

Approved July 8, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Representative Kathleen Sebelius at
Chairperson

1:00 ~~a.m.~~/p.m. on Thursday, April 25, 1991 in room 526-S of the Capitol.

All members were present except:

Representative Dale Sprague - Excused
Representative Joan Wagnon - Excused

Committee staff present:

Mary Galligan - Kansas Legislative Research Department
Lynne Holt - Kansas Legislative Research Department
Mary Torrence - Office of the Revisor
Connie Craig - Secretary to the Committee

Conferees appearing before the committee:

SB 383 - PROPONENTS

Dana Nelson, Executive Director, Kansas Racing Commission
Richard Boushka, President, Sunflower Racing, Inc.
Harvey L. Brown, Ferrell-Miller Kennel, Miller Greyhounds
Debbie Schauf, Kansas Horsemen's Association
David E. Tolle, Kansas Quarter Horse Racing Association
Dia Weisenburger, Kansas Appaloosa Racing Association
Pete McGill, Wichita Greyhound Park, Inc.
Jim Yonnally, TRAK-East

SB 383 - OPPONENTS

Jim McCoy, National Horsemen's Benevolent Protective Assoc.
- New Racing State's Committee
Charles Dickey, Nat'l Horsemen's Benevolent Protective Assoc.
- Kansas Ad Hoc Committee
Ralph Lilja, Kansas Thoroughbred Association
Richard Crawford, The American Companies, Inc.
Reverend Paul Mitchell, Countryside United Methodist Church
Reverend Richard Taylor, KANSAS FOR LIFE AT ITS BEST!
Frances Wood, Topeka, Kansas

Chair Sebelius called the meeting to order, and announced that we will have hearings on SB 383 today. She added that on first adjournment tomorrow, there would be two hearings on lottery bills at that time, and may try to take action on SB 383. Tomorrow, at 1:00 p.m., a hearing is scheduled for SB 147, Parental Notification, and hopefully take action on bills previously heard.

SB 383

Dana Nelson appeared before the Committee in support of SB 383, and read from his written testimony, Attachment #1. He also included a bill brief explaining the different changes introduced with simulcasting, Attachment #2. In regards to any questions that the Committee members might have about investigations by the KBI, Mr. Nelson handed out a written explanation, Attachment #3. He completed his testimony by saying the Chairman of the Racing Commission has some reservations on some aspects of the bill, but the consensus of the Commission was that they will support the bill.

Richard Boushka came before the Committee as a proponent of SB 383. He paraphrased his written testimony, Attachment #4, by saying that SB 383 is the ultimate in simplicity when you talk about simulcasting. He also stated that even though the Fair Circuit is not mentioned in this bill, The Woodlands desperately needs the Fair Circuit and will continue to work for legislation that will include these people.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS,
room 526-S, Statehouse, at 1:00 ~~xxx~~p.m. on Thursday, April 25, 1991

Written testimony, Attachment #5, was presented in support of SB 383 from Terry Champagne, Racing Director, Northeast Kansas Quarter Horse Association, who was unable to attend the hearing.

Harvey L. Brown, Abilene, Kansas, urged the Committee to support SB 383 and read from his written testimony, Attachment #6.

Debbie Schauf appeared before the Committee in support of the simulcasting bill, and read from her written testimony, Attachment #7, urging the Committee to pass SB 383 favorably. Her testimony included concerns raised over the approval section in the bill which could lead to the possible elimination of live horse racing, leaving out small tracks or "Fair Meet" tracks, and no real control over expenses involved in simulcasting.

David Tolle read from his written testimony, Attachment #8, in support of SB 383, and stated that as a horse owner this legislation will give us a new marketing tool, and help the horse industry to survive.

Dia Weisenburger on behalf of Greg Simon, President of the KARA, stood before the Committee as a proponent of SB 383, and stated that KARA concurs with other statements made by proponents of the simulcast bill, Attachment #9.

Pete McGill came before the Committee on behalf of his client, Wichita Grehound Park, Inc., in support of SB 383, for one principle reason. He stated that the sister track in Kansas City wants this legislation, but that his client has no interest in using this legislation at this particular time. He added that they recognize that this is a needed tool in the industry. He submitted written testimony which further explained their position, Attachment #10. He did suggest an amendment which requires 80% live racing.

Jim Yonnally appeared before the Committee in support of SB 383, and read from his written testimony, Attachment #11, urging the Committee to pass the bill favorably.

Written testimony, Attachment #12, in support of SB 383, was submitted by Joe Brown who was unable to attend the hearing.

Committee Discussion:

1. In regards to the combined wagering pool, Mr. Nelson explained that it can be done by conducting a separate pool at track #1, and all the odds would be driven by how people bet at that track, or you can combine pools of the two tracks with a telephone data line. The information at track #1 for the race at track #2 would be downloaded to track #2 and combined in one large pool, so the odds and payoffs would be driven by the betters at both tracks.

2. One Committee member stated that the creation of new wealth was of more interest than the shifting of dollars. One of the things noted is the dropoff of attendance at the Wichita Wings Soccer games, because those people are now attending the Wichita Greyhound Park.

3. In regards to the elimination of live horse racing, Mr. Nelson explained that appointed Horsemen's Group will have to approve of the simulcasting plan scheduled for the calendar year. If that group found in that plan that there is any suggestion of cutback in live racing, that group will have veto power to say no.

4. If a track, on any given day, has 10 races, that track would be limited to only 80% of the races to be live. Page 4 of the bill addresses this situation.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS,

room 526-S, Statehouse, at 1:00 ~~xxx~~/p.m. on Thursday, April 25, 1991.

5. Off-track betting would not be permissible in Kansas, by this bill.

6. Mr. Nelson explained that in regards to KBI investigations to regulate the industry, there is not much organized crime involvement in the industry.

Jim McCoy appeared before the Committee in opposition to SB 383. He read from his written testimony, Attachment #13, which explained that his organization is strongly in favor of a good simulcasting bill, but that SB 383 does not meet that criteria. The concerns involved the "Recognized Horsemen's group" and their approval of live racing days, the appeal process, and the method for distributing the take out between the racetrack facility and the horsemen's purse structure.

Charles Dickey asked the Committee to oppose SB 383. He read from his written testimony, Attachment #14, which concurred with Mr. McCoy's reasons for opposing the bill.

Ralph Lilja testified as an opponent of SB 383, and read from his written testimony, Attachment #15, which agreed with the two previous opponents.

Richard Crawford urged the Committee to not support SB 383, because he strongly opposes gambling. He read from his written testimony, Attachment #16, which included several articles on the subject.

Reverend Paul Mitchell appeared as an opponent of SB 383 and gambling. He read from his written testimony, Attachment #17, explaining his position. His testimony also includes several articles on teenage gambling.

Reverend Richard Taylor came before the Committee in opposition to SB 383 and gambling. He offered written testimony to the Committee explaining his position, Attachment #18, which also included news articles on the subject.

Frances Wood offered written testimony, Attachment #19, to the Committee opposing SB 383.

Committee Discussion:

1. In regards to the definition of "Recognized Horsemen's group", Mr. Lilja explained that under the present form of the bill, his group will not have the proper representation. He added that his group is opposed the Quarter Horse people representing the Thoroughbred people. He felt that because they provide 70% of the horses ran, his group should have the majority of the representation.

2. Dick Boushka replied to Mr. Lilja's statement by saying that he felt his group is being held hostage on this bill. He added that his group agreed to change the language at one time, but then we were told that unless the national contract was signed, we were not going to get support on simulcast.

3. In response to a question from a Committee member dealing with the language on page 3 of the bill in terms of "Recognized Horsemen's group", Mr. Dickey stated that his group does not have problems with simulcasting as a concept and agreed that it would be helpful to the industry to have simulcasting in Kansas. He added that his fear is that the thoroughbred people will not have proper representation which make up the majority of the horses ran.

4. In response to the question of how many quarter horse races are ran at the Woodlands track, Mr. Dickey replied that the average is about 7 thoroughbred races and 3 quarter horse races a day.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS,
room 526-S, Statehouse, at 1:00 ~~xxx~~/p.m. on Thursday, April 25, 1991.

5. Mr. Lilja explained that in regards to the legislation not providing adequate protection for live racing, his group wants to be sure that tight controls come from the Racing Commission, and not the Executive Director, so that there is no way possible that anyone could get the live racing reduced.

6. Mr. Dickey explained that this bill will allow the Commission to okay what the track deems as expenses which are taken out of the purse. They could deem it all and there would be nothing left, there is no cap or percentage. Other states split the cost of the signal and then the track pays for expenses out of the 50%.

Chair Sebelius adjourned the meeting.

GUEST LIST

4. 25. 1

Barbara Remert	Topeka	L W Voters
Frances Wood	Topeka	pres. Capital City Union Women's Christian Temperance
Dick Taylor	Topeka	Life at dB Best
Dick Crawford	Topeka	Self
Rev. Paul B. Mitchell	Topeka	Church
Whitney Damm	Topeka	Wichita Dryland Park
Pete McHill	Topeka	Wichita Dryland Park
Fred Miller	Kans. City	Miller Greyhounds
Harvey Braun	Kansas City	Fred Miller
Charles L. Deebly	Edmond, Okl.	KANSAS Ad Hoc COMMITTEE HBAA
Raymond W. Lutz	Zenda, KS	Kansas Thoroughbred Assoc.
Jim McCoy	Louisburg, KS	Thoroughbred Horsemen
Dr. Bob Handan	Wichita	Kans Thoroughbred Assoc
Gary Bester	Newton	Kans House 72nd Dist.
Stan Jan	Topeka	KBT
Jim Mahow	Topeka	KBT
Scott Morgan	Lawrence	observer
Thomas M. Birdy	Lawrence	
Dia Weisenburger	Manhattan	KARA
Debbie Schauf	Topeka	KHA
Glenn Mow	TOPEKA	SELF
Tom Frenn	Topeka, KS	Kansas Charities Co-operative
Karen Tolle	Topeka, KS	Ks Quarter Horse Racing Assoc
David E. Tolle	Topeka, KS	Ks QH Racing Assoc
DANA NELSON	topeka	KRC
Dan B. PA	Kansas City, KS	City KCK
Dick Boushky	Kansas City, KS	Woodlands

Denny Burgess
Tip Yonally
Albert Hogboom
David R. Corbin
Scott Garon
Peggy Jarnan

Topeka
Overland Park
Marado
Topeka
KC
Whitaker

Sunflower
TRAK-East
KQPH
Reg.
K.C. Eds
PCAL

Testimony of Dana Nelson
Executive Director
Kansas Racing Commission
for the
House Federal and State Affairs Committee
April 25, 1991

Thank you, Madam Chairman, members of the House Federal and State Affairs Committee. My name is Dana Nelson and I am appearing today to visit with you about the concept of simulcasting and the consideration of Senate Bill 383.

Simulcast is a comparatively new term in the parimutuel racing industry. It means a live audiovisual broadcast of an actual horse or greyhound race at the time that race is run. Simulcasting has been around for some time, but in the last five years it has started to grow rather substantially. In the convenience oriented society that we now live, and with the variety of gaming opportunities and options for the public, the parimutuel racing industry initiated the practice of transmitting its racing signal from the track where the race was run to other sites throughout the country.

Simulcasting can be done in three basic ways. First, and most simple, is the use of standard commercial television. Most of the major events such as the Triple Crown, the Breeder's Cup and other major horse races are already on regular commercial television. The second method of transmitting a signal is to do so with a microwave. Several tracks around the country utilize microwave but it is particularly used when tracks are close together. The final, and most predominant way to simulcast, is to transmit the signal via a satellite and a receiving dish.

Most racing jurisdictions have already approved simulcasting in one form or another. California and New York have rather extensive simulcasting networks. But it's not only the large states which have simulcast. States like South Dakota, North Dakota, Montana, Wyoming and New Mexico have extensive simulcasting and it is through simulcasting that their parimutuel industry has been able to thrive. Some states like North Dakota, Virginia and Indiana have used simulcasting to initiate the parimutuel industry in their states. Similarly, Missouri is considering legislation which would allow simulcasting and off-track facilities.

Simulcasting can vary from state to state, as well as the type of program conducted. In some locations an entire card of 12 to 15 races is simulcast, but in others only feature events like Kentucky Derbies are added to live racing programs. Most of Kansas' neighbors already have simulcasting in one form or another. Nebraska simulcasts extensively among their horse tracks. Iowa has begun simulcasting its greyhound signal from Council Bluffs, Iowa, to Prairie Meadows, its horse track near Des Moines. Oklahoma has embarked on simulcasting by bringing in feature events to its horse racing facilities. Colorado has been simulcasting for several years utilizing the signal from its live track to the three dark greyhound tracks year round.

One of the more recent evolutionary events in simulcasting is what we call combined wagering pools. That is a concept whereby two or more facilities and racing jurisdictions combine the amount bet at both facilities or jurisdictions in the same wagering pool. In that manner a bet placed at the nonlive

facility enters the pool at the live facility just as if the individual had bet at the live racetrack. This has proved especially popular in the smaller racing jurisdictions where pools are small and the margin for success very narrow.

Simulcasting has been before the legislature before. Just as parimutuel itself was a controversial issue so has simulcasting become controversial. Since off-track simulcasting may not be conducted in the state of Kansas, the opportunities for simulcasting are limited. In today's market there are two licensees, Wichita Greyhound Park and the Woodlands. Consequently, this bill was drafted to allow those licensees the opportunity to utilize simulcasting as a marketing and promotional tool to assist the parimutuel industry and the horse and greyhound racing and breeding industries.

Under this bill a licensee which conducts at least 150 days of live racing can apply for a simulcasting license to the Kansas Racing Commission to conduct simulcast racing on days when live racing is conducted. This serves as a tool to preserve and encourage live racing. It also limits the impact of this bill to the two existing licensees. The bill goes a step further in protect live racing by clarifying that if a licensee conducts fewer live races than they had planned originally, which is defined as 10 live races for horse racing and 13 live races for greyhound racing, that they would not be allowed to conduct as many simulcast races during that day or performance. The incentive is for the tracks to field a full live racing card and use simulcasting for additional races. In the event that they fall below the thresholds level, at least

80% of the races conducted that day in which wagers are taken must be live races.

There are two exceptions carved out to the 80% rule. The first would deal with an emergency situation whereby part or all of a day's racing program had to be cancelled. The commission could still allow the licensee to conduct their previously scheduled simulcasting races. The other exception is for a special racing event which would occur on an otherwise dark day or a day when fewer races have been scheduled than the normal number of races. Only in those two exceptions would licensees be allowed to simulcast in situations where live racing was not conducted or when the live racing program had to be reduced.

The application process for simulcasting is dictated by the Kansas Racing Commission. The timeframe for application and the form for application shall be prescribed by the commission, but includes approval from the various racing groups involved in racing. For any horse race to be brought into the state of Kansas, the horsemen's group must approve. For any greyhound race being brought into Kansas, the kennel owner's group at the track involved must approve. If a greyhound race is to be brought in during horse racing or a horse race to be brought in during greyhound racing, the other recognized group must approve of the plan prior to the application. In this way, the interests of the racing industry and the animals involved in racing are protected. It is also imperative to have this language to get support from the various horsemen groups and the greyhound groups.

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #1 - Page 4

The application process also provides for the applicant to submit written copies of each contract and agreement relating to simulcasting to the commission for approval prior to the running of the race. The term of a simulcasting license is one year and must be renewed annually. In that way, both the commission and the respective horse or greyhound owners can modify their agreement or change the conditions under which races will be brought in. It serves as an annual check to make sure that the racetracks are not mishandling simulcasting to the detriment of the racing industry.

The bill provides for a simulcasting licensee to change their simulcasting license during the course of the season, however, such change has to be approved by the respective horsemen or greyhound group and approved by the commission or its designee.

The takeout for simulcasting would be the same as it is for live racing, 18% for win, place and show and 22% for exotic wagers. For the purposes of simulcasting, the state will receive its constitutionally mandated 3/18ths.

The licensee will be entitled to retain sufficient revenue to pay those expenses directly related to the simulcast race or performance. The commission by rule and regulation shall define what constitutes expenses and will audit to verify that only those expenses have been deducted. The balance will be split with 50% going for additional purses and 50% being retained by the simulcasting licensee. The bill clarifies that any breakage or unclaimed winning ticket proceeds for simulcasting will be

distributed in the same manner as provided for in existing law for live racing.

The law would provide for the commission to approve a request by two or more simulcasting licensees within the state of Kansas to combine their wagering pools pursuant to rules and regulations adopted by the commission. That would allow Wichita and Woodlands, for instance, to combine their wagering pools on events such as the Sunflower Stakes or the Great Kansas Shootout.

The bill also would allow the commission to authorize any simulcasting licensee to participate in an interstate combined wagering pool with one or more racing jurisdictions. In the event that a licensee did participate in such interstate pool the licensee is permitted to adopt the takeout of the host jurisdiction provided that it does not exceed 20% on win, place and show bets and does not exceed 25% on exotic bets. This is model language developed by the Rocky Mountain Simulcast Network and approved by the Association of Racing Commissioners International. The language is designed to allow states who have different takeouts to accommodate each other and form combined pools across state lines. The maximums are specified so as to take into consideration all of the racing jurisdictions in the United States. The bill further specifies that the tax imposed may only be assessed in the state in which the amounts are actually wagered and that participation by a simulcasting licensee in an interstate pool does not cause that licensee to be considered to be doing business in any jurisdiction other than the jurisdiction which the licensee is physically located.

Breakage for interstate combined pools must be calculated in the method of the host jurisdiction and allocated as agreed to by the jurisdictions participating in the pool. Finally, the bill authorizes the export of the Kansas signal and the utilization of that signal for an interstate combined wagering pool hosted by a Kansas facility. Any export of a Kansas signal must receive approval from the respective kennel owners or horsemen's group. In that way, the horsemen and greyhound interests are protected both by an incoming and an outgoing simulcasting signal.

The bill also specifies that this new language is a part of and supplemental to the existing Kansas Pari-Mutuel Racing Act. That is very significant, as all of the duties, responsibilities and enforcement provisions of the existing Kansas Pari-Mutuel Racing Act also apply to simulcasting.

During committee consideration on the Senate side the Kansas Bureau of Investigation expressed concerns regarding simulcasting and the fiscal impact on that agency as a result of simulcasting. The new section 3 of the act attempts to clarify the responsibility for the regulation of the parimutuel industry. It is the racing commission which is statutorily charged with the licensing, regulation and promotion of the industry. The commission is the body which determines whether or not a racetrack or its associated facilities should be inspected, whether or not certain records should be examined, whether or not subpoenas should be issued and so forth. The Kansas Bureau of Investigation has no independent statutory mandate under the Kansas Pari-Mutuel Racing Act to conduct any

activity other than that which is directed by the Kansas Racing Commission. The exception to that law is where the KBI is specifically charged to perform background investigations on county fair association presidents, vice-presidents, secretaries and treasurers. The remaining activity of the KBI is that which is requested by the Kansas Racing Commission. In an effort to recognize the role of the Kansas Bureau of Investigation, a gaming unit was set up within the KBI. That gaming unit is funded 80% by the racing commission and 20% by the lottery commission. Agents in that section perform background investigations and other activities requested by the racing commission and the lottery. Similarly, requests to do background investigations on the sending facilities or people operating the equipment at the sending facility could be requested by the Kansas Racing Commission of the KBI and then performed as their schedule allows. Although the KBI stressed that it would be expensive, the types of positions they requested would be redundant with existing positions in the Kansas Racing Commission, and are not a matter of criminal enforcement but a matter of regulatory review, something specifically and uniquely charged to the Kansas Racing Commission.

Simulcasting is a tool which the racing industry needs. It can benefit not only the tracks, but the horse racing and breeding industry and the greyhound racing and breeding industry. It can bring additional revenues to the state treasury and give opportunities for Kansas citizens to participate in such feature events as the Kentucky Derby, the

Preakness, Belmont, Breeder's Cup and other major events. Additionally, it would provide an opportunity for Kansas racing to be exported from this state to other states. That opportunity could generate additional revenue for the facilities where racing is conducted, while at the same time advertising and promoting a Kansas product. The advertising and promoting of this Kansas product could result in additional sales of horses and greyhounds bred and raised in Kansas and will certainly enhance the status of the racing industry as it prepares for a future which certainly will have competition from other forms of gaming. I urge your support of this issue. I submit that parimutuel racing is being regulated adequately by the Kansas Racing Commission and simulcasting is only an additional dimension which the commission is equally able to regulate. Thank you for your attention and I will be pleased to try to respond to questions.

91DN1-cd

BILL BRIEF - SB 383

Section 1 is the definition section of the bill and it adds definitions for the following items: host facility, host jurisdiction, interstate combined wagering pool, intrastate combined wagering pool, racing jurisdiction and jurisdiction, recognized kennel owners group, recognized horsemen's group and simulcast. These definitions are important as the text of Section 2 is dependant upon those definitions.

Section 2 is the essence of the bill. It sets up the permissive language and procedure for the commission to consider and issue a simulcast license. The key provisions are as follows:

1. An applicant must be an existing licensee.
2. It must conduct at least 150 days of live racing (only two potential applicants--Woodlands and Wichita).
3. Simulcasting can only be done on live race days, with two very narrow exceptions.
4. The application must be approved by the respective horse or greyhound organization.
5. The license is for one year and must be renewed.
6. The simulcast schedule can be changed but must be approved by the commission and the horse or greyhound groups.
7. The takeout and state tax is the same as live racing, unless the pools are combined with another state, then the takeout may go to 20% and 25%.
8. The commission may allow the licensee to combine pool with other licensees or other states.
9. All monies from breakage or unclaimed tickets are to be used just as it is for live racing.
10. The commission must approve all contracts or agreements the licensee enters into.
11. The language provides significant protection for live racing.
12. The licensee may retain monies from the takeout to pay expenses directly related to the simulcast; the commission would define expenses and audit to make sure the correct amount is retained.

13. The balance of the takeout would be split with half kept by the track and the balance used for purses.
14. This section is part of and supplemental of the existing parimutuel act.

Section 3 (new added by senate committee). Although the language in Section 2 indicates that that section is part of the existing parimutuel act, discussion occurred questioning whether simulcasting could be adequately regulated. It was the opinion of the racing commission that it could, but specific language was added to the section which details the commission authority to clarify that the commission had the same authority with regard to simulcasting that it has for live racing.

Section 4 (as renumbered) specifies that violations currently considered criminal would also apply to the simulcasting procedure.

Section 5 (as renumbered) adds language to the section on organization licensees to include references to simulcasting.

Section 6 (as renumbered) adds simulcast license language to the section of the parimutuel act which deals with parimutuel taxes.

Section 7 (as renumbered) clarifies that the 4/18 and 6/18 minimum purse language is calculated on live races.

Section 8 (as renumbered) deals with the section on breakage and clarifies that breakage will be used the same for simulcasting as it is for live racing.

Section 9 (as renumbered) deals with the section on unclaimed tickets to clarify that those monies will be used the same for simulcasting as it is for live racing.

Section 10 (as renumbered) deals with the section on the state share of the takeout and specifies that the state will receive 3/18 of the takeout as its tax share.

Section 11 (as renumbered) is the effective date of the act.

91DN50-cd

SB 383

Recently, you may have been advised of a concern that the Kansas Bureau of Investigation has with regard to simulcasting and a fiscal impact on that agency as a result of simulcasting. The KBI believes that the mixing⁴ of races with live and simulcasting and the potential of simulcasting on days when Kansas tracks are routinely dark will impact them rather substantially. The KBI says its mission is to safeguard the people of the state of Kansas against corrupt, incompetent, dishonest and unprincipled parimutuel racing practices. The KBI says that consistent with that mission it routinely conducts extensive background investigations on organizations and key persons involved in the parimutuel racing industry.

All of the above is true, but let's work on putting that into perspective. The bill would allow the mixing of a race meet with live and simulcast races and it anticipates that the signal will come from locations other than Kansas. However, there is almost no potential under this bill to simulcast on days when the Kansas tracks are dark. In addition, the restriction to simulcast only on live racing days would eliminate the other concern completely.

The mission priorities of the KBI should be investigated to an extent as well. The investigation of corrupt or dishonest practices fall under the criminal realm, but incompetent or unprincipled racing practices are more likely an administrative

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #3 - Page 1

violation and, subsequently, a responsibility of the Kansas Racing Commission.

You have heard that the Kansas Bureau of Investigation is accountable only to the attorney general. I submit that that statement is erroneous, and in fact probably irresponsible. Every agency of the Kansas state government is accountable to the legislature, the judicial branch and, more importantly, to the laws and the people of the state of Kansas. The Kansas Bureau of Investigation has no specific statutory mandate under the Kansas Parimutuel Racing Act to conduct any activity other than that which is directed by the Kansas Racing Commission. The one exception is that the Kansas Bureau of Investigation is specifically charged to perform background investigations on county fair association presidents, vice-presidents, secretaries and treasurers. Other members of the board may be backgrounded as considered necessary by the Kansas Racing Commission. In fact, the Kansas Bureau of Investigation is only mentioned four other times in the Kansas Parimutuel Racing Act. Two sections deal with the search of occupational and concessions licensees, another section requires that fingerprint cards shall be submitted to both the KBI and the FBI, and the final section relates to the fact that the Kansas Racing Commission may receive KBI or other criminal justice criminal history. Nowhere are they mandated to protect the public or preserve the integrity of the industry. That authority is specifically vested in the Kansas Racing Commission.

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #3 - Page 2

The Kansas Racing Commission is a quasi independent regulatory body charged with the regulation and promotion of the racing industry. It is the commission which can observe and inspect racetrack facilities. It is the commission which may examine or cause to be examined all records maintained by a licensee. It is the commission which may issue subpoenas. It is the commission that shall cause individuals to be expelled or ruled off of racetracks. It is the commission that shall review construction and renovation of racetrack facilities. It is the commission which may suspend dogs or horses from a racetrack. It is the commission which may fine or suspend individuals for violations of administrative rules and regulations. It is the commission which may require fingerprints, which, if required, must be submitted to the KBI and the FBI. It is the commission which may receive KBI and other criminal justice criminal histories. Nowhere is the KBI charged with these responsibilities.

In addition, the legislature saw fit to give certain employees of the Kansas Racing Commission law enforcement powers. The legislature, and the governor who signed the bill, felt that the Kansas Racing Commission would be involved not only in the enforcement of administrative rules and regulations but to some degree criminal actions as well. The racing commission has testified about its interest, in fact willingness, to work with the Kansas Bureau of Investigation as it gets into criminal areas. A regulatory body does not routinely belong in criminal enforcement or investigative

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #3 - Page 3

areas. The Kansas Racing Commission will involve local law enforcement or the Kansas Bureau of Investigation if criminal activity is suspected.

The Kansas Bureau of Investigation appears in the parimutuel racing statute in only five places. Under 74-8816 and 74-8817 both Kansas Racing Commission security and KBI are empowered to search without warrant those licensees of the Kansas Racing Commission. However, it should be noted that administrative rule 112-11-12 does restrict the search to include the following, "The searching agency shall provide the searched individual the date and time of the search, the places and items searched, as well as a list of any items seized." In addition, the rule specifies that when entering an area where animals are located that the searching entity must provide notice to the extent possible to the individuals involved. This area of search is a very sensitive area at the racetrack. Historically, regulatory bodies--racing commissions--have been allowed to search individuals and their property without warrant. However, asking a criminal investigative and enforcement agency to do the same thing could bring about some constitutional problems. Since the KBI has nothing to do with the issuance of a license, nor anything to do with any suspension or revocation of such license, their motives must be criminal. With regard to criminal search, the constitution does play a significant fact. In the state of Illinois, as a result of abuse of the search rules by law enforcement, the court

upheld that the search of individuals at a racetrack by a criminal enforcement agency was unconstitutional.

Next, the legislature should note that in rule 112-3-19 any person identified by the rule or desired by the commission to have a background may have a background conducted by the Director of Security of the Kansas Racing Commission, the KBI or another person designated by the commission. The level of background will be designated by the commission as well. Under that rule, a rule of the Kansas Racing Commission, the level and the entity to provide the background is determined by the commission.

Consider also K.S.A. 74-8835 which deals with the investigative fund into which funds are paid to reimburse for investigative expenses. Nowhere in the investigative fund is there any reference to the Kansas Bureau of Investigation.

In fact, the Kansas Bureau of Investigation's Gaming Unit is funded by approximately \$360,000 of racing revenues. That coupled with money from the lottery provides the core funding for the gaming unit. Approximately 80% of the funds for the unit come from racing. Consequently, it appears that much of the needed staff has already been provided to the KBI as well as a rather substantial amount of funding. It is interesting to note that when the KBI does a background for individuals at the track that those expenses are billed back to the licensee and not taken out of the racing monies which fund the core operation of the gaming unit.

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #3 - Page 5

With regard to the points the KBI makes regarding their need to be active, they anticipate an immediate demand for background investigations. However, only the commission can direct that background investigations be conducted. Consequently, unless the commission deems it important there will not be an immediate demand for background investigations.

The KBI also sees a need to immediately coordinate investigations with other states. It does not appear that this would take additional personnel as the core of the gaming unit could handle this.

The KBI also anticipates a dramatic increase in legalized wagering. We all hope that such would happen, but because of the limitations on the bill and the fact that simulcasting could only be done on a day when a live race is conducted, we do not anticipate any dramatic increase in legalized wagering.

The KBI also indicates that there will be an increase in illegal bookmaking. They say that simulcasting historically provides an instant source for race results and odds. Simulcasting will not bring any more illegal bookmaking than what may be already going on today. The television signals are in the air today and if someone was inclined to make book, they could be doing it today. Nor is this a role exclusively restricted to the KBI. An investigation of bookmaking could be handled by local law enforcement as well.

The KBI says there will be a proliferation of frauds, scams and thefts capitalizing on the inherent idiosyncrasies of the simulcasting process. What are the inherent idiosyncrasies of

simulcasting? With regard to frauds and scams most of those are money handling exchanges between a patron and the parimutuel teller and occur now. As far as the delaying of a signal, that can be resisted by requiring a time/date generator on the signal. With regard to theft of the signal, the most lucrative signals to steal are already on commercial television and, consequently, cannot be stolen. With regard to writing a winning ticket after the fact or attempting betting coups, they will be no more prevalent than they are today.

The KBI also believes that they will need to increase the monitoring and auditing of the electronic hardware, computer software and all other equipment related to the uplink, incoder/decoder system, downlink and entire mutuels function. That is a function already handled by the Kansas Racing Commission. The commission has an Inspector of Parimutuels, an auditor and will soon have a second auditor so there will be one at each track, as well as a computer specialist who is completely knowledgeable in the functions of the totalizator equipment.

The KBI anticipates increased attempts by organized criminal groups with expertise in gambling and simulcasting to influence and corrupt the industry. This is unlikely. History would suggest in the last 10 years organized crime has been very minimally if at all involved in the racing industry. The racing industry is one of the most highly regulated and investigated industries in the country. Organized crime has gone into other areas such as narcotics.

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #3 - Page 7

Finally, the bureau anticipates receiving increased requests for investigative assistance from other Kansas agencies charged with the responsibility for protecting the parimutuel industry. The only Kansas agency charged with protecting the parimutuel industry is the Kansas Racing Commission. Obviously, it is possible that the racing commission may request, and in some cases may even wish to request the KBI to assist them in the investigation of a potential simulcasting provider. In that instance, the mechanics are in place for them to do it with the existing gaming unit or for them to charge back those expenses to the organization being investigated. If we investigate everybody involved in the sending of the signal, beginning with the track where it originates, simulcasting will never be a reality in Kansas, as no other state would even consider selling its signal to Kansas. It is reasonable to rely on the other states and the level of backgrounding they have done, which has satisfied their racing commission and their legislature. If in the judgement of the Kansas Racing Commission such further investigation is necessary, it can be ordered under existing statute.

The total estimated fiscal impact submitted by the Kansas Bureau of Investigation is an unnecessary cost associated with simulcasting. There is no documented evidence or even statements from other states that simulcasting provides unique or difficult law enforcement problems. The strongest language used has been that they aren't sure if there is a problem, and that simulcasting is so new that they are uncertain what the

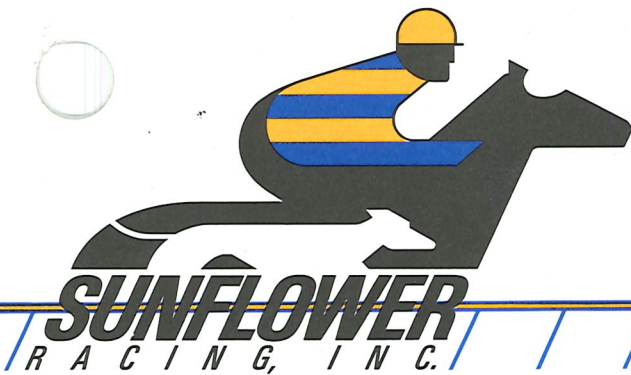
impact has been. It is new, and most of the technology is sophisticated. However, the realities of diverting a signal or messing with the totalizator odds, which is where the primary risk would be in simulcasting, is protected by the Kansas Racing Commission. If the Kansas Bureau of Investigation is intent on being the regulatory body for racing, then they should submit legislation along those lines. If they are more interested in the criminal investigation enforcement, then they do not need agents specialized in accounting, computer programming and electronic hardware, nor the additional associated costs projected by the bureau.

The decision is up to the legislature. If they believe the Kansas Racing Commission can do an adequate job of regulating the industry, then the statutes in place are sufficient. If there is concern that the Kansas Racing Commission cannot enforce the rules and regulations of the industry and it is perceived that they need regulatory assistance from the Kansas Bureau of Investigation, then the legislature may want to consider changing the statutes.

Putting a criminal investigative and enforcement body in charge of regulating racing would be a serious mistake. Other states have resisted that same mistake and racing across the country is regulated effectively and efficiently.

91DN40-cd

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #3 - Page 9



April 25, 1991

Representative Kathleen Sebelius and Members of
The Federal and State Affairs Committee
State Capitol
Topeka, KS 66612

Dear Representative Sebelius and Committee Members:

We at The Woodlands and Sunflower Racing, Inc. would like to voice our support for SB 383 relating to the issuance of simulcasting approval within the State of Kansas.

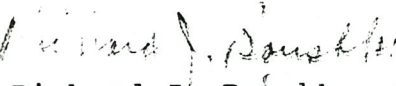
It has long been our opinion that simulcasting will be a very valuable marketing tool for the existing tracks. Because of our limited population, simulcasting offers perhaps the only glimmer of hope for a fair circuit to outlying areas. Without simulcasting, they will have no other opportunity to view live racing, even on a limited scale.

Further more, we have been very fortunate in Kansas City to have reached a high level of public acceptance and national renown. Our customers think of The Woodlands as 'big time' racing, and in that framework expect to view major races from around the country as they can at other national tracks at the present time. Racing fans have an interest in greyhounds and horses in other locales and simulcasting allows them to keep abreast of the nationally known racing animals.

We see SB 383 as being very positive for the State of Kansas race tracks, kennel owners, horse trainers and/or owners, track customers and the local communities.

Thank you in advance for your consideration of this critical legislation.

Very truly yours,


Richard J. Boushka
President

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #4 - Page 1

April 25, 1991

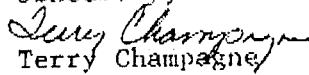
Kathleen Sebelius, Chairperson
Members of the Committee
Federal and State Affairs Committee
House of Representatives
State of Kansas
State Capitol Building
Topeka, Kansas

My name is Terry Champagne and I am a Racing Director on the Board of Directors for the Northeast Kansas Quarter Horse Association. Our organization is a regional organization formed to promote racing and showing the American Quarter Horse and actively participates in many activities for the promotion of the American Quarter Horse.

Speaking in that capacity and on behalf of the officers, directors and membership of the NEKQHA, I am expressing our support of simulcast legislation, Senate Bill No. 383, which would amend the Parimutuel Racing Act to provide for simulcast wagering on horse and greyhound racing in Kansas.

We feel simulcasting would create new avenues to bring increased revenues into the State to the benefit of both the State of Kansas and the racing industry. Simulcast wagering will provide a new level of interest in the racing industry and will enhance the entertainment value our tracks will be able to offer to gain a larger market share of the entertainment dollar being spent in Kansas. As a State and as an industry, we will be keeping abreast of expansion in the racing industry and we will be taking advantage, as many other states are, of the benefits gained by increased attendance and the revenues generated.

We respectfully request and urge your support of the bill in its present form with no amendments. Thank you for your time and consideration.

Sincerely,

Terry Champagne
Route 1
Hoyt, Kansas 66440



MILLER GREYHOUNDS

3900 NORTH 99TH STREET
KANSAS CITY, KS 66109

Fred W. & Barbara A. Miller
(913) 334-4506

APRIL 25, 1991

I AM HERE TODAY ON BEHALF OF TOM FERRELL, FRED MILLER AND ALL OF THE INDIVIDUAL GREYHOUND OWNERS IN OUR KENNEL TO STRONGLY SUPPORT SENATE BILL NO. 383.

I HAVE BEEN IN A FAMILY OWNED GREYHOUND BUSINESS IN ABILENE, KANSAS, FOR OVER THIRTY YEARS. DURING THAT TIME I RACED AT TRACKS THROUGHOUT THE UNITED STATES AS A TRAINER AND KENNEL OPERATOR AND OWNER.

IN MAY, 1985, TO FURTHER MY KNOWLEDGE OF THE GREYHOUND INDUSTRY, I WENT TO WORK FOR THE JEFFERSON COUNTY KENNEL CLUB AS AN ASSOCIATION JUDGE AND RACING SECRETARY. DURING THE TIME THAT I WORKED FOR JCKC, THE PARIMUTUEL HANDLE WOULD RUN ANYWHERE FROM \$80,000 TO \$100,000 PER PERFORMANCE.

IN OCTOBER of 1989 I LEFT JCKC TO ENTER INTO A BUSINESS AGREEMENT WITH TOM FERRELL AS A GREYHOUND BUSINESS CONSULTANT AND MANAGER. AT THAT TIME, TOM HAD CONTRACTS WITH JACKSONVILLE KENNEL CLUB, ORANGE PARK KENNEL CLUB AND BAYARD RACEWAYS. ANY ONE OF THESE THREE TRACKS HAD A PARIMUTUEL HANDLE RANGING FROM \$180,000 TO \$400,000 PER PERFORMANCE.

A MONTH AGO I CONTACTED THE DIRECTOR OF THE DIVISION OF PARIMUTUEL WAGERING IN FLORIDA AND ASKED IF HE WOULD SEND ME SOME OF THE RESULTS FROM THEIR SIMULCASTING. ATTACHED IS THE INFORMATION THAT I RECEIVED.

AS A RESULT OF THE SIMULCASTING THAT BEGAN IN OCTOBER, 1989, JACKSONVILLE, ORANGE PARK AND BAYARD'S PARIMUTUEL HANDLE HAS IMPROVED GREATLY AND TRACKS LIKE JCKC THAT NORMALLY SIT EMPTY BEGAN GENERATING A PARIMUTUEL HANDLE. AS YOU CAN SEE, SIMULCASTING IN THE STATE OF FLORIDA HAS HAD A VERY POSITIVE IMPACT.

IN MY OPINION, THE GREYHOUND INDUSTRY IN THE STATE OF KANSAS CAN ALSO BENEFIT BY SIMULCASTING.

HARVEY L. BROWN
FERRELL-MILLER KENNEL

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #6 - Page 1

DIVISION OF PARI-MUTUEL WAGERING
 BUREAU OF AUDITING
 SUMMARY OF ITW ACTIVITY FY 1990-1991 BY HOST

GULFSTREAM PARK

GUEST

		ITW HANDLE	WITHHOLDINGS FOR PURSES	CAPITAL IMPROVEMENT WITHHOLDINGS	WITHHOLDINGS FOR BREEDERS ASSN	STATE SURTAX	STATE COMMISSION
FLORIDA JAI ALAI							
	JANUARY 1991	\$859,358	\$60,155		\$8,594		\$25,781
	FEBRUARY 1991	<u>1,654,743</u>	<u>115,832</u>		<u>16,547</u>		<u>49,642</u>
		\$2,514,101	\$175,987		\$25,141		\$75,423
OCALA JAI ALAI							
	JANUARY 1991	\$246,278	\$17,239		\$2,463		\$7,388
	FEBRUARY 1991	<u>568,691</u>	<u>39,808</u>		<u>5,687</u>		<u>17,061</u>
		\$814,969	\$57,047		\$8,150		\$24,449
OCALA BREEDERS SALES							
	JANUARY 1991	\$69,479	\$4,864		\$695		\$2,084
VOLUSIA JAI ALAI							
	JANUARY 1991	\$368,342	\$25,784		\$3,683		\$11,050
	FEBRUARY 1991	<u>596,033</u>	<u>41,722</u>		<u>5,960</u>		<u>17,881</u>
		\$964,375	\$67,506		\$9,643		\$28,931
WASHINGTON COUNTY KENNEL CLUB							
	JANUARY 1991	\$179,709	\$12,580		\$1,797		\$5,391
	FEBRUARY 1991	<u>335,354</u>	<u>23,475</u>		<u>3,354</u>		<u>10,061</u>
		\$515,063	\$36,055		\$5,151		\$15,452
JACKSONVILLE KENNEL CLUB							
	JANUARY 1991	\$415,323	\$29,073		\$4,153		\$12,460
	FEBRUARY 1991	<u>736,797</u>	<u>51,576</u>		<u>7,368</u>		<u>22,104</u>
		\$1,152,120	\$80,649		\$11,521		\$34,564

PARI-MUTUEL WAGERING
SUMMARY OF ITW ACTIVITY FY 1990-1991 BY HOST
FEBRUARY 1991

	ITW HANDLE	WITHHOLDINGS FOR PURSES	CAPITAL IMPROVEMENTS WITHHOLDINGS	WITHHOLDINGS FOR BREEDERS ASSN	STATE SURTAX	STATE COMMISSION
DAYTONA BEACH 143	\$9,172,550	\$130,354	\$102,710		\$72,299	\$550,353
ORANGE PARK 148	\$18,473,799	\$146,636	\$313,925		\$149,369	\$1,108,429
BAYARD 157	\$1,335,137	\$10,485	\$21,867		\$10,802	\$80,108
GULFSTREAM PARK 321	\$7,597,702	\$531,839		\$75,977		\$227,931
TROPICAL PARK 323	\$7,513,022	\$525,911		\$75,130		\$225,391
CALDER 325	\$6,563,845	\$459,471		\$71,260		\$196,916
POMPANO PARK 430	<u>\$234,149</u>	<u>\$16,390</u>	<u>\$2,778</u>	<u>\$2,341</u>	<u>\$803</u>	<u>\$7,025</u>
TOTAL TRACK ITW	\$50,890,204	\$1,821,086	\$441,280	\$224,708	\$233,273	\$2,396,153

DIVISION OF PARI-MUTUEL WAGERING
 BUREAU OF AUDITING
 SUMMARY OF ITW ACTIVITY FY 1990-1991 BY HOST

DAYTONA BEACH KENNEL CLUB

GUEST

SPORTS PALACE

	ITW HANDLE	WITHHOLDINGS FOR PURSES	CAPITAL IMPROVEMENT WITHHOLDINGS	WITHHOLDINGS FOR BREEDERS ASSN	STATE SURTAX	STATE COMMISSION
AUGUST 1990	\$643,647	\$8,883	\$6,943		\$5,073	\$38,619
SEPTEMBER 1990	1,362,972	19,207	15,082		10,767	81,779
OCTOBER 1990	1,448,588	20,805	16,414		11,484	86,915
NOVEMBER 1990	1,336,717	19,127	15,092		10,553	80,203
DECEMBER 1990	1,461,704	20,777	16,407		11,430	87,702
JANUARY 1991	1,469,452	20,991	16,552		11,610	88,167
FEBRUARY 1991	<u>1,449,470</u>	<u>20,564</u>	<u>16,220</u>		<u>11,362</u>	<u>86,968</u>
TOTAL ITW	\$9,172,550	\$130,354	\$102,710		\$72,299	\$550,353

DIVISION OF PARI-MUTUEL WAGERING
 BUREAU OF AUDITING
 SUMMARY OF ITW ACTIVITY FY 1990-1991 BY HOST

GUEST	ITW HANDLE	WITHHOLDINGS FOR PURSES	ORANGE PARK KENNEL CLUB		STATE SURTAX	STATE COMMISSION
			CAPITAL IMPROVEMENT WITHHOLDINGS	WITHHOLDINGS FOR BREEDERS ASSN		
JACKSONVILLE KENNEL CLUB						
	OCTOBER 1990	\$247,646	\$1,977	\$4,222	\$2,036	\$14,859
	NOVEMBER 1990	1,168,971	9,307	19,823	9,589	70,139
	DECEMBER 1990	2,374,653	20,228	43,037	19,489	142,479
	JANUARY 1991	2,495,854	19,896	43,301	20,488	149,751
	FEBRUARY 1991	<u>2,613,001</u>	<u>20,230</u>	<u>44,682</u>	<u>20,843</u>	<u>156,780</u>
		\$8,900,125	\$71,638	\$155,065	\$72,445	\$534,008
JEFFERSON CO. KENNEL CLUB						
	OCTOBER 1990	\$216,743	\$1,724	\$3,732	\$1,776	\$13,005
	NOVEMBER 1990	1,198,540	9,501	20,272	9,789	71,912
	DECEMBER 1990	1,194,937	9,479	20,206	9,766	71,696
	JANUARY 1991	1,148,179	9,049	19,419	9,324	68,891
	FEBRUARY 1991	<u>1,208,407</u>	<u>9,537</u>	<u>20,460</u>	<u>9,836</u>	<u>72,504</u>
		\$4,966,806	\$39,290	\$84,089	\$40,491	\$298,008
WASHINGTON CO KENNEL CLUB						
	OCTOBER 1990	\$155,300	\$1,208	\$2,498	\$1,244	\$9,318
	NOVEMBER 1990	873,729	6,751	13,807	6,958	52,424
	DECEMBER 1990	847,113	6,923	14,353	6,765	50,827
	JANUARY 1991	997,116	7,715	16,363	7,949	59,827
	FEBRUARY 1991	<u>922,663</u>	<u>7,042</u>	<u>15,198</u>	<u>7,256</u>	<u>55,360</u>
		\$3,795,921	\$29,639	\$62,219	\$30,172	\$227,756
OCALA JAI ALAI						
	JANUARY 1991	\$234,880	\$1,725	\$3,226	\$1,786	\$14,093
	FEBRUARY 1991	<u>576,067</u>	<u>4,344</u>	<u>9,326</u>	<u>4,475</u>	<u>34,564</u>
		\$810,947	\$6,069	\$12,552	\$6,261	\$48,657
	TOTAL ITW	\$18,473,799	\$146,636	\$313,925	\$149,369	\$1,108,429

DIVISION OF PARI-MUTUEL WAGERING
 BUREAU OF AUDITING
 SUMMARY OF ITW ACTIVITY FY 1990-1991 BY HOST

GUEST	BAYARD RACEWAYS					
	ITW HANDLE	WITHHOLDINGS FOR PURSES	CAPITAL IMPROVEMENT WITHHOLDINGS	WITHHOLDINGS FOR BREEDERS ASSN	STATE SURTAX	STATE COMMISSION
WASHINGTON CO. KENNEL CLUB OCTOBER 1990	\$737,388	\$5,737	\$11,855		\$5,910	\$44,243
JEFFERSON CO. KENNEL CLUB OCTOBER 1990	\$597,749	\$4,748	\$10,012		\$4,892	\$35,865
TOTAL ITW	\$1,335,137	\$10,485	\$21,867		\$10,802	\$80,108

Kansas Horsemen's Association

TESTIMONY ON SB 383
PRESENTED TO HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS
BY DEBBIE SCHAUF, KANSAS HORSEMEN'S ASSOCIATION

MADAM CHAIRMAN & MEMBERS OF THE COMMITTEE:

I APPEAR BEFORE YOU TODAY AS A REPRESENTATIVE OF THE KANSAS HORSEMEN'S ASSOCIATION. OUR ORGANIZATION CURRENTLY HOLDS THE CONTRACT WITH THE KANSAS RACING COMMISSION TO ADMINISTER THE BREED REGISTRY PROGRAM AUTHORIZED IN THE PARIMUTUEL ACT. OUR BOARD OF DIRECTORS IS COMPOSED OF MEMBERS FROM EACH RECOGNIZED RACING ASSOCIATION FOR THE BREEDS OF HORSES WHICH ARE/OR HAVE BEEN PARTICIPATING IN HORSE RACING IN KANSAS.

THE KANSAS HORSEMEN'S ASSOCIATION HAS PARTICIPATED AND BEEN ACTIVELY INVOLVED IN THE DEVELOPMENT OF THE SIMULCASTING BILL BEFORE YOU TODAY AND OUR BOARD HAS DIRECTED ME TO APPEAR IN SUPPORT OF THE CURRENT BILL WITH NO AMENDMENTS.

OUR INITIAL CONCERNS WITH SIMULCASTING WERE THAT THE HORSE INDUSTRY HAVE INPUT AND APPROVAL PRIVILEGES FOR ANY SIMULCASTING OF HORSE RACES IN THE STATE OF KANSAS. WE BELIEVE THIS IS VITAL TO PROTECT THE INTEGRITY OF LIVE RACING AS WELL AS THE ECONOMIC WELL BEING OF THE HORSE RACING INDUSTRY IN KANSAS. THE REALITY OF PARIMUTUEL HORSE RACING IN KANSAS IS THAT THERE ARE VERY FEW OPPORTUNITIES FOR HORSES TO RACE AND IF WE DO NOT PASS A BILL THIS SESSION WHICH ALLOWS US ALL OF THE TOOLS TO SUPPORT AND PROMOTE HORSE RACING, INCLUDING SIMULCASTING OUR RACES OUT OF STATE, AND BRINGING IN ADDITIONAL SIMULCAST RACES TO INCREASE THE INCENTIVE FOR RACE TRACKS TO OPERATE A HORSE RACING FACILITY AS WELL AS INCREASES IN PURSE MONEYS FOR HORSE OWNERS THERE WILL LIKELY BE EVEN LESS LIVE HORSE RACING IN KANSAS IN THE FUTURE.

THE BILL AS CURRENTLY WRITTEN WILL NOT IN OUR OPINION DETRACT IN ANY WAY FROM THE LIVE RACING SCHEDULES SO LONG AS THE HORSEMEN ACTIVELY EXERCISE THEIR RIGHTS AS REQUIRED IN THE APPROVAL SECTIONS OF THIS BILL. IT IS THAT APPROVAL PROCESS THAT HAS RAISED THE CONCERN OF ONE HORSE GROUPS IN THIS STATE BECAUSE THE LANGUAGE IN THE BILL WOULD REQUIRE THAT ALL LICENSED OWNERS AND OWNER/TRAINERS OF ALL BREEDS RUNNING IN KANSAS WOULD HAVE TO BE REPRESENTED BY ONE GROUP TO GRANT OR DENY THE APPROVALS REQUIRED BY THE HORSE INDUSTRY. WITHOUT SUCH AN APPROVAL THERE COULD BE NO SIMULCASTING OF HORSE RACES.

ULTIMATELY, WHAT HAS HAPPENED IS THAT ONE GROUP, A NATIONAL ORGANIZATION KNOWN AS THE HBPA, WHICH REPRESENTS THOROUGHBRED HORSES HAS REFUSED TO GIVE THEIR BLESSING TO THIS BILL BECAUSE THEY COULD NOT RECEIVE AN ASSURANCE THAT THEY WOULD BE THE GROUP WHICH RECEIVED THE CONTRACT TO REPRESENT ALL HORSEMEN AT THE TRACK. IN THEIR ORGANIZATIONAL POLICY IT REQUIRES THAT TO BE A VOTING MEMBER OF THEIR ASSOCIATION YOU MUST RACE A THOROUGHBRED HORSE. THIS REQUIREMENT WOULD LEAVE THE OTHER BREEDS WHICH RACE IN KANSAS, PRIMARILY QUARTER HORSES FOR WHICH OUR STATE IS WELL KNOWN, WITHOUT A REAL VOICE IN MATTERS WHICH EFFECT THEIR ABILITY TO RACE THEIR HORSES, EARN PURSE MONEYS, AND BREEDERS AWARDS MONEY FROM RACES CONDUCTED AT THE TRACK. IN



AL ION, THE OTHER "MINORITY" BREEDS SUCH AS PAINTS, APPALOOSAS, AND ARABIANS WOULD HAVE NO VOICE TO WORK WITH THE TRACK TO ENCOURAGE THE WRITING OF RACES FOR THEIR BREEDS.

THE KANSAS HORSEMEN'S ASSOCIATION IS VERY CONCERNED THAT IF THE BILL IS ALTERED TO CHANGE THE DEFINITION OF RECOGNIZED HORSEMEN'S GROUP THE ULTIMATE RESULT WOULD BE THAT ALL BREEDS OF HORSES IN KANSAS WOULD NOT BE REPRESENTED, AND ADDITIONALLY THAT THE NEEDS OF KANSAS HORSEMEN WOULD BE OVERSHADOWED BY THE GOALS OF A NATIONAL ORGANIZATION. THIS GROUP IS THE SAME ORGANIZATION WHICH HAS ATTEMPTED TO STOP ALL SIMULCASTING INTO BLUE RIBBON AT SALLISAW, OKLAHOMA BECAUSE AN OKLAHOMA GROUP HAS HELD THE CONTRACT TO REPRESENT THE HORSEMEN AT THAT TRACK RATHER THAN THE NATIONAL ORGANIZATION. WE DO NOT WANT THAT TO HAPPEN TO THE HORSE INDUSTRY IN KANSAS. THE CURRENT LANGUAGE IN THE BILL REQUIRES THAT THE RACING COMMISSION ESTABLISH THE CRITERIA BY WHICH THE RECOGNIZED HORSEMEN GROUP WOULD BE APPROVED. WE FEEL THAT THIS INSURES THE ECONOMIC IMPACT TO ALL BREEDS WILL BE CONSIDERED.

SOME ADDITIONAL CONCERNS WE HAVE HEARD EXPRESSED WITH THIS BILL ARE AS FOLLOWS:

COULD ELIMINATE LIVE HORSE RACING ALTOGETHER - THIS IS NOT CORRECT, BECAUSE CURRENT LAW REQUIRES THAT IN ORDER TO HAVE A DUAL LICENSE FOR HORSES AND GREYHOUNDS, 20% OF THE LICENSEE'S DAYS MUST BE HORSE RACING. THEY COULD NOT USE SIMULCAST HORSE RACES TO MEET THIS REQUIREMENT UNLESS THE HORSEMEN'S GROUP GAVE THEIR CONSENT. IT IS NOT REASONABLE TO BELIEVE A TRULY REPRESENTATIVE HORSEMEN'S GROUP WHICH REPRESENTED ALL BREEDS RACING IN KANSAS WOULD GIVE PERMISSION TO ELIMINATE LIVE HORSE RACING, BUT THIS FACT SHOULD HELP YOU UNDERSTAND HOW IMPORTANT THE RIGHT KIND OF HORSEMEN'S GROUP REALLY IS.

LEAVES OUT THE SMALL TRACKS OR "FAIR MEET" TRACKS. - THIS BILL DOES NOT ADDRESS SIMULCASTING IN ANY WAY FOR THE SMALLER TRACKS. THE FACT IS, CURRENTLY THERE IS NOT A SINGLE FAIR TRACK IN KANSAS THAT PLANS EITHER A PARIMUTUEL MEET, OR THAT HAS EVEN APPEARED TO PRESENT A PLAN OR RECOMMENDATION FOR THE TYPE OF SIMULCASTING THAT WOULD BE ECONOMICALLY VIABLE FOR THEM. OUR ASSOCIATION IS VERY SUPPORTIVE OF SIMULCASTING FOR SUCH A TRACK, HOWEVER WE DO NOT SUPPORT AN AMENDMENT TO THIS BILL WHICH WOULD HAVE TO BE SO LIMITED AS TO BE POLITICALLY FEASIBLE, OR SO BROAD THAT IT WOULD KILL THE BILL ENTIRELY AND PUT THE ECONOMIC FUTURE OF WHAT LITTLE HORSE RACING WE HAVE IN JEOPARDY. WE WOULD PREFER INSTEAD TO HAVE THIS LIMITED VERSION OF THE BILL WHICH RESTRICTS SIMULCASTING TO TRACKS WHICH HAVE AT LEAST 150 DAYS OF LIVE RACING PASS IN ITS PRESENT FORM WHICH WILL GIVE US TO OPPORTUNITY TO IMPLEMENT A LIMITED FORM OF SIMULCASTING, AND FROM THAT EXPERIENCE WE WILL BE BETTER ABLE TO RECOMMEND FUTURE LEGISLATION WHICH WILL BE TRULY BENEFICIAL TO HORSE RACING AT FAIR TRACKS.

NO REAL CONTROL OVER EXPENSES INVOLVED IN SIMULCASTING - WE FEEL THAT THE LANGUAGE WHICH REQUIRES THE COMMISSION TO PROMULGATE RULES AND REGULATIONS WITH REGARD TO SIMULCASTING IS THE BEST METHOD. IT WILL ALLOW AN OPEN PROCESS WITH A PUBLIC HEARING FOR THE INTERESTS OF THE TRACK, THE HORSEMEN, AND THE GREYHOUND PEOPLE TO BE PRESENTED AND AN INFORMED DECISION TO BE PLACED IN RULE AND REGULATION REGARDING

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #7 - Page 2

WI EXPENSES SHOULD BE PERMITTED. THIS IS A FAIR WAY TO DEAL WITH EXPENSES AND INSURE THAT THE ECONOMIC CONCERNS OF ALL PARTIES ARE CONSIDERED.

IN CLOSING I WOULD URGE YOU TO SUPPORT THIS VERSION OF THE SIMULCASTING BILL WHICH HAS RECEIVED A LARGE DEGREE OF INPUT AND SUPPORT FROM KANSAS HORSEMEN, GREYHOUND OWNERS, AND OTHER PARTIES INVOLVED IN THE RACING INDUSTRY AND ASK THAT NO AMENDMENTS BE PLACED ON THIS BILL WHICH WOULD REQUIRE A CONFERENCE COMMITTEE WITH THE SENATE. WE WOULD NOT LIKE TO SEE ANY ADDITIONAL AMENDMENTS WHICH COULD RESULT FROM SUCH A CONFERENCE COMMITTEE BECAUSE WE BELIEVE THIS ISSUE IS SO CRITICALLY IMPORTANT TO THE ECONOMIC FUTURE OF HORSE RACING IN KANSAS.

THANK YOU FOR YOUR ATTENTION, AND I WILL BE HAPPY TO STAND FOR QUESTIONS.

April 25, 1991

Kathleen Sebelius, Chairperson
Members of the Committee
House of Representatives
Federal and State Affairs Committee
State Capitol Building
Topeka, Kansas

My name is David E. Tolle, I reside at 3650 N.W. Menoken Road, Topeka, Kansas. I am Past President of the Kansas Quarter Horse Racing Association.

The Board of Directors of The Kansas Quarter Horse Racing Association has previously taken formal action to support simulcast legislation in the State of Kansas. I appear today in support of Senate Bill No. 383 which would amend the Parimutuel Racing Act to provide for simulcast wagering on horse and greyhound races in Kansas.

Simulcast wagering provides a new public entertainment avenue within the racing industry and a new marketing tool for our track operators. Having the ability to bring races such as the Kentucky Derby, the Preakness, the Belmont Stakes, the All American Futurity, the Kansas Futurity and other major events into Kansas tracks enhances the track's ability to market our product.

The result will be greater number of fans coming to the tracks because of the national interest that surrounds these special events. All facets of the racing industry as well as the State of Kansas will benefit with increased revenues and fan interest in our sport.

Simulcast wagering is now prominent throughout the United States. It has already helped to increase the fan attendance and revenues in many states, and has been a vital tool to the continued survival of the racing industry in some states who are truly struggling with today's economic conditions.

Simulcast wagering is a marketing tool that has been expanding rapidly throughout the United States in recent years and is here to stay. Kansans should not stand by to watch other states strengthen their market share through the use of simulcast wagering. We need to be a part of what's happening in America today. We need your support of Senate Bill No. 383 to be able to do that and we ask your support of this bill with no amendments.

Thank you for your time and I will be happy to answer any question you may have to the best of my ability.

David E. Tolle

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #8 - Page 1

April 25, 1991

Kathleen Sebelius, Chairperson
Members of the Committee
House of Representatives
Federal and State Affairs Committee
State Capitol Building
Topeka, Kansas

My name is Dia Weisenburger and I am here at the request of Kansas Appaloosa Racing Association President Greg Simon.

Mr. Simon could not attend this meeting, but wanted me to state that the KARA supports senate bill 383 in it's present form without any amendments.

I have no other comments except to state the KARA concurs with other statements made by proponents of the simulcast bill.

Dia Weisenburger

TESTIMONY
OF
PETE MCGILL
OF
PETE MCGILL & ASSOCIATES
ON BEHALF OF
WICHITA GREYHOUND PARK, INC.

BEFORE THE
HOUSE FEDERAL AND STATE AFFAIRS
COMMITTEE

APRIL 25, 1991

RE: SENATE BILL 383

Madam Chair, members of the Committee:

My name is Pete McGill of Pete McGill and Associates and I appear here today on behalf of our client of more than three years, Wichita Greyhound Park, Inc.

We are proponents of simulcasting under certain, very carefully regulated conditions, and support SB 383 in its present form. Considering what the people of Kansas went through to get parimutuel wagering and considering what the Kansas Legislature and particularly this committee went through to implement the constitutional amendment, I would believe the members of this committee would be very concerned about any amendments to broaden or expand SB 383.

The parimutuel industry in Kansas is relatively new. Only one race track in Kansas has completed one full season of racing and that is the Woodlands in Kansas City. Wichita Greyhound Park ran a short season in the fall of 1989 and last year was restricted from running Saturday afternoon and Sundays to protect the Eureka market when that track was operating. The Eureka track closed midway through its first full season last year. Now, you are being asked to approve a major revolutionary change in the entire system before anyone can accurately tell you what the parimutuel market is in Kansas.

Several of you on the committee participated in the debate to implement the constitutional amendment on parimutuel wagering but there are other members who did not have the same opportunity.

Whether or not you agree with the concept of parimutuel wagering, I believe everyone would agree there is no doubt the people of Kansas thought they were voting for live racing when they approved the amendment. In fact, the constitutional amendment specifically prohibits off-track betting.

SB 383 as originally introduced in the Senate appeared to be nothing more than a subterfuge to get around that prohibition by authorizing a sophisticated form of off-track betting. The bill would have permitted wagering at facilities when no line racing is taking place - in fact, it would have permitted two days of simulcasting for every day of live racing.

As I mentioned earlier, there are only two major operating tracks in Kansas. The Wichita market is significantly different than the Kansas City market and the authorization of simulcasting could impact each in a different manner.

For instance, we have a copy of an article from this month's *National Greyhound Update* magazine that tells of Delaware North's interest in acquiring the license of the defunct Eureka track. Delaware North is one of the nation's largest horse and greyhound track operators as well as one of the nation's largest

operators in the simulcast industry.

It would be presumptuous on our part to speculate about what Delaware North plants to do with the Eureka facility, but everyone agrees they do not plan to acquire it to run live racing. The track has been shown to be extremely unprofitable under its past racing format. In fact, someone presented a simulcasting proposal to the Racing Commission that suggest 18 days of live racing at that facility and 155 days of simulcasting. That gives you an idea of what some have in mind if simulcasting is approved.

Delaware North is not a non-profit organization so what this suggests is that anyone could apply for a license to run an off-track simulcasting facility if they just happened to have a race track at that location.

Wichita Greyhound Park has no problem with Eureka running live races 365 days a year as long as Wichita is not required to shut down on the choice racing days as was the case last year. We would have a problem with someone simulcasting extensively from Hollywood Park, Santa Anita or other prestigious remote facilities.

Now let me briefly touch upon the history of this bill.

When Sunflower Racing presented the first draft of their simulcasting proposal to the Racing Commission, I testified before the Commission in opposition

to the bill as drafted. We indicated we had no opposition to Sunflower exporting their racing signal out-of-state on an unlimited basis.

We had no objection to any track in Kansas receiving a signal for special events such as the Kentucky Derby, the Belmont or other similar feature races at a time when they are running live races.

We said we had no objection to a track importing a signal to fill a race card on an emergency basis.

We said we had no objection for the interchange of signals between licensed Kansas tracks at a time when live racing is being conducted. Beyond that, we have a concern.

After the Racing Commission heard our testimony they directed Executive Director Dana Nelson to meet with interested parties to attempt to work out the differences between the competing entities.

Mr. Nelson called a meeting of interested parties on Wednesday evening before the Commission held a Thursday meeting about six weeks ago. Once again we expressed these same concerns but to no avail. The result was a wide-open simulcasting proposal with unlimited simulcasting days allowed provided a licensee conducted at least one live race per year. We repeatedly stated our concern

about protecting the Wichita market area against artificial encroachments on our potential live market. Statistics all across the nation indicate attendance at live racing declines when simulcasting competes for the same market.

We suggested amending the proposal under discussion by amending it in a manner patterned after the Florida law which stated in essence that 80 percent of the races on which wagers are taken during such performance shall be live races conducted at the parimutuel facility except when a permit holder is unable to fill the daily race. Florida does not permit simulcasting on any day live races are not being conducted. Our suggestion was rejected by that group but adopted by the Senate committee.

In Attorney General Opinion 88-116, the Attorney General's office held that intrastate simulcasting was not legal under present statutory parimutuel authority. In Attorney General Opinion 90-90, the Attorney General's Office held that it was appropriate for the state legislature to determine what "off-track betting" is, but that the definition must be reasonable in light industry useage and definitions. With this in mind, consider that AG Opinion 90-90 also discussed that when federal legislation was enacted dealing with interstate horse race wagering in 1978, "on track wager" was defined as "a wager with respect to the outcome of a horse race which is placed at the racetrack at which such horse race takes place." Conversely, an "off-track wager" was considered to be made "anywhere other than at the racetrack where the horse race to be wagered on took place." Simulcasting at a time other

than when live racing is taking place may very well be considered "off-track wagering" under our constitution.

The Wichita Greyhound Park license in Wichita provides for protection against any other greyhound tracks being licensed within a 100 mile radius of Wichita and says nothing about simulcasting within those territorial limits. At the time the license was granted, no one envisioned the possibilities of simulcasting encroachments on that license.

The facility owners made their financial commitments based on the law at that time and everyone has tremendous concerns about authorizing additional possibilities for competing for those parimutuel dollars.

In conclusion, Mr. Chairman and members of the committee, if it should be the decision of this committee and the legislature to authorize simulcasting, we respectfully ask that it be done only on days live racing is being conducted and then on a very limited basis as presently provided in this bill.

We would have no strong objection to some legitimate county fair association supplementing their race meet with some form of simulcasting for the remote areas of the state as long as there is adequate protection for our facility which has already made a tremendous investment under the existing law and it is conducted in a manner presently set forth in this bill.

We have every confidence in the abilities and wisdom of the present makeup of the Kansas Racing Commission but we cannot predict what the future makeup of the Commission might be. Because of this concern and other delineated previously in my testimony, we would prefer protective language to be statutory rather than administrative.

Wichita Greyhound Park has no interest in using simulcasting for parimutuel racing any time in the near future nor do we think it should be authorized elsewhere if the potential could negatively impact on existing market areas. Kansas already has one failed facility, the parimutuel industry doesn't need another.

There are several other aspects of SB 383 that should be closely scrutinized and I can only assume this committee will direct its attention toward those as well.

National

GREYHOUND



Update

\$1.95
MARCH/APRIL
1991



The section
in which
you find out
what has
happened
and what
will be
happening in
Greyhoundland

Delaware North, one of the original also rans in the race for the Kansas City greyhound track license, is trying to get into the Kansas pari-mutuel picture by negotiating to purchase the defunct Eureka Downs thoroughbred facility. The track went into bankruptcy last summer after running up a \$400,000 deficit during two years of racing. The deal would require approval of the federal bankruptcy court. . .

Ask about competitive yield with no junk.

If you're like many bond fund investors today, you're concerned about the safety of your money. That's why Twentieth Century Investors has five no-load fixed income funds that invest only in high-quality bonds - no junk. For information about Twentieth Century Investors, including charges and expenses, call or write for a free Information Kit and Prospectus.

Ask for your free Guide to Cutting Risk.
1-800-345-2021



© 1989 Twentieth Century Investors, Inc.

P.O. Box 419210, Kansas City, MO 64141-9200

Please read the Prospectus carefully before investing.

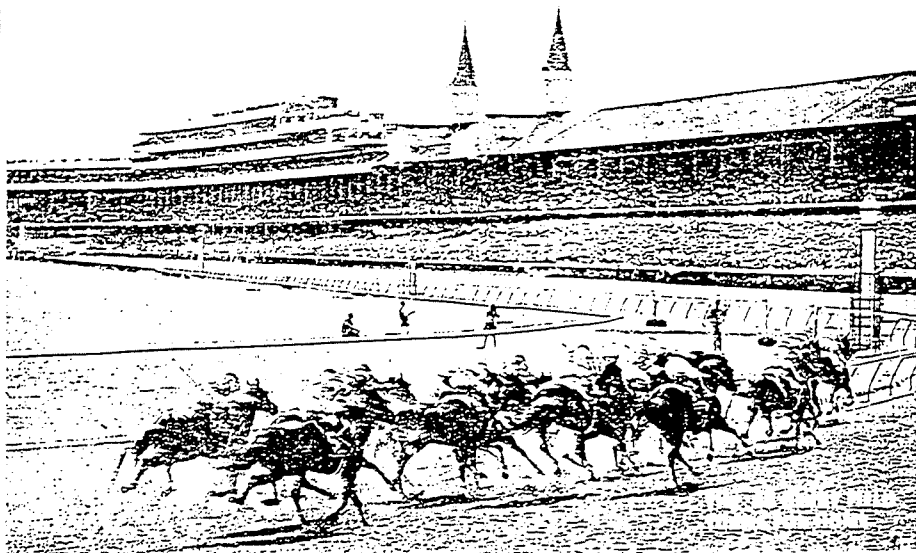
BSW

Sports Business

HORSE RACING

HAS RACING STAKED ITS FUTURE ON A BAD PONY?

Simulcasting hasn't helped stop the slide in attendance



You would be hard-pressed these days to find a happier guy than Gerald Lawrence, general manager of Churchill Downs, home of the Kentucky Derby. Not only does he expect 135,000 racegoers to bask in the pageantry of the Derby on May 6, but he also plans to telecast the race nationwide to about 119 racetracks and off-track betting facilities chock full of horseplayers. "Christmas in May" is how Lawrence and others associated with the track describe the annual race.

Indeed, just the \$2 million Lawrence expects to net on Derby Day from bettors outside Kentucky makes it seem as if Santa Claus decided to take up residence in Louisville. The boost from off-track telecasting and betting has been an important element in rejuvenating the once-stagnant track, although spruced-up facilities and sharper marketing have helped, too. Of the \$1.86 million Churchill Downs Inc. netted from off-track betting on the 1988 Derby—considerably more than the \$1.1 million cleared at its own windows—half went into richer purses, which attract better horses and bigger crowds during the season.

There's a hitch, though. After Derby Day, Lawrence is not so euphoric. He shares with other racing officials a gnawing concern about the long-term effects of sending and receiving televised

races for betting purposes, otherwise known as simulcasting. Although total wagering on thoroughbred racing nationwide has increased 62% to \$9.5 billion, since 1968, the rise in betting has not meant a boost in attendance at the tracks. Paid admissions have fallen 19% over the same period. In fact, Lawrence contends that simulcasting is exacerbating the decline: "This is a disaster waiting to happen, if we are not careful."

AGING RAILBIRDS. Why? Simulcasting has not fulfilled hopes of broadening racing's appeal. It has only made it easier for experienced railbirds to bet more often. This is a problem because that crowd is growing older and dwindling in number. That has placed Churchill Downs and other tracks like it in a horse race to fill their grandstands with new fans. Says Ogden M. Phipps, president of the Jockey Club in New York: "The industry must do two things—lure people to the track and educate them."

That's no easy task. "Pitiful is how you can describe the racing industry's attempt to bring in new fans," says Ken Alhadeff, executive vice-president of Longacres Race Course in the Seattle suburb of Renton. "Kids grow up with football," he says, "but horse racing remains a mystery to most of us. Simulcasting won't be the savior of racing. The savior of racing will be our ability to



Discover America's Technology Companies

Uncover new business opportunities with fast-growing high-tech manufacturers

Target:

- hard-to-find private companies
- key decision makers
- divisions of large companies
- makers of 3,000+ product types

Identify:

- new markets
- new opportunities
- new partners
- new investments

National—Regional—Local:

Directories Custom reports
Databases Mailing lists

FREE Information Kit: 1-800-843-8036

CORPTECH®

1 Market Street, PO Box 81281
Wellesley Hills, MA 02181
(617) 237-2001 • Fax: (617) 237-3235
Tlx: 497-2961 CRPTECH

What to expect from your personal account executive in Tiffany's Corporate Division.

Countless original gift ideas
for any business occasion.

Handsome dining accessories
that proudly bear your company logo.

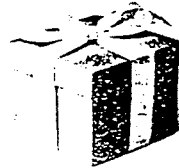
A custom-tailored service
recognition program that treats
your employees to the best.

Trophies of distinction in the tradition
of the Belmont trophy, the Super Bowl trophy
and the Breeder's Cup.

Sales incentive awards that mean business.

The famous Tiffany blue box.

To receive a catalogue,
open an account or place
an order, call 800-423-2394.



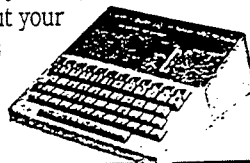
TIFFANY & Co.

NEW YORK BEVERLY HILLS CHICAGO DALLAS HOUSTON PHILADELPHIA
BOSTON ATLANTA SAN FRANCISCO WASHINGTON DC DETROIT COSTA MESA T&CO. 1989



Stop wasting time.

Countless productive hours are wasted playing phone tag. With Omninote, a new time-saving desktop message system, you can send and receive concise printed messages throughout your company in seconds. It bypasses phone tag, cuts workflow interruptions and helps you do more work in less time. Plus, Omninote communicates internally over existing power lines and externally over phone lines. No rewiring is needed. Don't waste another minute. Call 1-800-848-1987.



OMNINOTE

It Beats Talking!

Omninote is a registered trademark of Telurgraph Corporation.

attract new fans by ripping down the intimidation factor."

Longacres is trying to develop a strategy to bring in the uninitiated. It passes out a "First Timer's Kit" explaining how to read the *Daily Racing Form*. And there's also a "New Comer's Corner," where an ex-jockey explains the arcane science of handicapping and betting.

VENERABLE OVAL Churchill Downs has some things going for it that other major tracks lack, however—foremost being that horse racing is an integral part of Kentucky social life. As a result, the 115-year-old track doesn't have as hard a problem attracting new racing fans, and it doesn't need to run handicapping seminars. But its facilities were showing their age. In the past four years, clubhouses in the white clapboard, twin-spired grandstand have been redone, replete with plush carpets and white linen tablecloths. And now fans can get a bet-

THE SIMULCASTING PAYOFF

Results of closed-circuit broadcast of 1988 Kentucky Derby to betting outlets

Total wagers at simulcast outlets	\$25,500,000
Less: State taxes	880,000
Bettors' winnings	20,900,000
Simulcast outlets' share	1,860,000
Churchill Downs' simulcast share	\$1,860,000

DATA: CHURCHILL DOWNS INC.

ter view of the horses before a race.

In addition to the \$25 million refurbishing program, Churchill Downs' management has had to learn to market the venerable oval. It now offers fans the opportunity to attend receptions for jockeys and is pushing hard to increase group sales, which currently represent about 15% of the track's total annual attendance of 1.2 million. One prime target is Kentucky-based companies. They're being urged to reward employees with a day at the races.

Here again there's a problem, however. Although Churchill Downs doesn't simulcast the Derby locally, for fear of cannibalizing attendance, the track does simulcast regular-season races. So it has stopped advertising to northern and western Kentucky and Cincinnati because those areas receive the broadcasts. Instead, management has had to concentrate much of the track's annual \$1 million promotion budget in such far-away places as Indianapolis and Nashville. And if Churchill Downs can't attract the folks in those areas to the twin spires after Derby Day, there may not be much hope for growth at the nation's less storied racetracks.

By Stephen Phillips in Louisville



The Racing Association
of Kansas East

TESTIMONY

on Senate Bill 383

House Committee on Federal and State Affairs

Madam Chairman, and members of the committee, my name is Jim Yonally, representing TRAK-East, the non-profit organization licensee at the Woodlands Race Track in Kansas City. I am pleased to appear today in support of Senate Bill 383.

In simple terms, there are two facets to this proposal. One would allow us to receive, via satellite, races from other tracks and permit our patrons to wager on that race just like they do on a race appearing on the track in front of them. Second, it would permit us to send our races to other tracks and participate, through contractual arrangement, in the revenue from their wagering.

The bottom line, for us, is greater income for us to donate to the charities of Kansas. I would like to point out that in the last month, we have distributed approximately \$1.3 million. In response to many questions from legislators that I have received, we will be sending you a letter, in the next few days, listing the programs that we were able to assist this year.

We see the approval of simulcasting, under the direction and control of the Racing Commission as the next logical step for the racing industry in Kansas. We urge your favorable consideration for Senate Bill 383.

Thank you for your time and attention.

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #11 - Page 1

MADAM CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS JOE BROWN. I COULD NOT BE WITH YOU TODAY BUT WISH YOU WOULD CONSIDER MY VIEWS ON SIMULCASTING. I AM A LIFELONG RESIDENT OF KANSAS, AND CURRENTLY LIVE IN BUTLER COUNTY. MY OCCUPATION IS FARMING. I AM ALSO INVOLVED IN THE BREEDING AND RACING OF HORSES.

THE SIMULCAST BILL INTERESTS ME IN 3 WAYS, AS A TAXPAYER, A BUSINESS MAN, AND A HORSEMAN.

AS A TAXPAYER I WOULD LIKE TO SEE SOURCES OF REVENUE USED THAT ARE WHAT I WOULD CALL VOLUNTARY TAXES, AS OPPOSED TO PROPERTY TAXES, SALES TAXES, OR INCOME TAXES. THE REVENUE GENERATED BY THE TAX ON ADMISSION AND THE STATES SHARE OF THE TAKEOUT ON WAGERING ARE WHAT I WOULD CALL A VOLUNTARY TAX. I HAVE A CHOICE TO PAY THESE TAXES BY PARTICIPATING OR NOT TO PAY THEM BY NOT PARTICIPATING IN PARIMUTUEL WAGERING. I HAVE NO CHOICE ON PROPERTY TAX, SALES TAX, OR INCOME TAX. ALSO, THE ADMINISTRATION OF SIMULCAST IN ADDITION TO THE CURRENT RACING PROGRAM WILL BE VERY LITTLE EXPENSE. REVENUE RAISED BY CHOICE AND AT A SMALL ADDITIONAL COST WOULD MAKE COMMON SENSE NO MATTER WHAT THE AMOUNT OF REVENUE WOULD BE. THIS SIMULCAST BILL USES THESE CONCEPTS.

AS A BUSINESS MAN, I AM IN FAVOR OF ANY LEGISLATION WHICH HELPS THE INCOME OF OUR STATE'S NUMBER 1 BUSINESS, AGRICULTURE. THE SIMULCAST BILL PROVIDES AN AVENUE FOR ADDITIONAL REVENUE TO SUPPORT BOTH HORSEMEN AND TRACKS. THE HIGH COST OF SETUP AND MAINTENANCE OF RACING FACILITIES COULD BE SPREAD OVER A LONGER PERIOD OF TIME WITH ADDITIONAL REVENUE. KEEPING THE TRACKS OPEN WILL CREATE MORE EXPOSURE AND INTEREST IN THE RACING INDUSTRY. SUPPORT THRU SALES OF GRAIN, HAY, AND BEDDING WILL HELP THE AGRICULTURAL ECONOMY. MY BUSINESS HAS ALREADY FELT THE PINCH OF LOSING RACING THIS SEASON AT EUREKA. I RAISE AND SELL HAY. IN 1989 AND THE FIRST PART OF 1990 MY SALES TO BREEDING FARMS AND RACING STABLES AMOUNTED TO ABOUT \$40,000. THIS WAS OVER 300 TONS OF HAY AND STRAW. IN THE LAST 1/2 OF 1990 AND SO FAR IN 1991 MY SALES ARE ABOUT HALF THE USUAL AMOUNT. THE MAJORITY OF MY HAY IS GOING OUT OF STATE NOW FOR ABOUT \$20 PER TON, LESS THAN I RECEIVED IN KANSAS. THE LOSS IN INCOME AMOUNTS TO MORE THAN \$4000 THAT I WOULD HAVE HAD TO SPEND IN KANSAS. THERE ARE PEOPLE WITH HORSES TO RACE AND MARES TO BREED IN KANSAS, BUT WITH THE THREAT OF EVEN LESS RACING IN KANSAS THEY WILL SPEND THEIR MONEY TO PARTICIPATE IN OTHER STATES ALSO. WE NEED THE TOOLS TO KEEP THIS INDUSTRY ALIVE IN KANSAS.

AS A HORSEMAN, I AM INTERESTED IN TWO THINGS: LARGER PURSES AND MORE OPPORTUNITIES TO RUN. I HAVE THREE HORSES I WANT TO RUN IN 1991, CURRENTLY ONE IS BEING TRAINED IN OKLAHOMA BECAUSE THERE IS NOT PLACE IN KANSAS TO GET IT READY FOR THE WOODLANDS. WITH THE NUMBER OF KANSAS HORSES THAT WILL WANT TO RUN AT THE WOODLANDS, AND THE FEW DAYS OF RACING IT WILL BE HARD TO GET HER IN MORE THAN 3 OR 4 RACES THIS SUMMER. IT IS DISCOURAGING TO SPEND SO MUCH TIME AND MONEY AND NOT BE ABLE TO RUN IN KANSAS. THE SIMULCAST BILL CAN HELP MAKE THE PURSES LARGER, ATTRACT MORE FANS TO HORSE RACING, AND CREATE ADDED INCENTIVE FOR THE WOODLANDS TO CONTINUE OPERATING A HORSE TRACK. WITHOUT THE TOOLS OTHER STATES HAVE, EVENTUALLY WE COULD SEE NO RACING IN KANSAS IF WE DON'T SUPPORT THINGS LIKE SIMULCASTING WHICH IF DONE RIGHT WILL HELP PROMOTE HORSE RACING IN KANSAS.

I REALIZE THERE CANNOT BE A PERFECT BILL AND THERE ARE SOME THINGS I DON'T LIKE ABOUT THIS BILL, BUT IT WILL AT LEAST GIVE US A START, KEEP US EVEN WITH SOME OF THE COMPETITION FOR THE ENTERTAINMENT DOLLAR, AND I HOPE YOU WILL CONSIDER MY CONCERNS WHEN YOU VOTE ON THIS BILL.

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #12 - Page 1

April 25, 1991

House of Representatives
Federal and State Affairs Committee

Madame Chairman, Committee Members:

My name is Jim McCoy. I'm a thoroughbred horse owner and trainer from Louisburg, Kansas. I currently have 57 horses in the Kansas bred program. I am here representing both myself as a Kansas horseman, and the National Horsemen's Benevolent Protective Association - New Racing States Committee. I'd like to tell you just a little bit about the organization I'm proud to be a member of, while taking a position on Senate Bill 383.

The H.B.P.A. is currently made up of 28 chapters and 2 ad hoc committees. We are in our 51st year of operation and currently represent about 65,000 members with an estimated 500 to 600 of them Kansas residents. We publish our own monthly magazine, and furnish our membership with an excellent fire, disaster and transportation insurance policy for their horses. Our main function, however is the welfare of our highly transit community. Last year we distributed an estimated four million dollars in benevolence to our members, their families and employees. Most of this took the form of medical bill payment, glasses, care for children, and other social assistance in our mobil environment. This includes chaplin programs, drug and alchohol abuse programs, G.E.D. study programs along with other social programs and counseling not readily available to a basicly transit group.

Both myself and our group feel that simulcasting under proper conditions operated for the best interest of all concerned parties would be an outstanding additon to our Kansas racing program. We do not however feel that Senate

Page 1

Bill 383 presently meets that criteria. We are concerned with many areas of this bill, and I'd like to briefly touch on just a few. There appears to be significant differences in some areas of definition in 383. On page 3, line 33 thru 35 "Recognized Kennel owners group" appears much different than the "Recognized Horsemen's group" on lines 36 thru 42. The kennel owners group is made up from "the" racetrack, is elected, and needs no commission approval. The horsemen's group is not elected but duly recognized, is made up from "any" racetrack and must be approved by the commission. Frankly, we do not understand this at all. On page 4 line 7 (new section 2) the requirement for 150 days of live racing seems to limit the ability of any smaller locations to become involved in simulcasting. On page 4 new section 2 (b)(3) starting on line 41, we feel that the horseman should have specific approval on "special racing events" to be simulcast. During the process of developing this legislation, there was some objection to the potential length (possible 60 days of 75 day meet) of the appeal process available to the horseman's group found on page 6, lines 28 thru 41. It appears to us that this problem was solved simply by eliminating the entire appeal process. We think that this position should be re-considered. On page 7, lines 6 thru 18, the method for distributing the take out between the racetrack facility and the horsemen's purse structure is described. This arrangement is not what has been traditionally acceptable in most other major racing jurisdictions. The reason that the horsemen are not normally involved in expenses other than sharing signal cost is that the racetracks have avenues of additional revenue derived from the additional attendance generated by simulcast events which is not shared by the horseman. These avenues include admission charges, club house seating charges food sales, beverage sales, and parking.

In closing, let me once again state our position strongly in favor of a good Kansas simulcasting bill. We would hope this committee will allow everyone the time necessary to put forth a less permissive, more responsive bill by taking no action at this time.

Thank you very much.

I will be happy to answer any questions you may have.

April 25, 1991

House of Representatives
Federal and State Affairs Committee

Madame Chairperson and Committee Members:

My name is Charles Dickey. I am the chairman of the Horseman's Benevolent and Protective Association, Kansas Ad Hoc Committee. I was born and raised in Anthony, Kansas, and was introduced to horse racing in many Kansas towns, first a jockey, and then as an owner and trainer. Last season I was the leading trainer at the inaugural Woodlands race meet in Kansas City, Kansas.

I am currently racing at Remington Park, in Oklahoma City, Oklahoma and next week will be moving to the Woodlands. I am here today to inform you of our thoroughbred horse owners and trainers position on Senate Bill 383, simulcasting of horse and greyhound races. Our board of directors and myself are strongly in favor of simulcasting in principle. I have raced in many places both on the east coast and in the midwest where simulcasting has been very beneficial to horse racing. We do, however, feel that there are some very serious problems with this bill from the horseman's position. I would like to point out a couple of them for you. I have driven up from Oklahoma several times to attend meetings concerning this bill. Each time, various problem areas were discussed, and what we felt were reasonable solutions were agreed upon. Later, when amendments were inserted in the bill or sections were deleted, these changes never were the same as we had agreed upon. For example, on Friday, April 11th, I drove to Topeka to attend a meeting at the commission office with some of the concerned parties to discuss, among other things, the definitions of the "Recognized Horsemans Group" as found on page 3, lines 36

Page 1

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #14 - Page 1

thru 42, of Senate Bill 383. There was agreement among those in attendance that the current language was unsatisfactory, and a compromise was agreed on as follows; "Recognized Horsemen's Group" - for the purpose of approvals required by the simulcasting bill means the horsemen's group which has contracted to represent the Kansas licensed owners and trainers of the breed of horse running at the race track facility which is to be simulcast. Unfortunately, this agreed upon amendment has not been acted upon. A second section we are concerned about is on page 7, lines 6 thru 18. This section determines how the take out for simulcast racing is to be distributed. We feel that this language is far too permissive, and in addition, strongly detrimental to the horseman when compared to legislation in the major racing states surrounding us.

In closing, I would again like to state that our thoroughbred horsemen's group is strongly in favor of simulcasting when it is equally beneficial to all parties. We do not, however believe that this bill has reached that purpose, and needs significant additional work before approval.

We respectfully ask that this committee hold this bill over to next year's legislature, to allow sufficient time for much needed amendment.

Thank you very much for your time and consideration. If you have any questions I will be happy to answer them.

TESTIMONY TO HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
APRIL 25, 1991

Ms. Chairwoman and Members of the Committee:

The Kansas Thoroughbred Association (KTA) appreciates the opportunity to testify today on the simulcasting legislation. The KTA was formed to foster and promote the thoroughbred horse industry in the state of Kansas. We believe that simulcasting, properly designed and administered, can be an important tool to further the economic development of horse racing in Kansas. Therefore, we strongly support the basic concept of simulcasting horse races. In fact, our association was the first horse association in Kansas to step forward in support of simulcasting. We are, however, concerned that the legislation for simulcasting be written and administered in a way that will enhance, protect, and promote live racing in Kansas. For these reasons, we have some areas of concern about the proposed legislation that we would like to submit for your consideration:

First, in the definition of "Recognized horsemen's group" we would propose that the language read as follows: "for the purpose of approvals required by the simulcasting bill, means the horsemen's group which has contracted to represent the Kansas licensed owners and trainers of the breed of horse running at the racetrack facility for which simulcasting is proposed." This will insure that proper protection is provided to the appropriate horsemen.

Secondly, the bill allows for the Kansas Racing Commission, by rules and regulations, to define allowable expenses associated with a simulcast race or performance. Again, for the protection of horsemen and to insure that horsemen DO benefit from a simulcasted race, we believe that the "Recognized horsemen's group" should be allowed to negotiate with the racetrack facility on limits for allowable expenses directly associated with a simulcast race or performance.

Thirdly, the proposed legislation makes no provision for smaller tracks, such as Fair Associations, to participate in simulcasting. We believe that provisions should be made to allow smaller tracks, conducting less than 150 days of live racing during a calendar year, to benefit from simulcasting. Such a provision would enhance the feasibility of Fair Meets, and expand the amount of live racing. This would further promote the economic development of horse racing in Kansas.

Fourthly, the proposed legislation does not provide adequate protection for the conduct of live racing. There needs to be further provisions to insure that live racing is not in any way diminished by the impact of simulcasted races or performances.

For the above reasons, we are opposed to the proposed legislation and ask for your consideration in making appropriate amendments to address our concerns. Again, we are very supportive of simulcasting for Kansas, but we want it in a form that will best serve the Kansas horse racing industry.

Thank you for the opportunity to appear today and I would be happy to answer questions.



THE AMERICAN COMPANIES, INC.

2101 N. TOPEKA

TOPEKA, KANSAS 66608

913-233-4252

SPECIALISTS IN LIBRARY AND EDUCATIONAL SERVICE

State Date: April 25, 1991

Subject: S.B. #383

To: House Committee on Federal and State Affairs

From: Richard A. Crawford of Topeka, Kansas

Honorable Chairman and Members of Federal and State Affairs Committee:
My name is Dick Crawford, I live in Topeka, and am President and Chairman of The American Companies, Inc., a company which sells products and services to schools and libraries nationwide and to customers in more than 30 foreign countries. Our employment presently ranges from 500 to 550 people, with 350 to 400 here in Topeka.

As an employer, I am keenly aware of the decline in values that we as Americans, and Kansans, have always believed were basic to a good, hard working and productive society. I firmly believe that the proliferation of the gambling habit and mentality is another serious degeneration of that ethic.

I find myself very much in agreement with some of the current commentary on this subject.

The New York Times has stated that "This new legitimacy of once illegal forms of betting is undermining traditional attitudes toward work and play, saving and investing, even right and wrong."

From the Twentieth Century Fund, a New York research group, comes the observations that "Gamblings get-rich-quick appeal appears to mock capitalism's core values: disciplined work habits, thrift, prudence, adherence to routine and the relationship between effort and reward."

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

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #16 - Page 1

THE AMERICAN COMPANIES, INC.

ECONO-CLAD BOOKS,
2101 N. Topeka
Topeka, Kansas 66608

AMERICAN BINDERY-MIDWEST
914 Jefferson
Topeka, Kansas 66607

AMERICAN BINDERY-EAST
301 Ivey
Colonial Heights, VA 23834

PREBOUND PERIODICALS, INC.
914 Jefferson
Topeka, Kansas 66607

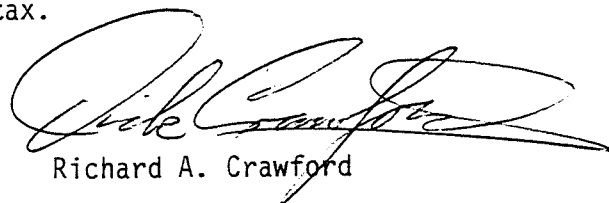
The Financial World has noted "Yet for the past decade, in state after state, citizens have eagerly welcomed not only legalization but government sponsorship of gambling, an activity that was once generally regarded as a vice and that many experts consider as addictive and socially destructive as narcotics."

Respected journalist George F. Will has written in Newsweek that "Gambling fever reflects and exacerbates what has been called the "fatalism of the multitude." The more people believe in the importance of luck, chance, randomness, fate, the less they believe in the importance of stern virtues such as industriousness, thrift, deferral of gratification, diligence, studiousness. It is drearily understandable why lotteries -- skill-less gambling; gambling for the lazy -- are booming at a time when the nation's productivity, competitiveness, saving rate and academic performance are poor.

And finally, I would have to agree whole heartedly with the United States Chamber of Commerce in their position that "Gambling adversely affects business, causing inefficient employees, accident-prone employees, and potentially dishonest employees. When a gambler becomes a loser -- and in the long run they all do -- he becomes worried, distracted, tense as debts mount."

Thank you for your time. I know that opposing the gambling groundswell, erupting once again in this country, is not an easy or perhaps even a popular thing to do. But, gambling will continue to help erode our already weakening economic strength, even here in Kansas where we still have better work habits and productivity than in most parts of the country.

And, gambling is a very poor way to tax.



Richard A. Crawford

In the Grip of Gambling



In this age of lotteries, manufacturing mass hysteria—even mobs—is a government goal

It has been 308 years since William Penn began what he considered a holy errand into the wilderness. He founded a community in which government would try to be a force for moral improvement. Imagine what he would think of Pennsylvania in the grip of gambling fever fomented by the state's government.

State lotteries rarely reach the giddy heights attained by Pennsylvania's last week when the prize rose to \$115 million. However, the state-lottery industry (Nevada likes to speak of gambling as the "gaming industry") is big business. Twenty-eight states and the District of Columbia, with 68 percent of the population, have lotteries. Americans gamble \$90 per capita annually with governments. Cotton Mather, call your office: your New England is a hotbed of gambling. Per capita spending on lotteries in Connecticut (\$158) and Massachusetts (\$234) is well above New York (\$91) and Pennsylvania (\$121).

States spend \$200 million advertising their lotteries, creating and inflaming gamblers. However, the most potent advertisements are the gargantuan jackpots. Pennsylvania sold 11 million tickets in one morning to mobs of buyers, some of whom flocked to the state by car, bus, train and plane. Last December, when New York's jackpot was a piddling \$45 million, the state's 5,600 vendors were selling 28,000 tickets a minute. In three days 37.4 million were sold. Government is not ineffective when the task is to turn citizens into lemmings. Those who win \$1 million are .000008 percent of the 97 million lottery gamblers.

James Cook, writing in *Forbes* magazine, reports that in the fiscal year ending June 1988, state lotteries had sales of \$15.6 billion, about equal to the gross of the U.S. primary aluminum industry. After subtracting payouts and overhead the states received about \$6 billion for their general funds or particular uses (education, the elderly, transportation). Lottery earnings have been growing an average of 17.5 percent annually, a rate comparable to that of the computer industry. For the year ending this June, earnings may be \$7 billion, more than the budgets of 40 states. Cook says lotteries were used to finance the founding of Jamestown, the Continental Army, Dartmouth, Harvard, Princeton and public works such as roads and canals. In 1832 Philadelphia's 200 lottery shops dispensed prizes of \$53 million, equal to \$600 million today. Lotteries are getting a small share of the estimated \$200 billion wagered in America each year (\$2.5 billion on the Super Bowl alone). Cook asks, "Why not harness frivolous instincts to serve worthy causes?" A fair question. What is wrong with raising so much money

from consenting adults who evidently derive pleasure from being fleeced? Plenty is wrong with it.

One state's welfare is uniquely woven into gambling, but Nevada has an excuse: the silver was gone, the soil was lousy and the would-be divorcées were bored. After the Comstock Lode petered out, Nevada eventually discovered divorce as a way of making money from federalism. Nevada crushed the competition of a few other states in setting the shortest residency requirement, then looked around for a new way to mine money from the law, and found gambling. Now, one Nevada is kind of nice. But there is something sinister about more and more governments becoming more and more addicted to money from what was until recently considered a vice.

Reporting on "America's gambling fever," *Business Week* notes that gambling is part of the weekly, even daily routine of tens of millions of Americans. And new technologies, such as television gambling for couch potatoes and video lottery terminals (street-corner casinos run by state lotteries), may soon make gambling more ubiquitous.

Aggressive government marketing of gambling gives a legitimizing imprimatur to the pursuit of wealth without work. By blurring the distinction between well-earned and "ill-gotten" gains—a distinction blurred enough by Michael Milken, LBO's and other phenomena—government-run gambling repudiates an idea once important to this republic's sense of virtue. The idea is that citizens are distinguished more by the moral worth of the way they make money than by how much money they make.

People who want to delegitimize capitalist societies encourage the belief that much wealth is allocated in "speculative," meaning capricious, ways. That is, too much goes to people who earn their bread neither by physical nor mental exertion—neither by the sweat of their brows nor by the wrinkling of their brows in socially useful thought. Gambling is debased speculation, a craving for sudden wealth unconnected with investment that might make society more productive. Government-fostered gambling for huge stakes institutionalizes windfalls, and thus does recurring injury to society's sense of elemental equities.

Gambling fever reflects and exacerbates what has been called the "fatalism of the multitude." The more people believe in the importance of luck, chance, randomness, fate, the less they believe in the importance of stern virtues such as industriousness, thrift, deferral of gratification, diligence, studiousness. It is dreadfully understandable why lotteries—skill-less gambling; gambling for the lazy—are booming at a time when the nation's productivity, competitiveness, savings rate and academic performance are poor.

Driven by delusions: Finally, and most important, there is the degradation of democratic politics. Once upon a time social health was thought to be connected with the political courage to ask, and the civic virtue to grant, taxes sufficient to pay the price of national security and necessary public services. Nowadays the voice from the nation's bully pulpit preaches that it is unthinkable that people should pay taxes commensurate with their demands for services. And state politicians are pleased to wrinkle money from people irrationally excited by improbable dreams.

"Governments, like clocks," wrote William Penn, "go from the motion that men give them." Today many state governments are driven by delusions they have instilled. States do not pass truth-in-gambling laws that would require full, forceful explanations of the odds against winning. Once upon a time, mass irrationality was considered a menace to democratic government. In this age of lotteries, manufacturing mobs is a government goal and mass hysteria is an important ingredient of public finance.

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #16 - Page 3

3LING HURTS ECONOMIC DEVELOPMENT

Kansans are losing millions of consumer dollars yearly to persons getting rich promoting bingo, lottery, and parimutuel gambling - legal skimming operations. Do you want MORE people losing MORE money gambling in MORE places on MORE races?

On the Fourth of July, 1990, on national TV a young person was asked, "WHAT IS THE AMERICAN DREAM?" A fine looking young man responded, "THE AMERICAN DREAM IS TO ENJOY THE GOOD LIFE WITHOUT WORKING FOR IT." That is the message received from gambling promoters. Slave owners had the same philosophy. "You toil and sweat, and I'll live off the fruit of your labor." Gamblers want to live off what others have worked for and earned.

"Gambling fever reflects and exacerbates what has been called the 'fatalism of the multitude.' The more people believe in the importance of luck, chance, randomness, fate, the less they believe in the importance of stern virtues such as industriousness, thrift, deferral of gratification, diligence, studiousness. It is understandable why gambling is booming at a time when the nation's productivity, competitiveness, savings rate and academic performance are poor. "

NEWSWEEK: May 8, 1989

"We will face in the next decade or so more problems with youth gambling than we'll face with drug use," says Howard Shaffer, director of the Center for Addiction Studies in Cambridge, Mass.

"This new legitimacy of once illegal forms of betting is undermining traditional attitudes toward work and play, saving and investing, even right and wrong." New York Times

"Gamblings get-rich-quick appeal appears to mock capitalism's core values: disciplined work habits, thrift, prudence, adherence to routine and the relationship between effort and reward."

Twentieth Century Fund, a New York research group

"Gambling adversely affects business, causing inefficient employees, accident-prone employees, and potentially dishonest employees. When a gambler becomes a loser - and in the long run they all do - he becomes worried, distracted, tense as debts mount."

Chamber of Commerce of The United States

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

GAMBLING AND THE GOVERNMENT, The Wall Street Journal

"Yet for the past decade, in state after state, citizens have eagerly welcomed not only legalization but government sponsorship of gambling, an activity that was once generally regarded as a vice and that many experts consider as addictive and socially destructive as narcotics."

Financial World

"I oppose gambling because it does not add to the Gross National Product of the nation or to Kansas."

Attorney General Curt Schneider, March 21, 1977

"Gambling is parasitic. It is non-productive. It creates no new wealth and performs no useful service. It redistributes wealth from many into the hands of the few."

Virgil Peterson, Chicago Crime Commission

"The thing that bothers me most about it is that when people gamble away their money, they don't spend it on an honest product that someone has put work into. There's just so much money, and if it is lost at a gambling table, it is taken out of the productive part of our economy."

Andy Rooney, Topeka Capital Journal

HOUSE FEDERAL AND STATE AFFAIRS

April 25, 1991

Attachment #16 - Page 4



COUNTRYSIDE UNITED METHODIST CHURCH

3221 Burlingame Road
Topeka, Kansas 66611
(913) 266-7541

Paul B. Mitchell
Senior Pastor

Marge Cox, Associate
Pastor/Youth Director

David Henry
Director of Music

Jeanne Trupp, Director
of Children's Ministries
and Evangelism

TO: HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE HEARING ON SB 383

DATE: APRIL 25, 1991

SUBMITTED BY REV. PAUL B. MITCHELL, PASTOR OF COUNTRYSIDE UNITED METHODIST CHURCH,
3221 BURLINGAME ROAD, TOPEKA, KS 66611

Ladies and Gentlemen, I come before you today to register my opposition to expanding current gambling opportunities by allowing SIMULCAST BETTING in the State of Kansas.

I oppose all forces in life that seek ways to degrade and cheapen the human condition, that prey upon the weak and uninformed and setup situations where those who are prone to weakness tend to participate to the point of becoming addicted, whether it be to drugs, to gambling, to prostitution, to pornography, or to the exploitation of children and the aged.

Grateful for God's forgiving love, in which we all live and by which we are all judged, I continue to stand with those who affirm our belief in the inestimable worth of each individual.

To that end I speak as a concerned citizen of the great State of Kansas, as a husband, father of four, pastor of a 1,400 member congregation here in Topeka, and as a witness to the Gospel of Jesus Christ, not alone to the ends of the earth, but also to the depths of our common life and work.

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #17 - Page 1

page 2

being concerned for persons of every age and stage, I have a particular burden for the youth of our state and their exposure to so many temptations which are constantly set before them. Why expand the temptation to gambling?

My denomination has a clear statement on gambling in general. In our Social Principles, revised in 1988 by the General Conference of the United Methodist Church, this statement is made: "Gambling is a menace to society, deadly to the best interests of moral, social, economic, and spiritual life, and destructive of good government. As an act of faith and love, Christians should abstain from gambling, and should strive to minister to those victimized by the practice. Community standards and personal lifestyles should be such as would make unnecessary and undesirable the resort to commercial gambling, including public lotteries, as a recreation, as an escape, or as a means of producing public revenue or funds for support of charities or government."

One of the essential commandments, according to Jesus, is "Love thy neighbor as thyself" (Matthew 22:39-40). This, together with loving God with all of one's being summarizes all of the law.

How can we love our neighbors as ourselves if we are exploiting them? Gambling, as a means of keeping material gain only by chance and at the neighbor's expense, is a menace to personal character and social morality. Gambling fosters greed and stimulates the fatalistic faith in chance. Organized and commercial gambling is a threat to business, breeds crime and poverty, and is destructive to the interests of good government. Consequently, I oppose the thought of expanding opportunities for gambling by introducing SIMULCAST BETTING to our citizens, just as I opposed the legalization and state promotion of Gambling of a few years back.

page 3

Dependence on more gambling revenue will lead Kansans to exploit on even broader terms the weakness of our own citizens, neglect the development of more equitable forms of taxation, and thereby further erode the citizen's confidence in government.

The constant promotion and the wide advertising of lotteries have encouraged large numbers of persons to gamble for the first time. Many of these persons are teenagers. They cannot gamble legally because they are under age, nevertheless they are exposed to the hype of gambling and find ways to participate illegally, as they do with drugs.

In the 1991 February 25 issue of Time Magazine, Ricardo Chavira shares an article on "The Rise of Teenage Gambling." As a father and pastor of a church who has a very large and active youth ministry, this information concerns me and shows me what is actually happening to our youth from homes like yours and mine! Selfish greed on the part of many of the promoters of gambling and the owners and operators of casinos drive them to take risks, in essence, betting they can beat the odds by allowing teenagers to play, even if they are under age. The story of Debra Kim Cohen is but one example of many such situations across our nation. "Kim was an addicted gambler," Mr. Cohen says of his daughter. "Kim has squandered all her money, including funds set aside for college." Officials at the five casinos in Atlantic City, where she gambled, claimed that her case was an anomaly.

However, Mr. Chavira, in his research, shows that Kim's case is only the tip of the iceberg. Gambling researchers say that of the estimated 8 million compulsive gamblers in America, fully 1 million are teenagers. Unlike Kim, most live far from casinos, so they favor sports betting, card playing and lotteries. Once bitten by the gambling bug, many later move on to casinos and racetrack betting.

page 4

I feel that we, as Kansans, must draw the line and not go any further in the field of Gambling for the sake of our impressionable children.

Ricardo Chavira closes this article by saying that even though experts agree that casual gambling, in which participants wager small sums, is not necessarily bad, compulsive betting almost always involves destructive behavior. Counselors fear that little will change until society begins to view teenage gambling with the same alarm directed at drug and alcohol abuse. Unless we wake up soon to gambling's darker side, we're going to have a whole new generation lost to this addiction.

I ask, "Do we want to add simulcast and casino gambling to the problems we already have with what is now legalized?" Many problems we now have are featured in the material given to you by Rev. Richard Taylor, particularly in the collage of headlines from leading newspapers in our state.

In our United Methodist Church, John Wesley appealed to four basic concepts that formed the core of our denomination's belief system called the "Wesleyan Quadrilateral." We believe that Scripture is the sole foundation of our faith, primary and central. That Tradition throughout the 2000 years of the church's existence is important in the formation of our doctrine and church polity. That the Experience of God in our lives is a true way to measure our feelings of commitment to the church of Jesus Christ, and that Reason is the way we communicate our feelings of faith and understanding of the truths of God. I define Reason here as "HORSE SENSE." I think we all need to use our "horse sense" on this particular issue before us today. Does it make sense? Does it uphold the basic concepts of our Kansas heritage which has come from a long line of God

page 5

fearing people of many generations who have given their lives so we might have what we have today? These people fought against pollution of minds and bodies with dreams of "get rich quick" lotteries for only a very few, while persons who cannot help themselves spend money that should go to their children's food and clothing. Can we honestly say that by expanding gambling to include simulcast and casino gambling we will be making the "good life" for all Kansans? Or are we just creating more problems that will have to be paid for somehow? Such as more treatment centers for persons who have become addicted because the temptation is for them to gamble is more available. Too much availability is always a problem, be it illicit sex, drugs, gambling, poronography, 900 numbers, or rich food! There are some people who simply cannot say NO!

The church of which I am a representative, has a key role in fostering responsible government, not in a "Bible Thumping," "Holier than Thou" way, but in a way that helps us all to understand that developing health and moral maturity can free persons from dependence on damaging social customs. We should all work to influence community and state government to develop forms of funding which do not depend upon gambling.

Thank you for allowing me to speak on this important issue!

very lawmaker who votes for more gambling in Kansas is telling teenagers this normal form of entertainment." More legal gambling will cause more to become addicted.

The Rise of Teenage Gambling

A distressing number of youths are bitten early by the betting bug

By RICARDO CHAVIRA WASHINGTON

Amid the throngs of gamblers in Atlantic City, Debra Kim Cohen stood out. A former beauty queen, she dropped thousands of dollars at blackjack tables. Casino managers acknowledged her lavish patronage by plying her with the perks commonly accorded VIP customers: free limo rides, meals, even rooms. Cohen, after all, was a high roller. It apparently did not disturb casino officials that she was also a teenager and—at 17—four years shy of New Jersey's legal gambling age.

Finally, Kim's father, Atlantic City de-

on Problem Gambling, based in New York City. "Now we are finding that adolescent compulsive gambling is far more pervasive than we had thought."

Just 10 years ago, teenage gambling did not register even a blip on the roster of social ills. Today gambling counselors say an average of 7% of their case loads involve teenagers. New studies indicate that teenage vulnerability to compulsive gambling hits every economic stratum and ethnic group. After surveying 2,700 high school students in four states, California psychologist Durand Jacobs concluded that students are 2½ times as likely as adults to be-

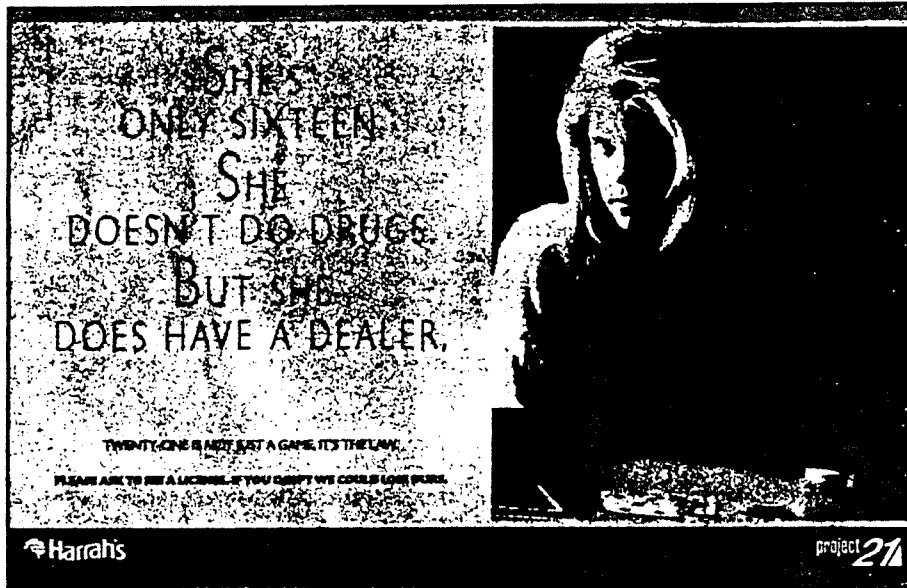
bookies threatened me. One said he would cut off my mother's legs if I didn't pay." Still Greg continued to gamble. Now 23, he was recently fired from his job after his employer caught him embezzling.

Why does gambling fever run so high among teens? Researchers point to the legitimization of gambling in America, noting that it is possible to place a legal bet in every state except Utah and Hawaii. Moreover, ticket vendors rarely ask to see proof of age, despite lottery laws in 33 states and the District of Columbia requiring that customers be at least 18 years old. "You have state governments promoting lotteries," says Valerie Lorenz, director of the National Center for Pathological Gambling, based in Baltimore. "The message they're conveying is that gambling is not a vice but a normal form of entertainment." Researchers also point to unstable families, low self-esteem and a societal obsession with money. "At the casinos you feel very important," says Rich of Bethesda, Md., a young recovering addict. "When you're spending money at the tables, they give you free drinks and call you Mister."

Efforts to combat teen problem gambling are still fairly modest. Few states offer educational programs that warn young people about the addictive nature of gambling; treatment programs designed for youths are virtually nonexistent. In Minnesota, where a study found that more than 6% of all youths between 15 and 18 are problem gamblers, \$200,000 of the expected income from the state's new lottery will go toward a youth-education campaign. That may prove to be small solace. Betty George, who heads the Minnesota Council on Compulsive Gambling, warns that the lottery and other anticipated legalized gambling activities are likely to spur youth gambling.

Security guards at casinos in Atlantic City and Nevada have been instructed to be on the alert for minors. But it is a daunting task. Each month some 29,000 underage patrons are stopped at the door or ejected from the floors of Atlantic City casinos. "We can rationally assume that if we stop 29,000, then a few hundred manage to get through," says Steven Perskie, chairman of New Jersey's Casino Control Commission. Commission officials say they may raise the fines imposed on casinos that allow customers under 21 to gamble.

Counselors fear that little will change until society begins to view teenage gambling with the same alarm directed at drug and alcohol abuse. "Public understanding of gambling is where our understanding of alcoholism was some 40 or 50 years ago," says psychologist Jacobs. "Unless we wake up soon to gambling's darker side, we're going to have a whole new generation lost to this addiction."



In Atlantic City, billboards warn parents and youths of the lurking danger

Of the estimated 8 million compulsive gamblers in America, fully 1 million are teenagers.

tective Leonard Cohen, complained to authorities. Kim was subsequently barred from casinos. But by then the damage had been done. "She was an addicted gambler," Cohen says of his daughter. Moreover, Kim had squandered all her money, including funds set aside for college. Officials at the five casinos where she gambled claimed that her case was an anomaly.

On the contrary, Kim's sad case is only too common. Gambling researchers say that of the estimated 8 million compulsive gamblers in America, fully 1 million are teenagers. Unlike Kim, most live far from casinos, so they favor sports betting, card playing and lotteries. Once bitten by the gambling bug, many later move on to casinos and racetrack betting. "We have always seen compulsive gambling as a problem of older people," says Jean Falzon, executive director of the National Council

come problem gamblers. In another study, Henry Lesieur, a sociologist at St. John's University in New York, found eight times as many gambling addicts among college students as among adults.

Experts agree that casual gambling, in which participants wager small sums, is not necessarily bad. Compulsive betting, however, almost always involves destructive behavior. Last fall police in Pennsauken, N.J., arrested a teenage boy on suspicion of burglary. The youth said he stole items worth \$10,000 to support his gambling habit. Bryan, a 17-year-old from Cumberland, N.J., recently sought help after he was unable to pay back the \$4,000 he owed a sports bookmaker. Greg from Philadelphia says he began placing weekly \$200 bets with bookies during his sophomore year in college. "Pretty soon it got to the point that I owed \$5,000," he says. "The

KC students face gambling charges

Two at St. Louis University are accused of operating a betting ring.

By JOE STEPHENS
Staff Writer

KANSAS CITY STAR
March 23, 1991

The son of a reputed Kansas City mob leader was charged Friday in St. Louis with running a betting ring for high school and college students that used strong-arm tactics and booked up to \$2,000 a day in wagers.

Joseph Peter Simone — the 20-year-old son of convicted mob bookmaker Peter J. Simone — is one of two St. Louis University students from Kansas City charged with running the ring. Simone is a sophomore and a pitcher on the college baseball team, police said.

Also charged was Joseph Anthony DiGirolamo, 20, of Kansas City. Police arrested two other St. Louis University baseball players and released them pending a grand jury investigation.

Although the ring allegedly was geared toward teen-agers, many of them high school athletes, it was anything but bush league, police said.

"This was a first-class run operation," said Sgt.

"One of the parents called to complain," Banahan said. "They had been calling the parents saying, 'Your kid owes us \$1,500.'"

A six-month investigation found ringleaders taking bets at the university and at more than five public and private high schools in St. Louis and St. Louis County, he said. The college students allegedly recruited young athletes as gamblers while attending high school sporting events.

The ring booked up to \$2,000 a day in wagers on the days of big games and had 10 to 20 bettors at each school, police said.

"They'd hit on anything that moved and had money," Banahan said of the alleged ringleaders. "We followed them to a high school football game; we saw them make a payoff at a high school soccer game."

A raid Thursday on a St. Louis area apartment yielded reputed gambling records and a computer. Police also recovered \$8,000 from a safe-deposit box at a nearby bank.

Joseph Simone and DiGirolamo lived at the apartment and were longtime friends, police said. A man who answered a telephone at the apartment Friday said they would have no comment.

University officials announced Friday that Simone, DiGirolamo and the two other students implicated had been suspended because they allegedly threatened to harm other students.

Simone and DiGirolamo each were charged with two counts: promoting gambling and possessing gambling records. They are free on bond.

Simone is a 1989 graduate of St. Mary's High School in Kansas City, said baseball coach Steve Shackelford.

"He was a competitor," said Shackelford, who joined the high school after Simone graduated. "He wasn't a bad player at all. He had a good arm."

Simone's father is a convicted bookmaker whom the FBI described three years ago before Congress as one of three top mob bosses in Kansas City. His mother, Karla Simone, is a partner in the Be Amused Vending and Amusement Co., which is under federal investigation for alleged illegal gambling.

Simone's parents did not return HOUSE OF COMMONS AND STATE AFFAIRS

Two from KC accused of bookmaking

Continued from A-1

Richard Banahan of the St. Louis Police Department. "This wasn't a bunch of kids running a sports card or an office pool."

The ring began two years ago, aimed at students and school-age athletes, some of whom ran up debts as large as \$7,000, Banahan said. The ring charged 10 percent a month — 120 percent a year — in interest on unpaid debts, he said.

The Kansas City mob has traditionally charged the same interest rate, known on the street as "juice."

When teen-age customers could not pay, Banahan said, the ring managers turned to "strong-arm tactics and extortion."

Police "obtained information that force had been used to obtain money," Banahan said.

Police discovered the operation when ringleaders allegedly began dunning parents for unpaid debts.

If gambling is a "normal form of entertainment" when promoted by the state of Kansas, why is it wrong when promoted by these students?

With all the well paid statehouse lobbyists promoting more gambling, I feel very much alone. But today I speak for three hundred twenty-four thousand, one hundred forty three Kansans who voted NO on the parimutuel amendment in 1986. You can not see them, but they are standing with me. They voted for freedom from the personal, social, and economic suffering that comes with race track gambling. Many have sent you petitions this session asking for your NO vote on gambling measures. But I also speak for all who voted YES, who voted for NO OFF-TRACK BETTING.

Gambling is a criminal activity. Gambling hurts young people, hurts families, hurts economic strength, and hurts good government with millions of dollars available for whatever corrupting influence is desired.

Today, Kansans are losing millions and millions of consumer dollars on bingo, lottery, and live races. If you vote YES on SB 383, you are voting for more people to lose more money gambling on more races. The issue is MORE. Much of the additional money lost will go to out-of-state tracks.

I understand Senator Vidrickson gained a YES vote on SB 383 from Senator Gaines by promising that next year they will relax the requirements so TV gambling can help the track at Eureka Downs.

In addition to Eureka, the legislature can expand simulcast gambling to include high school TRACKS where "live" races are held. Proceeds could be used to help schools and teenage addiction to gambling would receive a big boost! The more the kids gamble away, the more money for the school!

The Woodlands want simulcasting so rich gambling operators can get richer. One sat in the Senate gallery during the debate and vote on SB 383, smiling big and waving to Senators he had in his pocket. Those Senators smiled back and gave a thumbs up sign.

Does the Kansas legislature exist to help gambling operators get richer at the expense of people losing more money at the track? NO SIMULCASTING is a consumer protection law.

Woodlands want simulcasting so they can carry events like the Kentucky Derby that will attract more bettors to their own races. They will make more money with the addition of out-of-state races and make more money with additional gamblers losing on their own races.

The Kansas Racing Commission reports parimutuel revenue from calendar year 1990 totaled \$9.37 million. If take-out is 20%, the state receives \$3 or 3% for every \$20 lost by people at the track, with \$17 or 17% going into pockets of track operators and owners of winning dogs and horses. For Kansas to receive \$9.37 million, people lost \$62.47 million while track operators kept \$53.10 million. The Racing Commission has a budget of \$2 million so the net revenue for Kansas was \$7.37 million. In 1983, parimutuel gambling lobbyists promised \$30 million a year.

A one-tenth cent sales tax will produce \$21 million net revenue a year. That is nearly three times the revenue produced by race track gambling. A one-thirtieth cent sales tax could almost replace parimutuel revenue.

I and thousands of others will gladly pay an additional penny on a \$30 purchase, get rid of all the personal, social, and economic suffering caused by race track gambling, and leave 62.47 million additional consumer dollars in the public pocket, not lost at the track!

At a White House briefing on highway safety, President Bush said we must teach our youth that choices have consequences. The consequences of your choice to vote YES on SB 383 will be more people losing more money gambling. In addition to people losing more money, SB 383 has a constitutional problem.

If the Kansas Supreme Court declares NO OFF-TRACK BETTING in our constitution is what lawmakers and voters understood it to be in 1986 - no gambling away from where the race is run. Is every Representative and Senator who votes YES on SB 383 guilty of perjury because they took an oath to uphold the constitution?

On the back side of this page is a brief outline of parimutuel gambling efforts through the years. In 1986 they were at last successful by including a NO OFF-TRACK BETTING provision in the proposed amendment. This persuaded some to change from NO to YES.

Lawmakers concerned for the personal, social, and economic damage that comes with race track gambling wanted to keep the opportunity for problems to a minimum. Everyone understood this to mean exactly what it says - no parimutuel gambling off-the-track from where the live race is run. The news media never mentioned a single exception, such as simulcasting.

In 1989, the simulcast gambling promoters acknowledged our Constitution permitted gambling only where the live race was run, so SB 347 said the track with the race on a TV set "shall be deemed to be conducting a licensed live horse or greyhound race." I asked the Senate Committee, "At the end of the race, who will clean out all the manure in the TV set?"

Because such a statement written into law in SB 347 sounded a bit ludicrous, they had to think up a better way to circumvent our constitutional restriction of NO OFF-TRACK BETTING.

Why not permit gambling at another TRACK? That would not be OFF-TRACK BETTING, it would be ON-TRACK BETTING and permitted by words in our Constitution.

If that is what the legislature and voters approved in 1986, there is a go-cart TRACK at 45th and Adams, and Heartland Park race TRACK south of Topeka is in great need of funds. 150 days of live racing has nothing to do with transforming the race on a TV screen into a "live" race. The Indians can cash in immediately with TV sets on the reservation!

A Federal statute of 1978 tells us "a wager was considered an off-track wager if made anywhere other than at the race track where the horse race to be wagered on took place." In 1986, intelligent Kansas lawmakers and voters understood this to be the meaning of NO OFF-TRACK BETTING.

If simulcast off-track betting comes to Kansas, it needs a constitutional amendment. That should not be a problem. If the people are demanding more opportunities to lose money gambling, they will vote for it.

According to the Kansas Supreme Court, "Courts do not strike down legislative enactments on the mere ground they fail to conform with a strictly legalistic definition on technically correct interpretation of constitutional provisions. The test is rather whether the legislation conforms with the common understanding of the masses at the time they adopted such provisions and the presumption is in favor of the natural and popular meaning in which the words were understood by the adopters."

SB 383 permits gambling only at a "track" so it is not OFF-TRACK BETTING. That is a strictly legalistic definition and technically correct interpretation of the constitution. But that is not the common understanding of the masses and lawmakers in 1986.

Commercial gambling is the enemy of economic development, the enemy of youth, the enemy of worker productivity, the enemy of the home, the enemy of the capitalistic system, the enemy of the future of our nation. Those reasons should encourage you to vote NO.

But if those reasons are not sufficient, your oath to uphold our constitution is reason enough for your NO vote on SB 383.

When your voting record is sent out, 324,143 Kansans will appreciate your NO vote. Many live in your District. And you will be proud of your NO vote. You did not vote for people to lose more money. You did not vote for more teenagers to become addicted to gambling. You did not vote to help rich gambling track operators get richer.

Respectfully yours,

Richard Taylor
HFSSA
4/25/91
18-2

(Many other gambling bills and resolutions were introduced every year, but only these received serious consideration.)

KANSAS LEGISLATURE AND SERIOUS PARI-MUTUEL EFFORTS

1970 - SB 460 would permit pari-mutuel gambling at Kansas horse and dog tracks. It received a Hearing and was approved by the Senate Federal & State Affairs Committee, was approved by the Senate, received a Hearing and was approved by the House Federal & State Affairs Committee. On the House floor it was re-referred to the House Judiciary Committee where it died.

1971 - HCR 1004 would permit pari-mutuel and other forms of legal gambling in Kansas. It received a Hearing and was approved by the House Federal & State Affairs Committee, was approved by the House, received a Hearing and was approved by the Senate Federal & State Affairs Committee, but was killed on the Senate floor.

1972 - HCR 1072 would permit pari-mutuel and other forms of legal gambling in Kansas. It received a Hearing and was approved by the House Federal & State Affairs Committee, was approved by the House, received a Hearing and was approved by the Senate Federal & State Affairs Committee, but was killed on the Senate floor.

1973 - SCR 21 would permit pari-mutuel and other forms of legal gambling in Kansas. It received a Hearing and was approved by the Senate Federal & State Affairs Committee, but was killed on the Senate floor.

1977 - SCR 1621 would permit pari-mutuel gambling at Kansas horse and dog tracks, subject to county option and sponsored by non-profit organizations. It received a Hearing and was approved by the Senate Federal & State Affairs Committee, but was killed on the Senate floor.

1980 - HCR 5090 would permit pari-mutuel gambling at Kansas horse and dog tracks, subject to county option and sponsored by non-profit organizations. It received a Hearing by the House Federal & State Affairs Committee. It never came to the floor of the House because gambling promoters admitted they did not have enough votes to pass it.

1981 - SCR 1621 would permit pari-mutuel gambling at Kansas horse tracks, subject to county option and sponsored by non-profit organizations. Gambling promoters were unable to get it out of committee.

HCR 5028 would permit pari-mutuel gambling at Kansas horse and dog tracks, subject to county option and sponsored by non-profit organizations. This was introduced by the House Federal and State Affairs Committee during the last hours of the 1981 session. Gambling lobbyists thought this would look like a victory for them. Speaker Lady did not appreciate this shabby handling of a major issue, so he referred it to two committees separately, where it rests in peace. Instead of a victory he gave them a defeat! Speaker Lady has said he will not run it unless gambling lobbyists give him the names of 84 House members who are solid YES votes.

1982 - SCR 1621 held over from 1981 was killed on the Senate floor.
HCR 5028 was killed on House floor.

1983 - SCR 1605 was killed big on the Senate floor, only 19 YES votes, needed 27.

1984 - HCR 5082 For lack of support, Speaker Hayden did not bring it to the floor.

1985 - SCR 1606 passed the Senate but was killed on the House floor.

1986 - HCR 5024, with numerous reconsiderations and other maneuvers by gambling promoters, was finally approved by the legislature. The tax started out at 5% but gambling lobbyists were successful in reducing it to 3%.

HOUSE FEDERAL AND STATE AFFAIRS

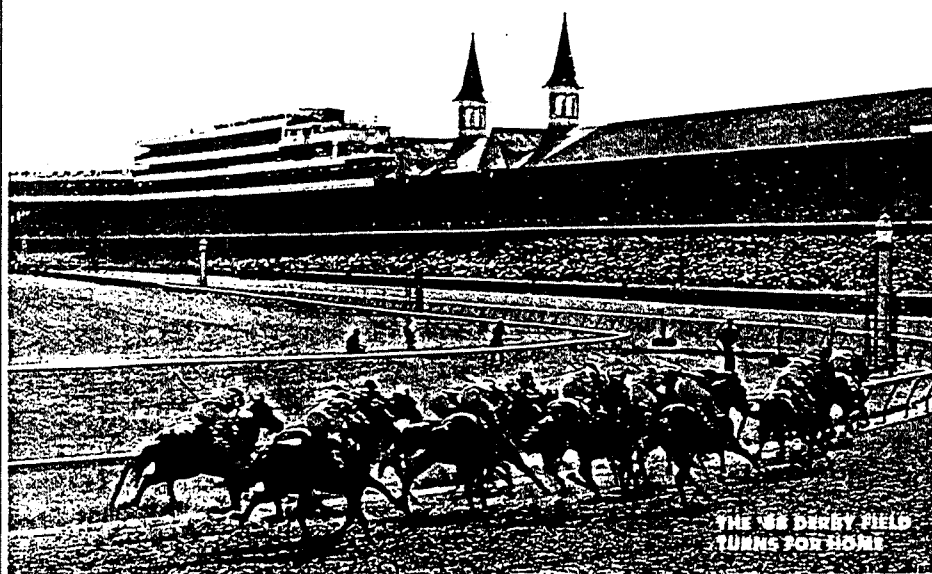
April 25, 1991

Attachment #18 - Page 3

The legislature and voters in 1986 understood off-track betting to be parimutuel gambling when the race was not being run. This article confirms that understanding. "The off-track telecasting and betting. . ." Simulcasting is OFF-TRACK BETTING. Simulcast gambling in Kansas will help Kentucky skim even more than 2 million consumer dollars from out of state bettors.

HAS RACING STAKED ITS FUTURE ON A BAD PONY?

Simulcasting hasn't helped stop the slide in attendance



You would be hard-pressed these days to find a happier guy than Gerald Lawrence, general manager of Churchill Downs, home of the Kentucky Derby. Not only does he expect 135,000 racegoers to bask in the pageantry of the Derby on May 6, but he also plans to telecast the race nationwide to about 119 racetracks and off-track betting facilities chock full of horseplayers. "Christmas in May" is how Lawrence and others associated with the track describe the annual race.

Indeed, just the \$2 million Lawrence expects to net on Derby Day from betters outside Kentucky makes it seem as if Santa Claus decided to take up residence in Louisville. The boost from off-track telecasting and betting has been an important element in rejuvenating the once-stagnant track, although spruced-up facilities and sharper marketing have helped, too. Of the \$1.86 million Churchill Downs Inc. netted from off-track betting on the 1988 Derby—considerably more than the \$1.1 million cleared at its own windows—half went into richer purses, which attract better horses and bigger crowds during the season.

There's a hitch, though. After Derby Day, Lawrence is not so euphoric. He shares with other racing officials a gnawing concern about the long-term effects of sending and receiving televised

races for betting purposes, otherwise known as simulcasting. Although total wagering on thoroughbred racing nationwide has increased 62%, to \$9.5 billion, since 1968, the rise in betting has not meant a boost in attendance at the tracks. Paid admissions have fallen 19% over the same period. In fact, Lawrence contends that simulcasting is exacerbating the decline: "This is a disaster waiting to happen, if we are not careful."

AGING RAILBIRDS. Why? Simulcasting has not fulfilled hopes of broadening racing's appeal. It has only made it easier for experienced railbirds to bet more often. This is a problem because that crowd is growing older and dwindling in number. That has placed Churchill Downs and other tracks like it in a horse race to fill their grandstands with new fans. Says Ogden M. Phipps, president of the Jockey Club in New York: "The industry must do two things—lure people to the track and educate them."

That's no easy task. "Pitiful is how you can describe the racing industry's attempt to bring in new fans," says Ken Alhadeff, executive vice-president of Longacres Race Course in the Seattle suburb of Renton. "Kids grow up with football," he says, "but horse racing remains a mystery to most of us. Simulcasting won't be the savior of racing. The savior of racing will be our ability to

attract new fans by ripping down the intimidation factor."

Longacres is trying to develop a strategy to bring in the uninitiated. It passes out a "First Timer's Kit" explaining how to read the *Daily Racing Form*. And there's also a "New Comer's Corner," where an ex-jockey explains the arcane science of handicapping and betting.

VENERABLE OVAL. Churchill Downs has some things going for it that other major tracks lack, however—foremost being that horse racing is an integral part of Kentucky social life. As a result, the 115-year-old track doesn't have as hard a problem attracting new racing fans, and it doesn't need to run handicapping seminars. But its facilities were showing their age. In the past four years, clubhouses in the white clapboard, twin-spired grandstand have been redone, replete with plush carpets and white linen tablecloths. And now fans can get a bet-

THE SIMULCASTING PAYOFF

Results of closed-circuit broadcast of 1988 Kentucky Derby to betting outlets

Total wagers at simulcast outlets	\$25,500,000
Less: State taxes	880,000
Bettors' winnings	20,900,000
Simulcast outlets' share	1,860,000
Churchill Downs' simulcast share	\$1,860,000

DATA: CHURCHILL DOWNS INC.

ter view of the horses before a race.

In addition to the \$25 million refurbishing program, Churchill Downs' management has had to learn to market the venerable oval. It now offers fans the opportunity to attend receptions for jockeys and is pushing hard to increase group sales, which currently represent about 15% of the track's total annual attendance of 1.2 million. One prime target is Kentucky-based companies. They're being urged to reward employees with a day at the races.

Here again there's a problem, however. Although Churchill Downs doesn't simulcast the Derby locally, for fear of cannibalizing attendance, the track does simulcast regular-season races. So it has stopped advertising to northern and western Kentucky and Cincinnati because those areas receive the broadcasts. Instead, management has had to concentrate much of the track's annual \$1 million promotion budget in such far-away places as Indianapolis and Nashville. And if Churchill Downs can't attract the folks in those areas to the twin spires after Derby Day, there may not be much hope for growth at the nation's less storied racetracks.

By Stephen Phillips in Louisville

Some windfall from pari-mutuel

The Lawrence Journal-World

What happened to the pari-mutuel windfall for Kansas?

When Kansans approved pari-mutuel wagering at dog and horse tracks in 1986, there were extravagant claims of how the industry would benefit the state. The constitutional amendment called for tracks to pay 3 cents of every dollar wagered at the tracks back to the state. The funds were to be used for economic development.

However, horse track owners are back before the Kansas Legislature, and it isn't to make their latest payment of the pari-mutuel tax. It's to ask for that money back.

The tracks — especially the Eureka Downs horse track — are suffering and they want the state to help out by refunding the tax to track owners, who would use it to improve their facilities, repay debt and improve cash prizes offered to horse owners and racers.

Testimony in favor of the bill that would institute the refunds on a trial basis until 1997 contended that

the measure could mean the difference between life and death for Eureka Downs. If it closes, witnesses pointed out, the state would lose not only the pari-mutuel tax but the sales tax, admissions tax and income tax generated by the track.

That's true enough, but if the track can't make it on its own revenues, should the state be expected to help subsidize it by giving up its income from the pari-mutuel tax? The whole situation is a disappointing turn of events considering the promises of great contributions to the state treasury and state charities that accompanied the introduction of pari-mutuel wagering in Kansas.

Whether or not the Legislature approves the refund of the pari-mutuel tax to the race tracks, it appears Kansans will reap little benefit from the highly touted pari-mutuel wagering industry in the foreseeable future.

It seems the bets have been placed — and Kansans are the big losers.

Hooked on gambling KBI chief opposed to simulcast betting

Olathe Daily News, Dec 23, 1990

Now some lawmakers want more.

They want Kansas to allow betting on simultaneous broadcasts of horse and dog races to increase the take at tracks. They want Kansas to allow legal casino gambling on riverboats.

The idea is absurd. If Kansas were meant to have riverboat gambling, we would have rivers.

Aside from our lack of rivers to float the boats, there's another problem. Kansas has long taken pride in being a good state for families, a state with a strong work ethic and high moral principles. Do we really want to sell our heritage for a mess of Las Vegas lights?

Surely not.

The Hays Daily News

Kansas City Star, March 29, 1991

From the Topeka Bureau

TOPEKA — Simulcasting — which allows bettors at one track to place money on dog and horse races run elsewhere — could cost Kansas taxpayers more than \$200,000 a year, the head of the Kansas Bureau of Investigation said Thursday.

The need to police against broadened opportunities for organized crime to infiltrate gambling would only grow with simulcasting, KBI Director Jim Malson told a Senate panel.

But Dana Nelson, executive director of the Kansas Racing Commission and an advocate of simulcasting, said Malson's claims

were unfounded.

The Woodlands has won the commission's support this year in lobbying the Legislature for a change in the law to allow simulcasting. The owners of the Kansas City, Kan., track have said they would like to carry events like the Kentucky Derby to attract bettors to their own races.

But Malson said legalizing simulcasting would force the KBI to hire more agents to examine the backgrounds of track operators in other states where facilities broadcast races to the Woodlands or other locations in Kansas.

"Other states with simulcasting are very lax in keeping out problems," Malson said.

Slender, shy, almost-silent Calvin Coolidge in 1927, as president of the United States, spoke before a hushed Congress on the 195th anniversary of the birth of George Washington.

Said President Coolidge of his nation's first president:

"His stature increases with the increasing years. In wisdom of action, in purity of character, he stands alone. We cannot yet estimate him. We can only indicate our reverence for him and thank the Divine Providence which sent him to serve and inspire his fellow men."

George Washington was a man's man.

At 43 he was described as broad-shouldered, 6 feet, 2 inches tall, 200 pounds, wearing size 13 shoes, massive hands, blue eyes, with brown hair usually well-powdered. He liked hunting ducks and wild turkeys, fishing — also the theater and dance.

He loved horses. Two days before his death at 67, he was on his horse five hours.

Sixteen years earlier, Washington, from his headquarters as commander-in-chief of the American army in Newburgh, N. Y., wrote a letter to his nephew, Bushrod Washington.

Gen. Washington had just defeated Lord Cornwallis at Yorktown. The Treaty of Paris, officially ending the Revolutionary War, was only a few months away.

Bushrod was studying law in Philadelphia. He later became a justice in the Supreme Court. Washington willed most of his papers to Bushrod.

Gen. Washington in that letter to his nephew wrote about making friendships.

"Be courteous to all, but intimate with few, and let those few be well tried before you give them your confidence."

The general wrote him to "feel for the afflictions and distresses of every one."

He counseled the law student to dress plainly but genteelly.

Then, Washington concluded with far more words than on any other subject in the letter. He said it "is of first importance."

The subject? Gambling.

Penned Washington: "It is the child of avarice, the brother of inequity, and father of mischief. It has been the ruin of many worthy families . . . The losing gamester, in hopes of retrieving past misfortunes, goes on from bad to worse . . ."

He concluded by terming gambling "an abominable practice."

The Senate Federal & State Affairs Committee was given a letter on simulcasting from the Kansas Racing Commission dated February 28, 1991, stating "The commission believes it is very important that this language be intergrated with the racing act." (See copy below)

The Parimutuel Racing Act, KSA 74-8804, spells out the POWERS AND DUTIES OF COMMISSION. I can not find where it says the Racing Commission should work hard and expend great effort to encourage more Kansans to lose more money gambling on more occasions in more places on more races.

The Racing Commission seems to be controlled by those it is supposed to control. When they say simulcasting will help the parimutuel industry, they mean more people will lose more money gambling.

Proposed simulcasting legislation was reviewed and approved by the racing commission on February 22. How sad. That is Washington's birthday. The issue before this committee is of great concern to General Washington.

KANSAS RACING COMMISSION

3400 Van Buren
Topeka, Kansas 66611-2228
(913) 296-5800
FAX (913) 296-0900

TO: Mary Ann Torrence
FROM: Janet A. Chubb *JAC*
RE: Proposed simulcasting legislation
DATE: February 28, 1991

Attached are two copies of proposed simulcasting legislation reviewed and approved by the commission at its regular meeting February 22, 1991. *Washington's Birthday!*

The commission believes it is important that this language be integrated with the racing act. I have attached model definitions adopted by some sister racing states. We are looking for one for "simulcasting" now. Thank you for your help, Mary.

91JAC2-cd

Attachments

HOUSE FEDERAL AND STATE AFFAIRS
April 25, 1991
Attachment #18 - Page 6

Lawmakers may consider more gambling options

Independence Daily Reporter

December 18, 1990

Legislature may allow more gambling in state

Great Bend Tribune, December 18, 1990

Legislators may cast their bets on more legal ways to gamble

Leavenworth Times, December 18, 1990

Expanded gambling possible

December 18, 1990

Salina Journal

Legislature to look at betting proposals

Skip more gambling

The surest proof that gambling is an addiction lies in the record of state legislatures. Give them a little taste of legal gambling revenue and the lawmakers always get hooked.

The same thing is happening in Kansas.

Just a few years ago, gambling was illegal in Kansas.

Now the state actively encourages Kansans to gamble on the lottery. After all, if Kansans don't throw away their dollars on the games, the state won't have money for economic development.

Then there's legal betting on horse and dog racing. Another promised boon to the state's economic future.

But it's not enough. A little gambling never is.

Now some lawmakers want more. They want Kansas to allow betting on simultaneous broadcasts of horse and dog races to increase the take at tracks.

They want Kansas to allow legal casino

gambling on riverboats.

The idea is absurd. If Kansas were meant to have riverboat gambling, we would have rivers.

Aside from our lack of rivers to float boats, there's another problem. Kansas has long taken pride in being a good state for families, a state with a strong work ethic and high moral principles. Do we really want to sell our heritage for a mess of Las Vegas lights?

Surely not.

— Hays Daily News

THE SALINA JOURNAL

December 24, 1990

Racetrack workers suspended after Saturday's police raid

Dodge City Daily Globe, Mar 12, 1991

OVERLAND PARK (AP) — Five employees of The Woodlands racetrack have been suspended after a police raid early Saturday on a poker party in Overland Park.

Twenty-one people were arrested at the party, which was being held at a track employee's house, said Overland Park police Maj. John Round.

Four people, including one Woodlands employee, were charged Monday in Johnson County District Court with cocaine possession stemming from the arrests. None of the others had been charged Monday.

Three of those arrested are mutual clerks, who take bets at the Wyandotte County horse and dog tracks. One person works in the marketing department, and another operates the dog-racing lure known as Woody, said Bruce Rimbo, executive vice president at The Woodlands.

None of the employees is a racetrack manager, Rimbo said.

All of The Woodlands' 800 employees must be licensed by the Kansas Racing Commission, Rimbo said. A license can be revoked if someone is convicted of a felony or a misdemeanor gambling offense, he said.

Each player was charged \$150 at the door in exchange for \$130 in chips, Round said. The operators kept \$20 for the house.

Rimbo said he ordered the employees' suspensions after he was notified Saturday. He said it was the first time he could recall employees being accused of illegal gambling since The Woodlands opened in September 1989.

(4)

During the debate on lottery gambling last session, a Representative said he remembered something about \$70 million the lottery would produce for Kansas, according to the gambling promoters. A few days ago, when working up the history of attempts to win legislative approval of a parimutuel gambling amendment, that figure was located.

Page 7 of this April-May-June 1983 Kansas Issue carries the \$70 million figure in an AP story of April 16 and a UPI story of April 21.

Page 3 carries the figure of \$30 million revenue race track gambling promoters promised the state for fiscal year 1984. With inflation, the amount should have increased. What happened? Net revenue for calendar year 1990 was \$7.37 million.

Gambling is a criminal activity. Not telling the truth is a criminal activity.

8-C The Topeka Capital-Journal, Sunday, April, 21, 1991

Home and Travel

Even Nevada may not be ready for Wild West theme brothel

The Associated Press

CARSON CITY, Nev. — A prison warden was fired by the state Wednesday when her husband, a prison psychologist, announced plans to open a Wild West theme park with legalized prostitution.

Peggy Knapp's husband, William Mace Knapp, is trying to raise \$2 million to develop what he calls the "world's first theme brothel" near Silver City, about 15 miles east of Carson City.

Prison Director Ron Angelone said the venture clashed with Mrs. Knapp's responsibility to rehabilitate prisoners. He also ordered Knapp not to deal directly with prisoners pending a review of the psychologist's job status.

Mrs. Knapp, a 10-year veteran of the Nevada Department of Prisons and a warden for four years, declined comment.

The proposed sex fantasy town would be a replica of an 1880s mining camp with a general store, mining exhibits, a dance hall and saloon — and prostitutes at the "Shaft House Brothel," Knapp said.

"With the casinos going belly up, and with other states expanding into gambling, what does Nevada have left?" he said. "I know what we have left. We have the only legalized prostitution in the United States. So why not capitalize on it?"

Nevada allows prostitution on a county-option basis. But prostitution is prohibited in major cities such as Reno and Las Vegas.

(The following sounds like it came from the KANSAS TRAVEL AND TOURISM DIRECTOR.)

Why should Kansas always follow other states with simulcast gambling, casino boat gambling, and video slot machines on every street corner? (SB 383, 440, 449) We can beat Nevada this time if the legislature will immediately appropriate \$2 million for the Wild West theme park with legalized prostitution on the river front at Kansas City. We did it for the lottery. Such funds would quickly be paid back, travel agencies would be swamped, and the survival of Kansas City will be assured.

For those who think gambling and prostitution made Abilene and Dodge City great, this theme park will restore our glorious past. Of course, dedicated citizens concerned for others worked hard to get rid of gambling and prostitution in those cities 100 years ago just as dedicated citizens concerned for others are opposed to gambling and prostitution today.

House Federal and State Affairs Committee Hearing on SB383

Frances Wood, 4724 S. E. 37th St., Topeka, Kansas

Speaking in opposition to SB 383 - Simulcast gambling

My legislators tell me they base their decisions to a large extent on what their constituents want. I would like to point out that there have been 3395 people who have signed petitions since the beginning of 1991 urging the legislature to vote "No" on all measures that encourage gambling. In my research I did not find any citizen request for more gambling.

1417-House
1978 Senate
3395

If you feel the input by citizens is important, I don't see how you can vote other than "No" on this measure. If you vote "Yes" in light of these figures, it must mean that you personally are in favor of more gambling in Kansas.

On November 12, 1990, the Capital Journal had an editorial on the lottery that ended this way, "But there is a moral dimension to all this, as well. The question is, 'Should Kansas (or any other state) encourage its citizens to gamble?' The answer probably should be no."

In the "Financial World" Feb 20, 1990, writer Dan Cordtz states that experts consider gambling as addictive and socially destructive as narcotics. In the same article, Michigan State University Professor, Ronald Fisher says: "I wonder what the public reaction would be if the states started advertising to encourage cigarette smoking so that tobacco taxes would raise more revenue?"

As we have seen with the lottery, it is very difficult to stop these measures once they are in place. You have the power in this committee to say "NO" and stop this gambling measure and I urge you to do so.