% OR BOTH 3%. WE ARE BUSINESSMEN; WE ARE ECONOMICALLY ORIENTED PEOPLE. THAT IS THE REASON THAT YOU WILL ALWAYS HEAR US TALK ABOUT A RANGE FOR BOTH FACILITIES IN KANSAS CITY. IF THE TAX STAYS AT 5% FOR GREYHOUNDS, WE WILL LOWER OUR TOTAL CAPITAL INVESTMENT ACCORDINGLY AND WHO WILL SUFFER? THE PUBLIC WILL NOT HAVE AS FINE FACILITIES, THE GREYHOUND BREEDERS AND THE HORSE OWNERS AND TRAINERS WILL NOT HAVE AS NICE KENNEL AREAS OR BACKSTRETCH FACILITIES. THE EXTRA AVAILABLE FOR PURSES WILL CAUSE THE QUALITY OF THE ANIMALS RACING TO BE NOT QUITE AS GOOD AND, MOST SIGNIFICANTLY, OVER A PERIOD OF TIME BECAUSE OF ALL THE AFOREMENTIONED FACTORS, THE HANDLE WILL NOT ACHIEVE ITS MAXIMUM POTENTIAL AND THE STATE REVENUES WILL DECLINE. IF A DEVELOPER IS DOING EXTREMELY WELL AND THE DEBT ATTACHED TO THE PROJECT HAS BEEN SIGNIFICANTLY REDUCED, THE STATE THROUGH THE RACING COMMISSION HAS THE OPTION OF INCREASING THE TAXES. IN THE WAVE OF NATIONAL REDUCTION IN TAXES IT DOES SEEM A LITTLE ODD WE ARE SITTING HERE WITH THE POSSIBILITY OF

HAVING THE TAXES RAISED FROM THEIR FIRST PERCEPTION. IT IS IMPORTANT THAT KANSAS BE COMPETITIVE ON A REGIONAL BASIS AND SURELY SUCCESS OVER A LONG PERIOD OF TIME IS THE MOST SIGNIFICANT INGREDIENT THAT ALL OF US WHO ARE INVOLVED MUST TRY TO ATTAIN.

MEMORANDUM

TO: House Committee on Federal and State Affairs

FROM: Kansas Racing Charities, Inc. (KRCI)

DATE: February 11, 1987

RE: Response to Committee Questions on Suggested Amendments to H.B.  
No. 2044

SUMMARY OF INFORMATION

Following the testimony offered by Kansas Racing Charities, Inc. on February 3, 1987, the Committee raised several questions and requested certain information be provided to supplement the testimony which was offered. The purpose of this memorandum is to respond in detail to the requests of the Committee. Specifically, Chairman Miller requested that with respect to the proposed amendments offered by KRCI, an analysis be prepared as to the impact upon the various segments of the racing industry and the state of Kansas.

In order to clarify some of the confusion surrounding how the KRCI nonprofit organization will operate within the framework of the constitutional amendment and enabling legislation, we have attached Appendix I which offers a diagram of the relationship between the nonprofit corporation, the facility manager and the lender. Based upon the relative positions of the parties outlined in Appendix I, we have attempted to assess the impact of our proposed amendments upon: the nonprofit which will have the license to operate and conduct racing and wagering; the facility manager who will be licensed to manage the racetrack facility through a contract with the nonprofit; the lender which will provide the nonprofit with the financing necessary to construct the racetrack; the greyhound breeders who will receive purses from the racetrack (but who are not included in Appendix I); and the State of Kansas. We are not suggesting that the structure of KRCI is the only way to comply with the Constitutional Amendment. Other groups may choose to structure themselves differently.

ADVANCE PAYMENT OF FEES AND TAXES

KRCI has proposed that HB 2044 be amended to require all applicants for racetrack licenses to submit with their license applications advance payment of taxes and fees. If the applicant proposes to race for 150 days or more annually, the advance payment would be \$500,000. If the applicant proposes to conduct racing on 150 days or less annually, the advance payment would be \$250,000. The deposit requirements do not apply to those entities identified in Section 14 of HB 2044.

*Attachment B*

1. Impact on nonprofit corporation.

At the time the nonprofit seeks adequate financing to construct a racetrack, it will be required to seek additional financing to immediately pay to the Racing Commission the appropriate amount of the advance. In essence, the nonprofit will be required, by the payment of the advance, to prove to the Racing Commission that it has access to the funds necessary to construct the racetrack. Once a racetrack begins operation, the nonprofit will realize a credit against taxes and fees for a brief period, thus improving its initial cash flow position.

2. Impact on facility manager.

No impact.

3. Impact on lender.

In addition to obtaining the financing necessary to construct the racetrack, the nonprofit must also locate a lender to provide the additional financing necessary to cover the advance. The additional financing made necessary by this requirement will increase the total financing package by a relatively small percentage. A racetrack in the Kansas City area will cost at least \$20 million. The racetrack KRCI would propose will cost approximately \$35 million.

4. Impact on greyhound breeders.

No impact.

5. Impact on state of Kansas.

The state of Kansas would benefit from the immediate revenue source which would be provided to fund the startup costs of the Racing Commission. The state would retain the interest on the advances pending the determination by the Racing Commission of which applicants would receive racetrack licenses, but it would be required to account for and return the principal sum of the advances to unsuccessful applicants. The state also would receive an indication of the financial stability of all applicants based upon the applicants' ability to provide the advance.

**UNQUALIFIED COMMITMENT FOR FINANCING**

KRCI has proposed that, at the time applications for racetrack licenses are submitted to the Racing Commission, the applicant should also submit a commitment of financing from a lender conditioned only upon the issuance of the license.

1. Impact on nonprofit corporation.

The nonprofit organization will be required to obtain financing prior to applying for a racetrack license, and it will be required to disclose to the Racing Commission the source of its funds. Furthermore, prior to applying for a license, the nonprofit will need to prepare a sound and thorough proposal for the racetrack facility as a condition precedent to obtaining the commitment of financing from the lender. Thus, upon the issuance of the license, the nonprofit should be prepared to commence construction of the racetrack immediately, rather than delay construction in order to seek financial support.

2. Impact on facility manager.

No impact.

3. Impact on lender.

When a nonprofit organization approaches a lender for an unqualified commitment of financial support, the lender will scrutinize very closely the nonprofit organization and its proposal for the racetrack facility. The lender will probably issue the unqualified commitment of financing only if the nonprofit and its proposal are sound.

4. Impact on greyhound breeders.

No impact.

5. Impact on state of Kansas.

Through the Racing Commission, the state of Kansas will be assured of the financial stability of the nonprofit organization. The state will be further assured that the racetrack will be built without the delay necessitated by seeking financing following the issuance of the license for the racetrack. The Racing Commission also will have the ability to investigate the lender and to prevent undesirable sources of financing. Finally, the expedited construction of racetracks will impact favorably upon the state through the acceleration of revenues from the taxing of parimutuel wagering at the tracks. Also, the more rapidly tracks become operational, the more competitive the state will remain in comparison with the racing industry in other states. The economy of the state will be beneficially impacted by the rapid construction of racetracks through the advantages to food, lodging and other industries.

**TAXES AND PURSES**

KRCI has taken a primary position with respect to taxes and purses that the current version of the bill, a 5% tax on wagering on greyhound races and a 4% purse, is acceptable. KRCI also maintains that, should the state desire to increase the tax on greyhound racing to 6%, the maximum tax

constitutionally allowable, we would support such a provision if the purse were lowered to 3% and cities and counties were allowed a portion of the 6% tax in lieu of property taxes on the racetrack facility. Additionally, KRCI has recommended that the tax not be expressed in fractions, but rather that the tax be imposed as a percentage of the handle, the total amount wagered, and that the takeout be frozen at 18%. The following will be a discussion as to the impact on the various parties with respect to both KRCI's primary and secondary positions on this issue. Additionally, in response to Chairman Miller's request, a table is provided examining potential financial consequences with respect to both positions.

A. The impact upon the various parties with respect to a 5% tax and 4% purse are as follows:

1. Impact on nonprofit corporation.

Under these provisions, a nonprofit organization could profitably operate a greyhound racetrack facility. With taxes and purses established as the bill now provides, the remaining portion of the takeout accruing to the nonprofit would not only permit retirement of the debt to the lender, but also would generate excess funds to be distributed to charitable organizations. Finally, the purses which would be paid by the nonprofit organization to the breeders would be the highest in the United States.

2. Impact on facility manager.

Taxes and purses do not affect the facility manager. Generally, the facility manager has a contract with the nonprofit organization based upon the handle, the total amount wagered. The amount of the handle affects the amount of the taxes and purses, but taxes and purses do not affect the handle. Thus, the facility manager has the same interest as the state and the breeders. That is, as the handle increases, the facility manager makes more money, purses are higher and taxes increase.

3. Impact on lender.

With taxes at 5% and purses at 4%, lenders will be reasonably assured that the revenue derived by the nonprofit from its portion of the takeout will permit the satisfactory retirement of its debt.

4. Impact on greyhound breeders.

The 4% purse coupled with the monetary benefits of the breakage and outs (the unclaimed winning tickets) provides Kansas breeders the highest purses available in the United States.

5. Impact on state of Kansas.

The 5% proposed tax rate on dog tracks allows the state of Kansas to make substantial revenues while allowing a dog track to profitably operate.



B. The impact upon the various parties if the legislature enacted a 6% tax, a 3% purse and substituted other revenues for property taxes are as follows:

1. Impact on nonprofit corporation.

This proposal has no net impact on the nonprofit in comparison with the foregoing proposal. The difference in this proposal versus the proposal addressed above is that the nonprofit organization would be paying higher taxes to the state, but the higher tax would be offset by lower purses paid to breeders. However, the purses paid to the breeders would still be in the top 1/3 of purses paid to breeders at tracks in the United States.

2. Impact on facility manager.

Taxes and purses do not affect the facility manager as discussed above.

3. Impact on lender.

The impact is the same as that discussed above.

4. Impact on greyhound breeders.

The percentage of purses to be paid to dog breeders would be lowered from 4% to 3%, but the allowance for the breakage and outs to be applied to the purses would be retained. As a result, the purses to be paid to breeders would remain among the top 1/3 of the purses paid by tracks in the United States.

5. Impact on state of Kansas.

The tax rate for the state would be increased from 5% to 6%. This would result in substantially more revenue for the state. The lowering of the purse from 4% to 3% would not affect the state of Kansas. With respect to the exemption on property taxes and the return of a portion of the 6% tax to units of local government, it is quite probable that the state as well as units of local government would benefit from such a proposal. A number of variables must be input in order to determine the exact revenue impact on all of the various parties. These variables include the exact location of the track, the type of track, the track's appraised value, the mill levy at the location of the track, the relative proportion of real property and personal property values and the total amount of handle which would be realized. Presuming that KRCI's proposed track is constructed at a cost of approximately \$35 million, it is anticipated that a handle of at least \$200 million would be realized. The track would have the highest handle in the United States. Below is an analysis of revenues comparing the effect on the state, the breeders and units of local government of the two proposals suggested by KRCI. The analysis has been drawn for a track with a cost of \$35 million and also for a projected handle of \$200 million.

PROJECTED KANSAS CITY DOG TRACK - MINIMUM \$200 mill. HANDLE

<u>H.B. 2044</u> (5% Tax, 4% Purse, Pty. Tax)	<u>Alternate Proposal</u> (6% Tax, 3% Purse, No Pty. Tax)
State of Kansas \$200 mill. x .05 = \$10 mill.	\$200 mill. x .06 = \$12 mill.
Breeders* \$200 mill. x .04 = \$8 mill.	\$200 mill. x .03 = \$6 mill.
Pty. Tax** approx. \$800,000	++.5% of tax to city = \$1 mill. ++.5% of tax to county = \$1 mill.

\* Purses shown for breeders in this illustration do not include the breakage and outs which would supplement purses pursuant to HB 2044.

\*\* Property tax figures assume \$35 million construction cost, location in area with very high mill levy and value heavily weighted for real, rather than personal property tax. This estimate is intended to state the maximum possible property tax burden.

++ KRCI has suggested .5% returned to both city and county, but KRCI would support any portion of the 6% tax being returned in lieu of property tax.

RACING COMMISSION AND ITS EMPLOYEES

KRCI has proposed that the Racing Commission be comprised of three full-time members appointed by the governor with no executive director. Furthermore, KRCI's proposal would have no particular segment of the industry represented on the Commission with the commissioners being paid a substantial salary, \$75,000 annually is suggested.

1. Impact on nonprofit corporation.

The nonprofit organizations which have licenses to operate racetrack facilities would be assured that the breeders, as well as other groups, would not have a permanent representative on the Racing Commission. The Commission would likely be subject to fewer internal biases in its decision making. The nonprofit would also be affected by the Commission being comprised of full-time, competent individuals attracted by the substantial salary being offered. No executive director would be present to assume de facto control over a part-time commission.

2. Impact on facility manager.

The impact on the facility manager would be the same as on the nonprofit corporation.

3. Impact on lender.

No impact.

4. Impact on greyhound breeders.

The breeders would experience the same benefits noted above with one exception: the loss of their permanent representative on the Racing Commission.

5. Impact on state of Kansas.

The state would benefit from this proposal by maintaining a more competent Racing Commission. Competent people, with their undivided attention being directed to the racing industry, would be representing the state on the Commission. Additionally, the Commission would have the authority to decide the number and types of employees required to administer the statutes and rules and regulations. Ultimately, the executive and legislative branches would have control by the budget process over the Commission's authority to hire employees.

The remaining three proposals offered by KRCI pertaining to exclusive state regulation, exclusive licenses and racing days, should be less controversial and more self-evident. KRCI will provide an analysis of these issues should the Committee so desire.

KRCI hopes that the foregoing discussion presents the Committee the information which it has requested. If any additional information is needed by the Committee with respect to these or other issues in the racing industry, KRCI remains prepared to provide any assistance possible.

APPENDIX I

STRUCTURE PROPOSED BY THE KRCI NONPROFIT CORPORATION

