

Approved *Ginger Barr*
March 26, 1990 Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Representative Ginger Barr at
Chairperson

3:13 ~~am~~/p.m. on March 19, 1990 in room 526-S of the Capitol.

All members were present except:

Representatives Douville
King

Representatives Peterson
Wagnon

Committee staff present:

Lynne Holt, Kansas Department of Legislative Research
Mary Torrence, Revisor of Statutes Office
Juel Bennewitz, Secretary to the Committee

Conferees appearing before the committee:

Denny Oelschlager, Executive Secretary, Nebraska Racing Commission
Art Johnson, President, Southwest Simulcasting

HB 3078

Denny Oelschlager stated he had been in his present position 10 years. He gave the following background information: graduated from the University of Nebraska with a degree in economics, has done graduate work in public administration, and served 10 years in the highway safety area of the highway department.

Nebraska has had simulcasting for three years. The first year (1987) began on a limited, experimental basis of 7 days, expanding the next two years.

Mr. Oelschlager described the following as the three ways in which Nebraska has been involved in simulcasting:

- I. There is a network within the state of five thoroughbred tracks that simulcast to and from each other during the racing season.

The intra-state network includes the five thoroughbred tracks but not the two quarter horse tracks. Thoroughbreds have raced for approximately 50 years and quarter horses approximately 16 years. The simulcast provider that put up the signal was the educational T.V. network at the University of Nebraska. In 1988 the largest thoroughbred tracks provided a simulcast signal to the intra-state network:

1. Bonner Park (late February - late April)
2. AkSarBen (May - August)
3. Columbus (overlaps end of AkSarBen thru mid - September)
4. Lincoln (mid - September - Thanksgiving)

As a result of the intra-state simulcasting network, the total handle has increased approximately 50% from 1986.

Issues involved in intra-state simulcasting are:

- a. Getting a signal to a satellite. A provider is necessary to do this.
- b. If self done, the overhead cost is approximately \$2,500 per day. In Nebraska, shared by the four receiving tracks based on their relative handle for the day. This permits relatively small racetracks to participate as receiving locations.

Approximately 60% of Bonner Park's and 23% of AkSarBen's handles are coming from the simulcast locations.

- II. Major races are brought in from out-of-state to supplement the live racing cards. This was begun in 1989 with 35 races including the Kentucky Derby.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Federal and State Affairs,

room 526-S, Statehouse, at 3:13 ~~xxx~~/p.m. on March 19, 1990

The Kentucky Derby was one of the most successful racing days Nebraska has had and another four or five races were successful. Mr. Oelschlager called 25-30% of the races marginally successful stating live in-state races may have been an equally good alternative. He called free national publicity a key to the success of the simulcast races.

III. During the off season (late November - early February) entire cards of races have been brought in from out-of-state.

Entire cards of out-of-state races were brought into AkSarBen in December and those were supplemented with special races from the Meadowlands (New Jersey). Races from Santa Anita (California) were supplemented in January. Approximately \$250,000 was the additional gross at one park during December - January. There was approximately \$20,000 per race generated on the major races from Santa Anita during December - early February. The average at Bonner Park was approximately \$25,000 per live race (10 races per day) at that facility when the regular racing season was underway, exceeding the handle on the best races from Santa Anita. Mr. Oelschlager stated there is a great deal of value in having horses that are local and familiar.

Art Johnson explained his company was formed for the purpose of sending and receiving televised races in New Mexico. He stated simulcasting has:

- a. enhanced purse programs
- b. paid taxes to the state
- c. enhanced breeders' funds
- d. supplemented race programs

The legislation in New Mexico implemented simulcasting to compete with racing in Texas which has not yet been established. New Mexico purse enhancement allows it to be in a position to surpass Arizona which has been the leader for years. The simulcast handle will raise from \$140 - \$190 million bet per year. The purse distribution to horsemen will increase from \$14 - \$19 million.

Mr. Johnson stated he began in the racing business in 1957, helped implement simulcasting in Pennsylvania and called it the "most positive, innovative tool presented to racetracks to develop, market and promote their racetracks".

Committee discussion:

Q. To Mr. Johnson - Could you explain how other states participate in the distribution?

A. Mr. Johnson cited the All American Futurity held at Ruidoso Downs as the "finest quarter horse race". It was the primary reason for the implementation of simulcasting. New Mexico now distributes both the audio and video signal and is allowed to permit wagering by other states at that track. Using the All American Futurity as an example, New Mexico will permit another state to receive the race. The fee is 50% of the amount retained from the wagers after deductions for state taxes and contributions to the Breeder's Fund. For example, Remington Park, Oklahoma forms its own pools and allows patrons to wager on them. It uses the All American Futurity as a promotional tool.

Q. To Mr. Johnson - Is 50% a standard amount?

A. The response indicated it was standard with major tracks such as Santa Anita. He predicted the programs will be less, with the exception of major races such as the Kentucky Derby, as competition increases.

Q. To Mr. Oelschlager - In the event of more than one group representing horsemen, does Nebraska's legislature determine how the group representing the horsemen will be chosen?

A. The answer was that it has never been an issue. Since Nebraska was strictly a thoroughbred state for 50 years, the leadership of the Horsemen's Benevolent Protective Association (HBPA) is established and has not been questioned.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Federal and State Affairs,
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- Q. To Mr. Oelschlager - Kansas is new to racing and doesn't have similar HBPA representation. Would you think there should be some provision for the racing commission to determine how an election should be held if there is some controversy?
- A. The response indicated a prediction it will be an issue. Mr. Oelschlager stated he did not feel he had the background to offer advice on the issue.
- Q. To Mr. Johnson - Do you know what other states have done regarding the representation of the horsemen at the track?
- A. The interstate act defines the horsemen's group as the majority of owners and trainers at that track. Mr. Johnson stated he had never seen an election of a horsemen's group to give permission for the simulcasting program. The horsemen and commissions have rights on "both ends" before a program can be established under the "Interstate Horse Racing Act".
- Q. To Mr. Johnson - Remington Park has a contract with the Thoroughbred Racing Association (TRA). Are you familiar with that facility's problems in determining who will represent the horsemen as the HBPA claims more members?
- A. Mr. Johnson acknowledged hearing of the problems but did not know who Remington management recognized as the representative for the horsemen.
- Q. To Mr. Johnson - Knowing other states have had problems with it, would you suggest we address the problem?
- A. The response was that there could be a definition but not knowing how thoroughbred racing is forming in Kansas, track management will have to meet with all the groups to determine a course of action.
- Q. To Mr. Johnson - Have you had any experience with the host (sending) and receiving tracks forming pools in order to get the same odds as a bigger track? How does that work?
- A. It is being watched very closely within the industry. The first connection in the United States was recently made between the Wyoming off track betting (OTB) system and Golden Gate Fields. Santa Anita and Canterbury Downs (Minnesota) adopted legislation that would have permitted those two tracks to form common pools. Canterbury Downs couldn't initiate the program due to financial difficulty. Mr. Johnson stated, "It appears it will greatly benefit sparsely populated states." When they form their own pools in those states, the amount of money wagered is not large enough to enhance the betting. A person could wager a small amount and affect the odds eventually diminishing the pools. If a person could bet into large pools, the money is "protected".

Chairman Barr announced the hearings will remain open since not all scheduled conferees had been heard.

The meeting adjourned at 3:37 p.m. The next meeting of the committee is scheduled for March 20, 1990 at 1:30 p.m. in Room 526-S.

