

Approved: 3-20-95
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on March 13, 1995 in Room 526-S of the Capitol.

All members were present except: Representative Clyde D. Graeber, Excused

Committee staff present: Mary Galligan, Legislative Research Department
Lynne Holt, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Bruce Rimbo, President, The Woodlands Race Track
Roy Berger, Executive Vice President, Wichita Greyhound Park
Marilyn Ahlstrom
Karen Tolle, Executive Secretary, Kansas Quarter Horse Racing Assn.
Bert Cantwell, Kansas City Kansas Chamber of Commerce
Gordon Davis, Kennel Operator
Sandi Terrill, Piper Unified School District #203
Bill Henry, Kansas Thoroughbred Association
Mayor Joseph Steineger
Robert A. Jasso, President, KMCG, Inc.
Robert G. Frey, Wichita
Glenn Thompson, Stand Up For Kansas
Frances Wood, Woman's Christian Temperance Union of KS

The Chairperson opened the hearing on **HB 2547**.

HB 2547 -Kansas lottery authorized to operate electronic games of chance at race tracks where parimutuel betting is allowed.

Bruce Rimbo, President, The Woodlands Race Track, Kansas City and President of the Kansas Race Track Alliance, a group representing Wichita Greyhound Park, Camptown Racing, Eureka Downs and Anthony Downs race tracks in Kansas testified in support of **HB 2547**.

When legislature approved a referendum for parimutuel racing in 1986, then the racing industry was supported by the people because of economic development that came from additional direct and indirect jobs at breeding farms and suppliers at ranches across the state, the economic development that would come from taxes paid to the state and the benefits that would come from charities that would be assisted through the non-profit arms of the race tracks. That was the posture for the approval of the pari-mutuel industry and the lottery as well.

The Woodlands specifically is in a life-or-death situation. This legislation provides a mechanism toward leveling the playing field, not only with other states but also within our own. It only seems fitting that pari-mutuel--which was established as an economic development tool--join with the lottery to create this more level playing field.

The surrounding states have added forms of gaming and Missouri has two riverboats within 10 miles of the Woodlands and another in St. Joseph. Their revenues have increased in two months by 85% with the addition of slot machines and the Woodlands continues to decline. There are another nine applications pending for additional boats in the greater Kansas City area.

The Alliance would support a county option vote -- the citizens of Kansas should have the right to make these decisions. (See Attachment #1)

Roy Berger, Executive Vice President, Wichita Greyhound Park, testified as a proponent for **HB 2547**, stating it is no secret the parimutuel industry nationwide is in ill health and that decline has rapidly spread into Kansas and is not ailing the state's two largest tourism attractions as both the Woodlands and Wichita

Greyhound Park, numbers one and two, respectively, in the state, are seeing rapidly declining returns.

HB 2547 is a way to not only keep an industry healthy, but indeed make it vibrant. The slot machine at racetrack legislation is not something that is being tested for the first time nationally in Kansas waters. In fact, the states of Rhode Island, Delaware, West Virginia and nearby Iowa all have legislation allowing slot machines at their racetracks and where operational, have been an overwhelming success.

Iowa intends to have about 1200 machines operational at their Council Bluffs racetrack in the coming weeks with the major delay in implementing play being an agreement on the split between the racetrack and the Greyhound owners. In a virtually unprecedented move Kansas legislation brings the breed groups and the racetracks under one umbrella and the Greyhound owners and kennel operators support the plan and see this as probably the savior to the Greyhound breeding and racing industry in Kansas.

We are not asking you to expand gambling in our state, instead we are respectfully asking you to allow us to remain competitive with changing public taste in gaming and continue to house legalized gaming under our roof in Valley Center. (See Attachment #2)

Marilyn Ahlstrom, Director of Development at Kaw Valley Center, Kansas City, non private, a non profit mental health organization dealing with children, adults and their families testified as a proponent for **HB 2547**. Children that are abandoned, abused, neglected, suicidal or having emotional problems are treated at Kaw Valley Center. In 1994 more than 2500 children and families received treatment. This includes children from the entire state of Kansas. Services include psychiatric, diagnosis and assessment, residential treatment, hospitalization, emergency services, foster care, adoption, run away shelter, drug prevention and education, pediatric services, special education, family based and outpatient therapy. Family involvement is important in our treatment.

Woodlands Track East has been instrumental in funding the services. Our community suffers from the lack of economic support and fund raising is very difficult. Contributions from Track East allow community based organizations such as Kaw Valley Center to continue providing mental health and social services which would otherwise be threatened. (No Attachment)

Karen Tolle, Executive Secretary, The Kansas Quarter Horse Racing Association, stated the Association supports **HB 2547** which would allow electronic gaming machines at horse and greyhound racing facilities. The recent history of parimutuel racing in Kansas will show that Kansans overwhelmingly supported a constitutional amendment in the mid-1980s. This vote was premised in large measure upon the economic development that the industry would bring to Kansas. The racing industry has brought thousands of jobs and millions of dollars to the economy. The increased competition from various forms of gaming in neighboring states has resulted in severe revenue decreases for the parimutuel racing industry. If the greyhound and horse racing industries are to survive this action is absolutely necessary. (See Attachment #3)

Bert Cantwell, President, Kansas City Kansas Area Chamber of Commerce, testified as a proponent supporting **HB 2547**, stating the Chamber, as is the rest of our community, is very concerned about the real prospect that The Woodlands will not be able to survive the onslaught of the riverboats which have begun operations on the Missouri side of the Missouri River.

The Chamber would specifically ask that the Committee work **HB 2547** before it does **SB 27** as this bill accomplishes what **SB 27** does, in that it would also continue the Kansas lottery plus provide additional revenue for economic development and it would enable the Woodlands to compete on a more level playing field with the riverboats. (See Attachment #4)

Gordon Davis, Jr., testified as a proponent for **HB 2547**, stating he has raised and raced greyhounds for the past twenty five years in several states. The Woodlands cannot compete with Missouri's casino-type riverboat gambling without legislative assistance. Kansas has been one of the best areas for breeders to settle and operate. Abilene has been considered within the parimutuel business as the Greyhound Capital of the World and Kansas is currently rated 3rd in greyhound production. Before parimutuel was legalized in Kansas there were approximately 15 large (raising and training of over 100 dogs per farm) greyhound farms within twenty miles of Abilene. Since parimutuel in Kansas over 35 new farms were opened in the Abilene area, 15 of these farms have been placed on the market for sale due to the decline in racing. (See Attachment #5)

Sandi Terrill, Piper Unified School District #203, Board of Education, testified in support of **HB 2547**, with an amendment which would allow the citizens of a county to vote on operating electronic games of chance in the state's parimutuel facilities because it is a fundamental concept of democracy that the will of the people be heard. This support is also based on the economic impact on the State of Kansas, Wyandotte County, the City of Kansas City, Kansas and especially, the taxpayers of Piper USD #203. (See Attachment #6)

Bill Henry, Kansas Thoroughbred Association, testified as a proponent for **HB 2547**, stating the number of horses registered in Kansas has decreased by 20 percent. To date, in 1995 only nine new horses have been registered. This situation has become critical because there has been a 20 percent reduction in the number of horses registered each year due to lower attendance at racing meets which in turn leads to lower handles which

in turn leads to lower purses with the ultimate result being that Kansas Thoroughbred owners and breeders will have to leave this state to go elsewhere to succeed in their industry. **HB 2547** would help KTA continue their industry in Kansas and the economic contribution they bring to the state. (See Attachment #7)

Robert A. Jasso, President, Kansas Minority Casino Gaming, Inc., Mission, Kansas, testified in support of **HB 2547**, with an amendment on Page 3, line 26-29, "(2) the commission shall designate certain major procurement contracts to include no less than 20% minority ownership as "Technology providers" and portions thereof to be awarded, in accordance with rules and regulations of the commission, solely to minority business enterprises: and." If **HB 2547** does include this amendment, then KMCG Inc. gives its full endorsement to the bill. If the amendment is not included then, KMCG, Inc. would be inclined to recommend killing **HB 2547**. (See Attachment #8).

Robert G. Frey, Wichita, testified opposing **HB 2547**, stating the simple and seemingly limited authorization of slot machines at race track facilities licensed in Kansas could be the golden key that opens the door to casino gambling in Kansas.

It appears quite clear that the passionate plea for slot machines at parimutuel race tracks in Kansas is not about saving an existing business engaged in dog or horse racing. It is in reality an effort to bring the state down to the level defined in IGRA as one that permits class III gambling. Once that is accomplished, there is little doubt that gambling casinos will follow and they will not just be limited to slot machines but could, instead, permit the operation of virtually any kind of gambling game with no significant control any longer allowed by the state of Kansas, the Kansas Legislature or the general population of this state. (See Attachment #9)

Glenn O. Thompson, Chairman, Stand Up For Kansas, testified opposing **HB 2547**. For all practical purposes, this would allow the state to own and operate casinos at parimutuel racing facilities, since most casinos receive approximately 70 percent of revenues from slot machines and other video lottery games.

The voters did not intentionally authorize the state to own and operate casino games when they amended the state constitution in 1986 to allow a state owned and operated lottery. Passage of this bill would open the door for Indian casinos throughout the state. Slot machines at racetracks will be economic parasites. They won't create new wealth, they won't create new jobs and they won't create new tax revenues. They will simply pull wealth and jobs from small businesses in surrounding areas. The only people who will get rich from the slots will be people who own and operate the casinos -- nobody else.

In a study conducted for Stand Up For Kansas, Dr. Thompson, a nationally recognized economist at the University of Nevada, has estimated that 90 percent of Woodlands revenue will come from Kansans; only 10 percent will come from out-of-state gamblers. Dr. Thompson stated, "Any claims that a casino will add - either jobs or taxes to the Kansas economy are bogus claims." (See Attachment #10)

Frances Wood, a volunteer lobbyist for the Woman's Christian Temperance Union of Kansas, testified opposing **HB 2547**, stated it is hoped the legislators remember about setting aside money for the addictive gambling treatment centers as they will be needed. Most everyone here that is in favor of this bill has money to be gained by its passing. No one is here stating how much this activity is going to add to the quality of life in Kansas. (See Attachment #11)

The Chairperson stated the hearing on **HB 2547** would be continued on Tuesday, March 14.

The meeting adjourned at 3:05 p.m. and the next meeting will be Tuesday, March 14.

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: March 13, 1995

NAME	REPRESENTING
David Johnson	KRC
Jerry D. Hamblin	Kansas Racing Commission
ART NEUHEDEL	KRC
RICHARD NELSON	KGA
DAVE SCHNEIDER	Kansas For Life At Its Best
Joe Steineger	MAYOR City of Kansas City
Helen Stout	KGA
Ben Stout	Self
Wayne K. Hard	KGKOA
Gordon Dany	KGKOA
Karen Tolle	KQHRA
Rebecca P.	WYPO Private Clubs & Assoc.
Bob Frey	Personal
Glenn O. Thompson	Stand Up For Kansas
Steve Montgomery	Ks Greyhound Kennel Owners Assoc.
Jym Allen	Camp Town
Richard Turpin	KTA
Bill Henry	KTA
Tom Bruno	Allen Assoc

**Testimony of Bruce Rimbo
President Kansas Race Track Alliance &
The Woodlands**

**House Federal & State Affairs Committee
March 13, 1995**

Good afternoon Mr. Chairman and committee members. I am Bruce Rimbo, President of The Woodlands Race Track in Kansas City and President of the Kansas Race Track Alliance, a group representing Wichita Greyhound Park, Camptown Racing, Eureka Downs and Anthony Downs race tracks in Kansas.

I am here in those capacities supporting House Bill 2547 and I would like to take a few minutes to explain to you why we support this legislation.

When this Legislature approved a referendum for pari-mutuel racing in 1986 and then the citizens of this great state overwhelmingly voiced their support for the racing industry, it was done because of economic development....the economic development that would come from additional direct and indirect jobs at race tracks and to suppliers of race tracks, the economic development that would come from additional direct and indirect jobs at breeding farms and suppliers at ranches across the state, the economic development that would come from taxes paid to the state and the benefits that would come from charities that would be assisted through the non-profit arms of the race tracks. That was the posture for the approval of the pari-mutuel industry, and, I might add, the lottery as well.

And, in the early days, it worked and worked quite well. More than \$100 million has been invested in capital building three new race tracks. I have attached a chart to

*F & SA
3-13-95
Atch #1*

this testimony that shows the estimates that The Woodlands provided the Kansas Racing Commission during the licensing process and the actual results as calculated by the University of Kansas for our first 15 months of business. As you can see, we exceeded projections in every category. I have also provided to staff a study conducted in the fall of 1993 by the Racing Resource Group of Alexandria, Virginia that shows that pari-mutuel racing in Kansas is a \$220 million industry that provides nearly 4,000 jobs.

As a matter of fact, in any polls conducted throughout the state, pari-mutuel racing receives high grades among the public. The most recent published poll of which I am aware appeared right here last November in the *Topeka Capital-Journal* that gave racing a 65% approval rating, higher than it received when pari-mutuel racing was approved in 1986.

So what happened? I wake up every morning with my head spinning and wondering the same thing. Today, we at The Woodlands are doing 50% of the business we were doing just this time last year. Statewide, racing is down double digits. Why?

Quite simply, somebody took the playing field and tilted it. I have attached numerous charts that demonstrate what is going on in states all around us.

The first one is Nebraska. They began playing keno in 1986 but in 1990 changed the law to begin playing Las Vegas style keno. The gaming dollars speak for themselves as they increased from \$8 million to more than \$200 million.

The next one is Iowa. Riverboats were approved in Iowa in 1991 and now more than \$800 million was bet on slot machines alone in 1994.

Next is Colorado where limited casino gaming was added and today does some \$300 million in revenue....not betting....but revenue alone.

Next is our own Kansas Lottery. With keno in Nebraska and Colorado and other states, the Lottery simply did what any business would do....it leveled the playing field by adding Las Vegas style keno and multi-state Powerball and their total sales have doubled since 1992. As a matter of fact, the next chart is a week-by-week look at wagering on greyhounds at The Woodlands and you can see the impact that keno had on our business and similar declines were seen in Wichita as well.

Finally, riverboats were added in Missouri. There currently are two boats in business within 10 miles of our front door and another in St. Joseph. They have seen their revenues increase in two months by 85% with the addition of slot machines and our business in Kansas continues to decline as noted on the last chart. There are another nine applications pending for additional boats in the greater Kansas City area.

The Woodlands specifically is in a life-or-death situation. This legislation provides a mechanism toward leveling the playing field, not only with other states but also within our own. It only seems fitting that pari-mutuel--which was established as an economic development tool--join with the lottery to create this more level playing field.

Critics will argue that gaming does not create jobs. Try telling that to our employees....or the employees from the suppliers that provide goods for the largest restaurant in Kansas City....or the employees that work on or service breeding farms and ranches through the state.

Critics will argue, just as they did before pari-mutuel came, that crime will flourish. They will cite a 200% rise in crime, most of which is petty larceny, in Atlantic City once casinos came to the area but they fail to mention that during the same time tourism increased by more than 300% to a point where more than 30 million visitors a year come to Atlantic City. They also fail to note that none of the horror stories that were spread about pari-mutuel materialized either.

Today, we are exporting jobs and tax dollars to other states. Just one year ago, The Woodlands was still generating over 50% of its business from Missouri. Today, we know that approximately the same percentage of patrons at the riverboats are Kansans.

This bill would allow the Kansas Lottery to contract with pari-mutuel facilities to place electronic games of chance at race tracks. It is not a new invention. Four other states have done the same thing for pari-mutuel facilities, including Rhode Island, West Virginia, Delaware and Iowa. Rhode Island's Lincoln Greyhound Park went from the verge of bankruptcy due to casino wagering in Connecticut to a track that now pays among the highest purses in the industry. And Iowa's tracks will begin placing machines in their facilities beginning in April.

The Alliance is told that an amendment that allows for a county option vote will no doubt be offered and we support that amendment. We have always felt that the citizens of Kansas should have the right to make these decisions just as the citizens of Missouri did.

J-4

This bill has accomplished one thing that some of us thought would never be possible. Today you will hear testimony from a united racing industry....from race tracks, from greyhound operators, and, yes, even thoroughbred and quarter horse people. They all recognize that the future of pari-mutuel racing in Kansas and the economic development it produces is on the line. And that is why we support House Bill 2547 and hope that you will as well.



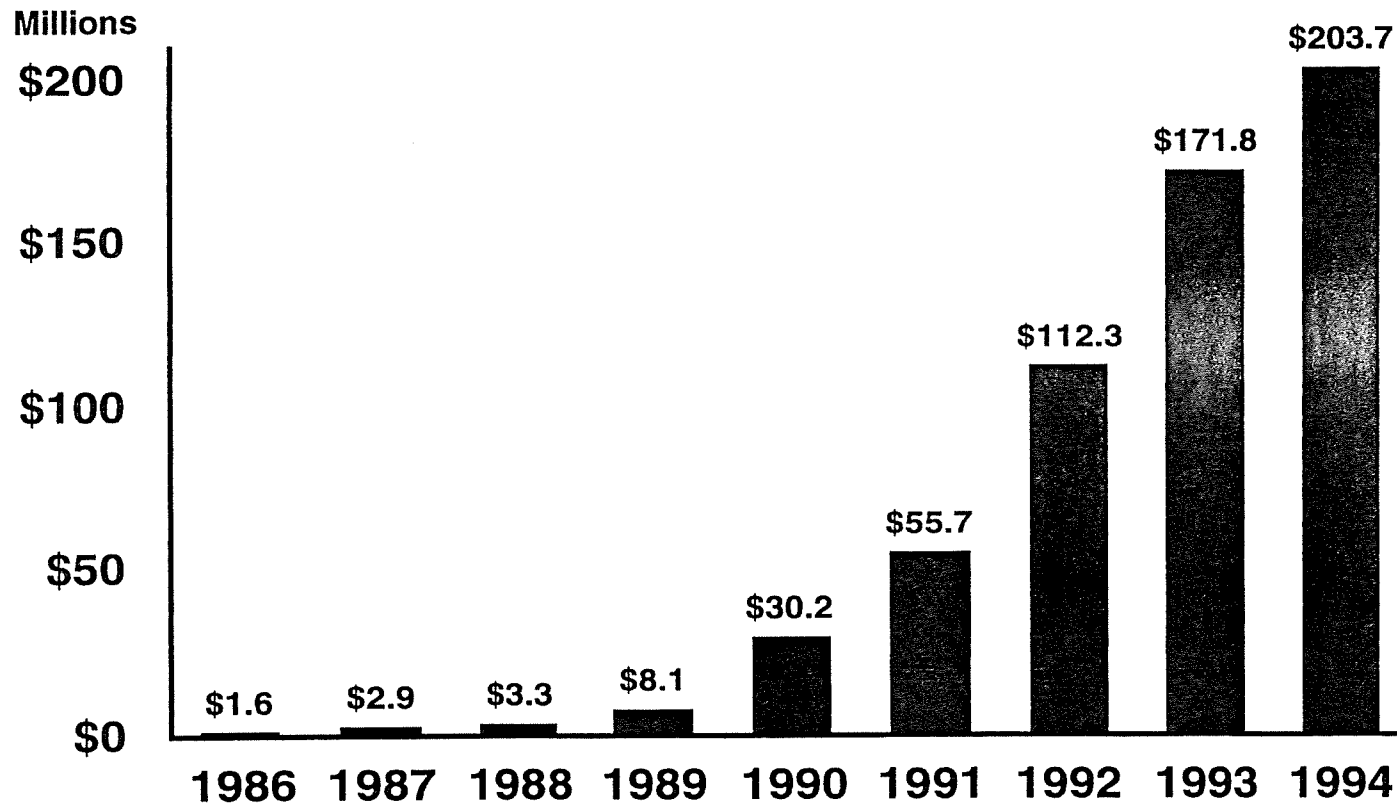
Facts About The Woodlands: Economic Impact (Direct & Indirect)

	<u>Projection</u>	<u>Actual 89-90</u>	
Construction	\$93.2 Million	\$116.3 Million	↑
Operation	\$31.1 Million	\$49.0 Million	↑
Payroll	\$6.4 Million	\$9.65 Million	↑
Taxes	\$7.7 Million	\$10.5 Million	↑

Source: Kansas University: (Institute for Public Policy & Business Research)

Facts About Nebraska Keno: Growth of Keno Wagering

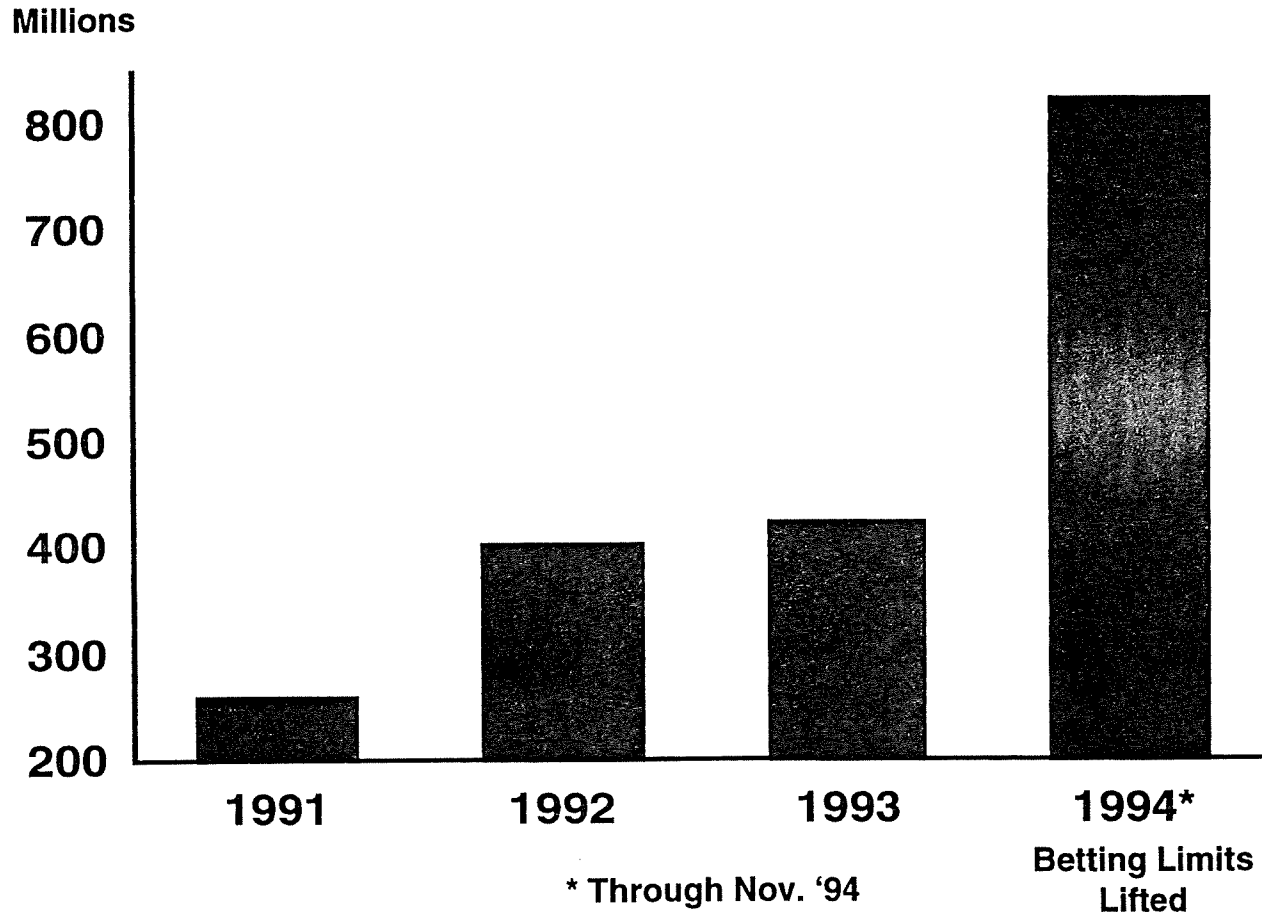
Avg. Prize Payout in Recent Years = 76%



Source: Gaming and Wagering Business 12/94

1-7

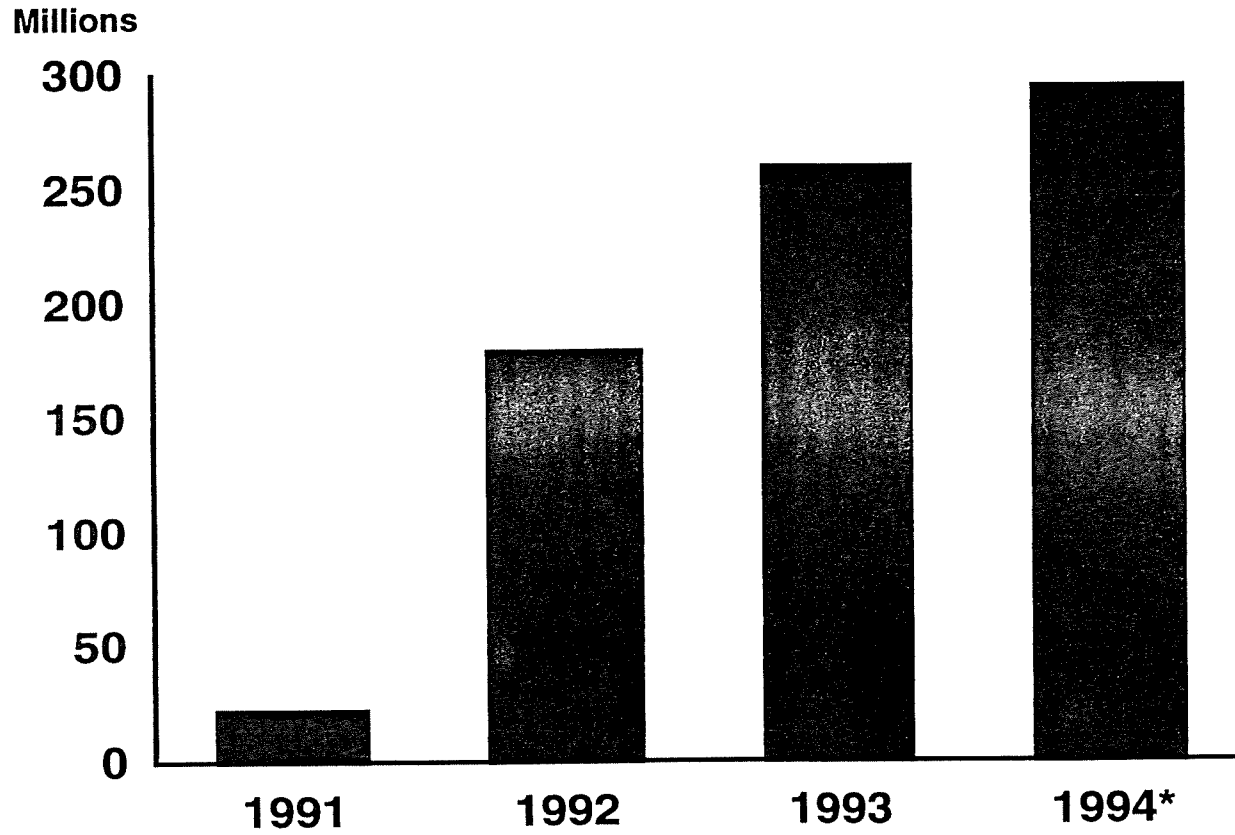
Facts About Riverboats in Iowa: Betting On Slot Machines



Source: Iowa Racing and Gaming Commission

8-1

Facts About Colorado Gaming: Gaming Revenue



* Through Nov. '94

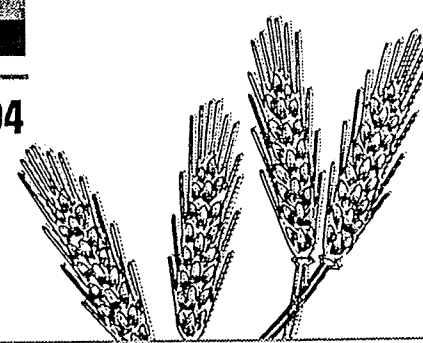
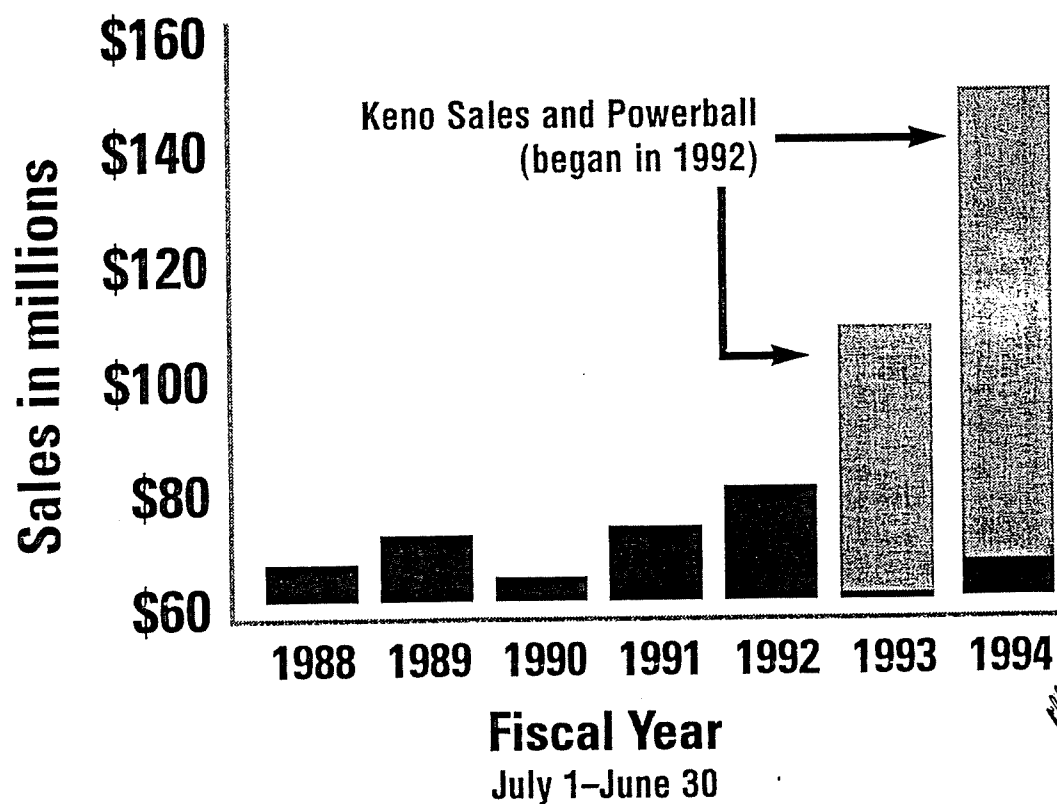
Source: State of Colorado - Division of Gaming

1-9



The Kansas Lottery

Total Sales

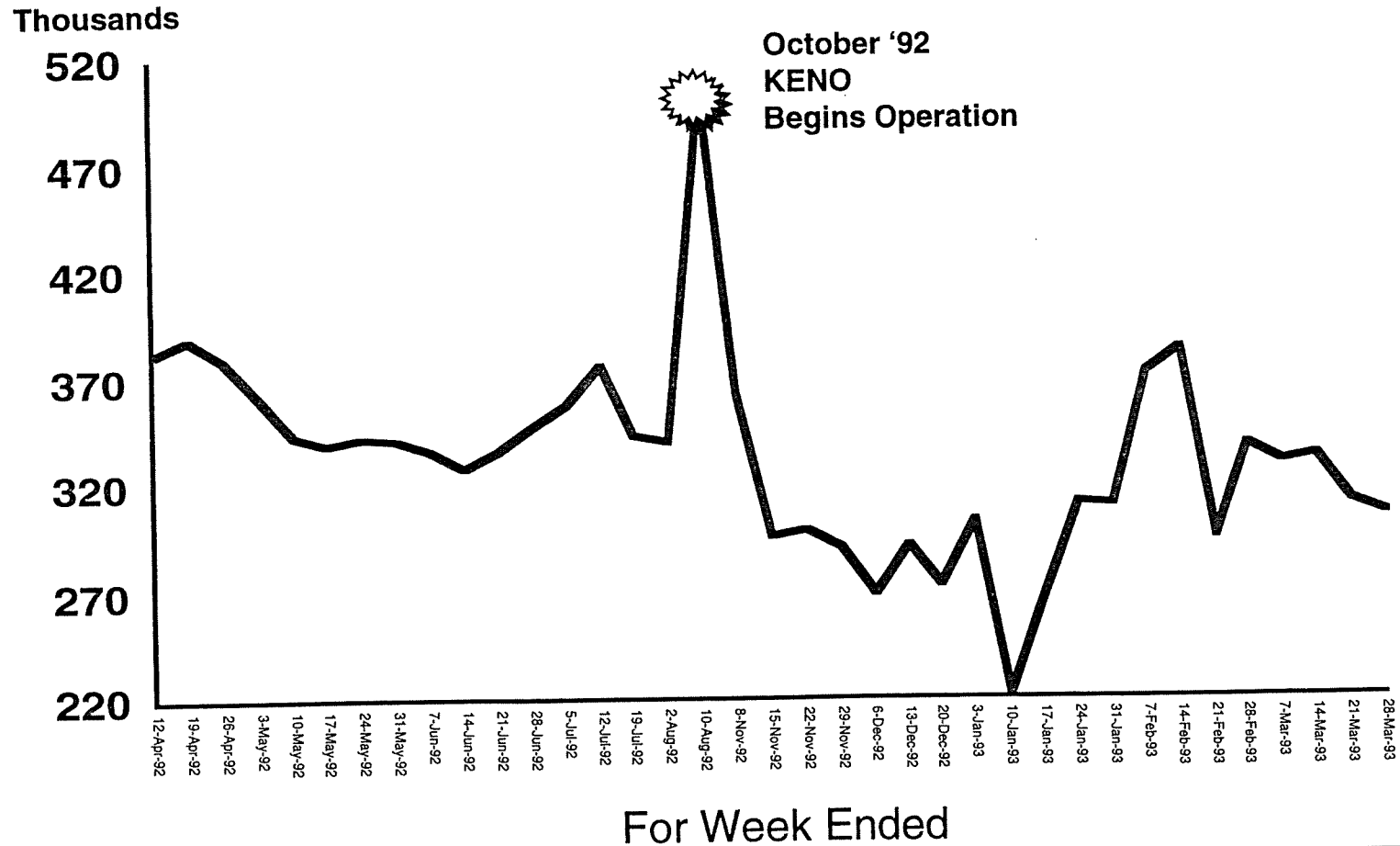


Source: Kansas Lottery Commission (unaudited)

1-10

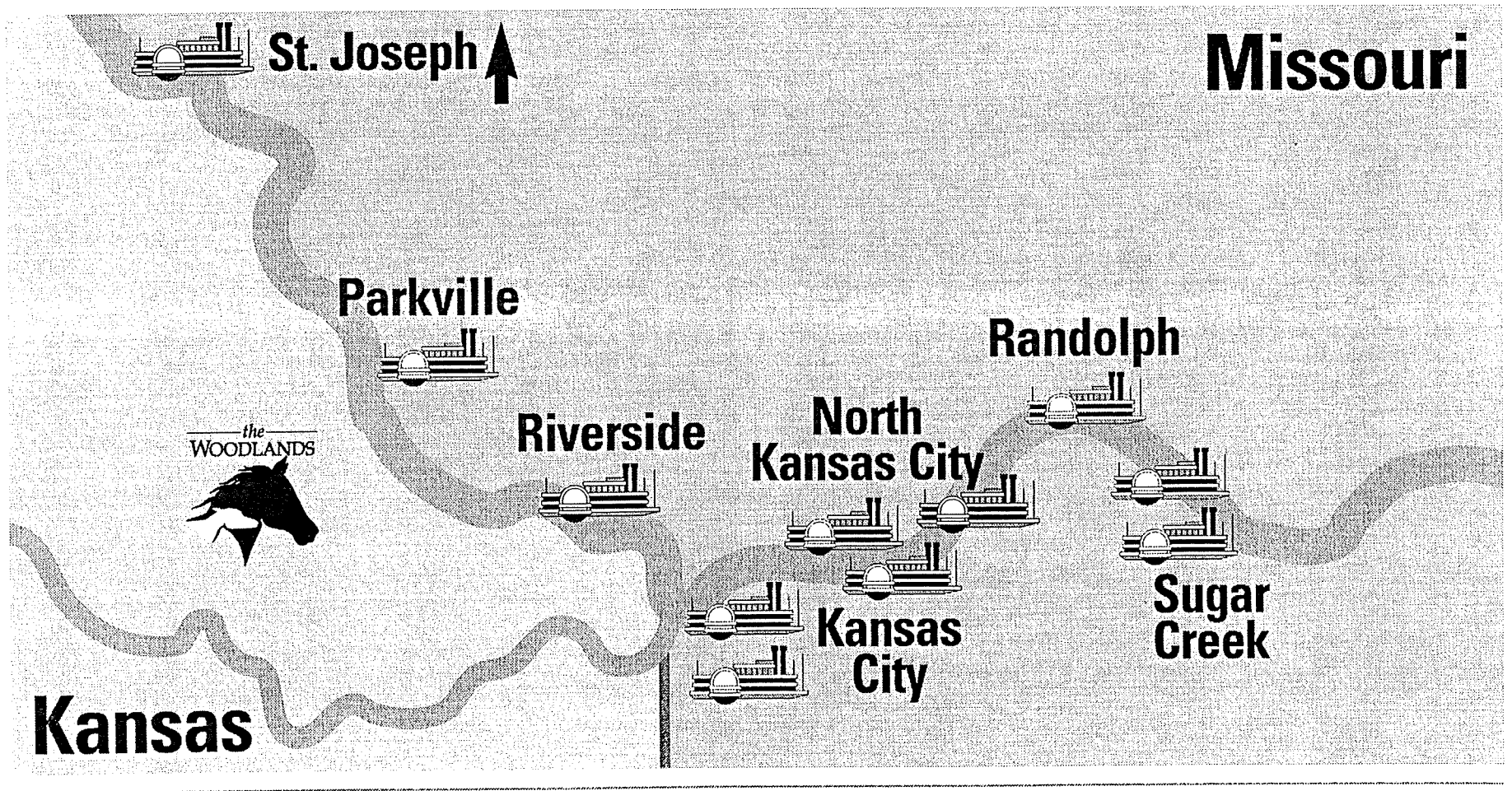


Facts About The Woodlands: Average Greyhound Handle



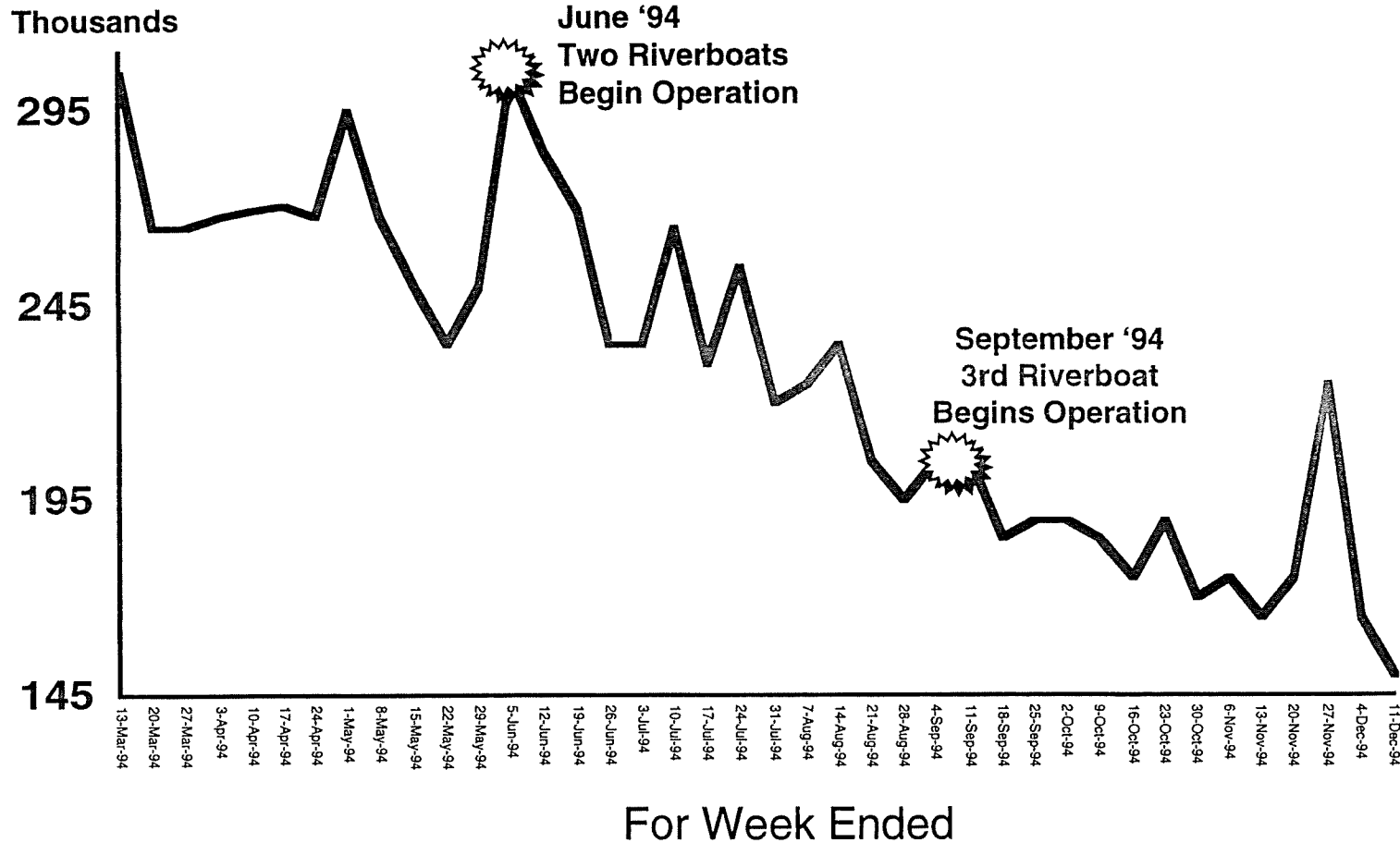
1-11

The Woodlands... Up a River





Facts About The Woodlands: Average Greyhound Wagering





Roy Berger
Executive Vice President

Statement of the
WICHITA GREYHOUND PARK, INC.

Presented to the House Committee on
Federal and State Affairs
The Honorable Representative, Garry Boston, Chairman

Statehouse
Topeka, Kansas
March 13, 1995

Mr. Chairman, Members of the Committee:

Good afternoon. My name is Roy Berger and I'm the Executive Vice President of Wichita Greyhound Park. I appreciate the opportunity to appear before you today.

It's no secret the pari-mutuel industry nationwide is in ill-health and that decline has rapidly spread into Kansas and is now ailing the state's two largest tourism attractions as both the Woodlands and Wichita Greyhound Park, numbers one and two, respectively, in the state, are seeing rapidly declining returns.

In Wichita we saw a business increase from 1990 to 1991, but since the completion of the 1991 racing season our attendance and wagering numbers have declined steadily. If the early trend of 1995 holds to

form, we will see our steepest decline yet between the 1994 and 1995 seasons. And of course, the business attrition affects all areas of our operation and all the related areas including a reduction in employment levels, charitable contributions and revenue to the state of Kansas.

The feather we wear in our cap by being Sedgwick County's number one tourist destination gets even prouder by noting that through wagering at Wichita Greyhound Park, Wichita Greyhound Charities has contributed over \$3.7 million in charitable grants since our 1989 opening, making us the number one racetrack in the country in charitable contributions.

However, as you look at the declines we've seen in only four years, with attendance falling 35% between 1990 and 1994 and the first two months of 1995 seeing an additional decrease of 14% over a comparable period from only a year ago, the future in Wichita for pari-mutuel racing is not bright and it shadows heavily all our related services and benefits.

HB 2547 is a way to not only keep an industry healthy, but indeed make it vibrant. The slot machine at racetrack legislation is not something that is being tested for the first time nationally in Kansas waters. In fact, the states of Rhode Island, Delaware, West Virginia and nearby Iowa all have legislation allowing slot machines at their racetracks and where operational, have been an overwhelming success.

2-2

Iowa intends to have about 1200 machines operational at their Council Bluffs racetrack in the coming weeks with the major delay in implementing play being an agreement on the split between the racetrack and the Greyhound owners. In a virtually unprecedented move Kansas legislation brings the breed groups and the racetracks under one umbrella and the Greyhound owners and kennel operators support the plan and see this as probably the savior to the Greyhound breeding and racing industry in Kansas.

We are not asking you to expand gambling in our state. Instead we are respectfully asking you to allow us to remain competitive with changing public taste in gaming and continue to house legalized gaming under our roof in Valley Center. The simple fact is looking at gambling results nationally and most recently, the success of the Missouri riverboats. The public wants more than pari-mutuel can offer. HB 2547 is not only an opportunity to remain competitive, but it's an opportunity to generate income for the tracks, the breed groups, the charities and the state of Kansas.

The Missouri riverboats have impacted Wichita as well as Kansas City. Every day in the Wichita Eagle there are advertisements for bus trips to visit the Kansas City riverboats and in the past week or 10 days, the price has gone up based upon demand. The people of Wichita want more than what pari-mutuel has to offer and the sharp Wichita

2-5

Page 4

Greyhound Park business declines of 14% during the first two months of 1995 is unquestionably related, at least in part, to the traffic heading to Kansas City and other casino destinations.

We feel we've been good community citizens in our five years of operation and based upon Kansas tourism statistics, certainly we've been well received by Kansans and non-Kansans alike, reaping millions of dollars of benefit to the area and the state. Wichita Greyhound Park respectfully asks for your support of HB 2547 to not only allow us to remain competitive in an ever changing entertainment marketplace, but to allow us to reap the dividends for all our partners...breed groups, employees, charitable organization, and the state treasury.

Thank you.

2-4

The Kansas Quarter Horse Racing Association

P.O. Box 26272 • Shawnee Mission, KS 66225-6272 • 913/681-1984 • FAX 913/681-1994

Representative Garry Boston, Chairman
Members House Federal and State Affairs Committee.

Mr. Chairman and members of the committee:

My name is Karen Tolle. I am Executive Director of the Kansas Quarter Horse Racing Association.

I am here today on behalf of the Board of Directors and the membership of the Kansas Quarter Horse Racing Association.

Our association and its members support passage of House Bill 2547 which would allow electronic gaming machines at horse and greyhound racing facilities in the State of Kansas.

The recent history of parimutuel racing in Kansas will show that Kansans overwhelmingly supported a constitutional amendment in the mid-1980's. This vote was premised in large measure upon the economic development that the industry would bring to our state. We have kept faith with the voters. The racing industry has, in fact, brought thousands of jobs and millions of dollars to our economy.

The increased competition from various forms of gaming in neighboring states has resulted in severe revenue decreases for the parimutuel racing industry.

If the greyhound and horse racing industries, as well as their supporting race facilities, are to survive. . . . this action is absolutely essential.

We are convinced that our parimutuel racetrack facilities cannot continue to operate under current circumstances. The only remaining option for them. . . and for the horse and greyhound racing industry in Kansas. . . is your favorable consideration of this bill which will serve to begin leveling the playing field with our competition.

There are 34,329 quarter horse owners in the State of Kansas representing 86,366 registered quarter horses. Your "yes" vote on this matter will ensure the continued growth of the horse industry which contributes substantially to the overall economy of the state.

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

bill2547.doc

Jeff Rutland
PRESIDENT, KQHRA
Route 1, Independence, Kansas 67301
(316) 331-2485

Karen Tolle
EXECUTIVE SECRETARY, KQHRA
P.O. Box 26272, Shawnee Mission, KS 66225-6272
(913) 681-1984 FAX (913) 681-1994

F&SA
3-13-95
Atch # 3



MARCH 13, 1995

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

Chairman Boston, members of the committee:

My name is Bert Cantwell, President of the Kansas City Kansas Area Chamber of Commerce and I appear before you today in support of H.B. 2547.

The Chamber, as is the rest of our community, is very concerned about the real prospect that The Woodlands will not be able to survive the onslaught of the riverboats which have begun operations on the Missouri side of the Missouri River.

Others, no doubt, will give specific examples of what the riverboats have already meant to The Woodlands. But all anyone has to do is pay a visit to The Woodlands then to one of the riverboats to quickly learn of the problem The Woodlands faces.

The Chamber would specifically ask that the Committee work H.B. 2547 before it does S.B. 27. This bill accomplishes what S.B. 27 does, in that it would also continue the Kansas Lottery plus provide additional revenue for economic development in our State. And, it would enable The Woodlands to compete on a more level playing field with the riverboats.

Some feel that the State should not be in the business of saving private enterprises - whether you believe that or not - The Woodlands and other pari-mutuel facilities are in a special category. Other businesses are not regulated by the State anywhere near the degree that pari-mutuel facilities are.

Plus, other types of businesses are not taxed by the State like pari-mutuel is. Also, other types of businesses do not have the legal obligation to provide funds to charitable organizations. The license from the State requires that a percentage of the total handle goes to charity. This is the case, regardless of the profitability of the overall racing operation.

Some say we should not feel sorry for The Woodlands because the owners overbuilt in the beginning. I feel I am in a unique position to address that issue because I was one of the original members of the Kansas Racing Commission. We were charged with the responsibility of developing a racing program that would enhance both the horse and greyhound industries in Kansas.

All the research at that time, 1987 and 1988, showed that for the horse racing industry, both thoroughbred and quarterhorse to be successful, there needed to be a horse racing facility in the Kansas City market.

Of the four proposals presented to the Commission, two were for greyhound tracks only, one was a combination facility, with a greyhound track built inside a horsetrack. It also would have primarily been a quarterhorse racing facility. The Woodlands proposal called for a dual facility with a common parking lot.

There was also the commitment to conduct both thoroughbred and quarterhorse racing. It was a more expensive proposal however it was by far the best proposal. The decision was a fairly easy one for the Commission once we considered all the factors.

I sincerely wish that H.B. 2547 or something like it was not necessary, however, I see no real alternative. Therefore, on behalf of the business community in Wyandotte County, I urge you to give this bill a fair and thorough hearing because a lot of jobs and tax dollars are at stake.

Thank you...I would stand for questions if there are any.

My name is Gordon Davis, Jr., my address is 801 Spruceway, Abilene, Kansas. I was born in Abilene, Kansas. attended secondary schools in Dickinson County, Kansas and college at Washburn University of Topeka, Kansas.

For the past twenty five years I have raised and raced greyhounds for a living. During those years I have raced greyhounds in Colorado, Arizona, Nevada, New Hampshire, Massachusetts, Rhode Island, South Dakota, Connecticut, West Virginia, Florida and Kansas. I am presently racing at Wichita Greyhound Park and have been since they opened.

When I started racing in 1970 in Colorado a pari mutuel ticket cost \$2.00 at Mile High Kennel Club and was the same price everywhere pari mutuel tracks raced in the United States. At that time pari mutuel horse and greyhound racing was the only legalized gambling permitted anywhere except in Nevada. At that time for example a Grade A 5/16 purse at Mile High Kennel Club in Denver Colorado paid nearly \$1,000.00. At that time a new pickup truck cost just under \$5,000.00, a 50lb bag of Purina Hi Pro Dog food cost \$8.00, a pound of 3-D ground beef cost 18 cents and a good trainers weekly salary was \$250.00 plus commission. Today, twenty five years later, the pari mutuel ticket is still \$2.00, a grade a 5/16 purse at Mile High Kennel Club is around \$500.00. Today a new pickup truck is nearly \$30,000.00, a 50lb of Purina Hi Pro dog food is \$18.00, a pound of ground beef dog food is 45 cents and a good trainer's weekly salary is \$650.00 plus commission. I used Mile High only as an example of what has occurred to breeders nation wide in the pari mutuel business.

When hearings on pari mutuel racing were held in 1988 or 1989 I testified before a legislative committee that purses should be statutorily set at a minimum of 4% and should probably be closer to 5% of the pari mutuel handle. At that time Massachusetts was paying 4% and other states were all actively moving in that direction. Kansas tracks opened and are presently operating with a 4/18 legislated purse schedule which amounts to approximately 4.3%. When The Woodlands opened and for several years thereafter it had to be considered one of the best paying places to race and probably had the very best overall quality of greyhounds anywhere in the United States.

The Woodlands 5/16 Grade A win purse was well over \$1,000.00 and the best kennel operators in the Country applied for racing contracts. Wichita Greyhound Park had a purse of around \$450.00 for a grade A 5/16 win and had many very qualified kennel operators attempting to get in and in fact became the toughest place in the world to race for a \$450.00 purse. Today, the Woodlands does well to pay a \$450.00 grade A purse and the line of good kennel operators waiting to get in has vanished. WGP has had significant purse reductions

FISA
3-13-95
Atch # 5

and simulcast wagering thus far has kept the purse up to nearly \$350.00 for a grade A 5/16 win purse and primarily because of Kansas Breeders the quality of the greyhounds has not diminished. The current word in the business is The Woodlands is the toughest track in the nation for what you get paid and WGP is running a very close second.

What has caused this delemma? #1 inflation, #2 entertainment competition and #3 other legalized gambling.

We cannot stop inflation nor can we prevent healthy competition from other entertainment sources, but we can do something about competing with other States gaming laws.

Several other States have attacked this problem by allowing gaming machines to be placed at Pari Mutuel Track sites. These sites are operated with the State, Race Track and Greyhound and Horse breeders sharing in additional revenues. Specifically the States of Rhode Island, West Virginia and Iowa have enacted similar legislation. Rhode Island, since this legislation has become one of the most sought-after racing contracts with an almost instant improvement in the quality of their racing and West Virginia has seen significant purse increases. The same is expected in Iowa.

The Woodlands without legislative assistance of some sort cannot compete with Missouri's casino-type riverboat gambling. The quality of racing will very soon plummet because breeders cannot have their greyhounds racing for \$450.00 for a grade A 5/16 win purse when another State will pay well over \$1,000.00 for the same win.

Wichita Greyhound Park though not as immediately threatened from a neighboring State has still suffered from other gaming competition and breeders have been on an industry inflationary spiral that will not allow them to operate with the existing purse structure.

Nothing in the racing industry remains static. Kansas has been one of the best areas for breeders to settle and operate. Abilene, Kansas has generally considered within the pari mutuel business as the Greyhound Capital of the World and Kansas is currently rated 3rd in greyhound production. Before Pari-Mutuel was legalized in Kansas there were approximately 15 large (raising and training of over 100 dogs per farm) greyhound farms within twenty miles of Abilene. Since Pari-Mutuel in Kansas over 35 new farms were opened in the Abilene area. Today, I checked with a local Realtor, and 15 farms have been placed on the market for sale.

As a small businessman in a State regulated business I am reliant on State regulated change to effect positive structural laws and regulations to allow me to compete on a

level playing field.

I urge you to give favorable consideration to House Bill
2547.

PIPER USD #203
BOARD OF EDUCATION
March 7, 1995

BE IT RESOLVED that the Piper Unified School District #203 Board of Education supports House Bill 2547 with an amendment which would allow the citizens of a county to vote on operating electronic games of chance in the state's pari-mutuel facilities because it is a fundamental concept of democracy that the will of the people be heard. This support is also based on the economic impact on the State of Kansas, Wyandotte County, the City of Kansas City, Kansas and especially, the taxpayers of Piper USD #203.

Passed: 7-0 vote

F & SA
3-13-95
Atch # 6

TESTIMONY
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
March 13, 1995

Chairman Boston, members of the Federal and State Affairs Committee, I am Bill Henry and I appear before you today on behalf of the Kansas Thoroughbred Association to support the passage of HB 2547.

Those of you who have served on this committee before will find today's setting somewhat unique, because it is the first time that all members of the industry involved in parimutuel racing in Kansas are here in agreement and in support of an issue that greatly affects their industry.

For the past three years the number of horses registered in Kansas has decreased by 20 percent. To date, in 1995 only nine new horses have been registered. For the more than 200 Kansas members of the Kansas Thoroughbred Association this situation has become critical.

The reason why the situation has become critical is that 20 percent reduction in number of horses registered each year is due to lower attendance at racing meets which in turn leads to lower handles which in turn leads to lower purses with the ultimate result being that Kansas Thoroughbred owners and breeders will have to leave this state to go elsewhere to succeed in their industry.

If this demise occurs for horses in the racing program it will have a dramatic effect on suppliers who service the Equine racing market. In 1989 Kansas State University performed a study taking the number of registered horses in the state and then applying a statistical analysis to see what was involved in the support and maintenance of those horses. I have included a summary page from this Equine Marketing Association with my testimony. The total figure for those maintenance costs amounts to nearly **\$500 million** annually. In addition, this same 1989 Kansas State University study showed the support statistics involved for those horses amounted to another **\$116 million** annual figure. If all the horse tracks in Kansas closed tomorrow it would not mean the total disappearance of these contributions to the Kansas economy but it would mean a severe drop in income for suppliers of services and products that service the Kansas horse industry.

The figures for maintenance and support that I have shared with you do not include the capital cost that each Kansas Thoroughbred owner and breeder assumes when introducing a horse to professional racing in Kansas. That cost may vary anywhere from \$10,000 to \$50,000 in terms of capital investment. HB 2547 will dedicate a varying percentage to members of the Kansas Thoroughbred Association, the Kansas Quarter Horse Association and the Kansas Greyhound Kennel Owners Association who can utilize these funds for purses or other improvements under contractual agreements entered into with the various race tracks.

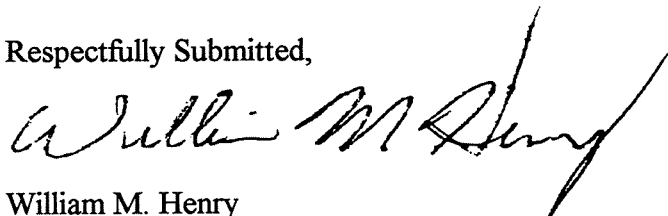
The members of the Kansas Thoroughbred Association know there is no guarantee in any business venture. However, under the terms of HB 2547 the members of the KTA believe they can continue their industry in Kansas and the economic contribution they bring to the state.

FISA
3-13-95
Atch # 7

The members of the KTA believe there will an amendment proposed to allow the voters in each county where a race track is located to approve or disapprove of the proposed video lottery machines. The KTA supports that amendment. Should the members of this committee determine that the new funds created by this bill for the state be dedicated for a particular purpose we trust you will make a wise policy choice and the Kansas Thoroughbred owners would support that decision.

Mr, Chairman, members of the committee I would be happy to respond to any questions by members of the committee.

Respectfully Submitted,



William M. Henry
Attorney at Law

Attachment

1989

UNITED STATES EQUINE MARKETING ASSOCIATIONKANSAS -- 1989ANNUAL MAINTENANCE COSTS

<u>Item</u>	<u>Per Horse \$</u>	<u>Total</u>
Veterinary Fees	126.00	31,678,794.00
Veterinary Medications	56.00	14,079,464.00
Veterinary Supplies	59.00	14,833,721.00
Grooming Supplies	42.00	10,559,598.00
Hay	318.00	79,951,242.00
Grain	259.00	65,117,521.00
Supplements & Feed Additives	41.00	10,308,179.00
Vitamins	34.00	8,548,246.00
Farrier	201.00	50,535,219.00
Clothing	208.00	52,295,152.00
Saddles & Tack	281.00	70,648,739.00
Insurance	212.00	53,300,828.00
<u>Stable Utilities</u>	<u>124.00</u>	<u>31,175,956.00</u>
TOTAL	\$1961.00	\$493,032,659.00

SUPPORT STATISTICS -- Average per Household

	<u>Per Horse \$</u>	<u>Total \$</u>
Stable Help	268.00	24,064,524.00
Riding Lessons	231.00	20,742,183.00
Training	375.00	33,672,375.00
Advertising Costs	18.00	1,616,274.00
Membership Dues	19.00	1,706,067.00
Equine Publications & Subscriptions	31.00	2,783,583.00
Entry Fees	31.00	2,783,583.00
Equipment Maintenance	58.00	5,207,994.00
Taxes	78.00	7,003,854.00
Depreciation -- horse equipment	182.00	16,342,326.00
TOTAL	\$1,291.00	\$115,922,763.00

Kansas Minority Casino Gaming Inc.

From: Robert A. Jasso, President
KMCG Inc.
6000 W. 52nd St.
Mission, Kansas 66202

March 13, 1995

To: State of Kansas
Committee on Federal and State Affairs

Subject: House Bill No. 2547

Dear Committee members:

Kansas Minority Casino Gaming Inc. (KMCG Inc.) was legally incorporated on December 2, 1994. KMCG Inc. was the first company of it's kind to incorporate in the State of Kansas. It's main purpose is to provide opportunities for minorities in the casino gaming industry in the State of Kansas. With the introduction of Riverboat gambling in the Kansas City area, there has been increased pressure for the expansion of casino type gaming in the State of Kansas. A large portion of this pressure has been directed toward the expansion of current greyhound race track facilities to include either full or limited casino type gambling. KMCG Inc. does not oppose the expansion of these facilities into full or limited casino type gaming, but strongly advocates the inclusion of minorities in any and all future expansion as outlined in it's articles of incorporation.

House Bill No. 2547 could provide such a mechanism for the inclusion of minorities in the expansion of casino type gambling at current dog track facilities. KMCG Inc. is a bonafide minority owned business who's main purpose is so stated and is so qualified for providing "Major procurement" contracts as stipulated in House Bill No. 2547.

The State of Kansas has approximately 20 % minority population and should be included in any and all business opportunities. Currently, the State of Kansas has zero minority ownership at currently licensed parimutuel race track facilities. KMCG Inc. can provide the leadership and business opportunities to include minorities in any current or future opportunities in full or limited casino gaming activities in the Great State of Kansas. In order to insure that the minority population is not unfairly excluded from participation, KMCG Inc. believes that HB 2547 should be amended to read as follows: Page 3, line 26-29

26 (2) the commission shall designate certain major procurement contracts to include no
27 less than 20% minority ownership as "Technology providers" and portions thereof to be
28 awarded, in accordance with rules and regulations of the commission, solely to minority
29 business enterprises: and

If HB 2547 does include this amendment, then KMCG Inc. gives its full endorsement to the bill. If the amendment is not included then, KMCG Inc. would be inclined to recommend killing HB 2547.

Sincerely yours,

Robert A. Jasso

FSA
3-13-95
Atch #8

**TESTIMONY BEFORE
THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**

RE: HB 2574

DATE: 3/13/95

PRESENTED BY: ROBERT G. FREY

Chairman Boston and members of the Committee. My name is Robert G. Frey and I am a resident of Wichita, Kansas where I practice law. I am speaking to you today as a private person who is concerned about the long term impact of House Bill 2574 if it becomes law in Kansas, in relation to the Indian Gaming Regulatory Act of 1988 [IGRA].

As has been stated to this Committee in the testimony of Mr. Thompson, the Supreme Court of the State of Kansas has ruled that the term "lottery" in Kansas is synonymous with the term "gambling" and as such the State of Kansas is authorized under the Kansas Constitution to conduct all forms of gambling games in this state. Under the broad definition that has been given by the Court to the kinds of gambling authorized by the Lottery Amendment, it is possible for the State to operate slot machines as well as other forms of gambling more commonly associated with casino gambling.

If the conduct of such games were to be authorized by this Legislature and the State of Kansas were to **permit** gambling by slot machines at state licensed race tracks, it is my opinion that under the Indian Gaming Regulatory Act of 1988, the right to engage in Class III gaming by Kansas Indian tribes would also be allowable.

The IGRA provides that there are three "classes" of gambling. Class III gaming is a broad category containing many types of gamble games generally found in casinos. The definitions currently in place in IGRA provides that the operation of slot machines would be considered class III gaming.

Since Class III gaming would be "permitted" under Kansas law if HB 2574 were adopted in Kansas, it will then follow that Indian tribes in Kansas could legally enter into a compact with the state to operate class III gambling casinos in the State of Kansas as well.

The simple and seemingly limited authorization of slot machines at race track facilities licensed in Kansas could be the golden key that opens the door to casino gambling in our state.

It appears quite clear to me that the passionate plea for slot machines at *pari mutual* race tracks in Kansas is not about saving an existing business engaged in dog or horse racing. It is in reality an effort to bring the State down to the level defined in IGRA as one that permits class III gambling. Once that is accomplished, there is little doubt that gambling casinos will follow and they will not just be limited to slot machines but could, instead, permit the operation of virtually any kind of gambling game with no significant control any longer allowed by the state of Kansas, the Kansas Legislature or the general population of this state.

FOR THE ABOVE REASONS, I URGE THIS COMMITTEE TO REJECT THIS BILL.

F & SA
3-13-95
Atch #9



Citizens for Stable Economic Growth and Quality of Life in Kansas

P.O. Box 780127 ♦ Wichita, KS 67278 ♦ (316) 634-2674

**TESTIMONY TO
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**
regarding

HOUSE BILL NO. 2547

AN act allowing the Kansas Lottery to operate slot machines and other video lottery machines at parimutuel racetrack facilities.

by
Glenn O. Thompson
Chairman, Stand Up For Kansas

March 13, 1995

Good afternoon Chairman Boston and members of the committee. I am Glenn Thompson, Chairman of Stand Up For Kansas. Thank you for this opportunity to speak on House Bill No. 2547. We urge you to **VOTE NO** on this bill for the following reasons.

1. CASINOS

For all practical purposes, this bill would allow the state to own and operate **casinos** at parimutuel racing facilities, **since most casinos receive approximately 70 percent of revenues from slot machines and other video lottery games.**

2. INTENT OF THE 1986 CONSTITUTIONAL AMENDMENT

Voters did not intentionally authorize the state to own and operate casino games when they amended the state constitution in 1986 to allow a state owned and operated lottery. Everyone in this room knows that citizens approved only a traditional lottery, nothing else. They certainly did not approve operation of casino games, such as slot machines. Nowhere in the amendment are casino games mentioned.

F & SA
3-13-95
Atch #10

This bill is being considered by the legislature only because of a legal loophole in the wording of that amendment. Since the Kansas Supreme Court ruled in 1994 that the term "lottery" is synonymous with the term "gambling", citizens **UNKNOWINGLY** approved the state to own and operate all forms of gambling, including slot machines, video lottery machines and even casinos.

But, how important is government integrity? How important is it that constituents believe legislators are representing them in an honest and ethical manner? We are here today to discuss a proposed bill **that challenges the fundamental integrity of every senator and representative in the legislature**. I and thousands of other citizens across the state urge you to **consider the intent of the law**, not just the letter, when you vote on this proposal.

3. **INDIAN CASINOS**

Passage of this bill would open the door for Indian casinos throughout the state. The Federal 1988 Indian Gaming Regulatory Act, IGRA, **requires states to negotiate casino compacts** with Indian tribes for all Class III games **permitted by the state**. Class III games include games such as the lottery, parimutuel racing, and casino games. Consequently, if this bill passes, state officials would be required by federal law to negotiate compacts with Indian tribes for casinos on and off reservations on Indian lands placed in trust, even in downtown areas.

4. **ECONOMIC PROBLEMS**

Slot machines at racetracks will be economic parasites. They won't create new wealth, they won't create new jobs and they won't create new tax revenues. They will simply pull wealth and jobs from small businesses in surrounding areas. The only people who will get rich from the slots will be people who own and operate the casinos --- nobody else.

In a study conducted for Stand Up For Kansas, Dr. Thompson, a nationally recognized economist at the University of Nevada, has estimated that **90 percent of Woodlands revenues will come from Kansans**; only 10 percent will come from out-of-state gamblers. Dr. Thompson states "**Any claims that a casino will add either jobs or taxes to the Kansas economy are bogus claims.**"

While we are on the subject of economics, former owners of the Kansas City Woodlands Racing facility, R. D. Hubbard and R. J. Boushka will receive a bonus of up to **\$40 MILLION**, depending on net income, if slot machines are legalized at the Woodlands by the year 2001. Hollywood Park, Inc. of California agreed to this payment when they purchased Sunflower Racing, Inc. (the company that manages the Woodlands) from Hubbard and Boushka in March 1994.

5. SOCIAL PROBLEMS

Professionals report that approximately five percent of casino gamblers become addicted, leading to numerous social problems, including debt, thefts, embezzlement and disruption of family life and work. The result is increased social service demands and increased health insurance costs. Since compulsive gamblers cost society as much as \$50,000 per person, the cost to Kansas citizens will be hundreds of millions of dollars per year.

IN SUMMARY, voters have never intentionally authorized the state to own and operate casino games, such as slot machines. We request legislators respect the intent of the voters when they approved the 1986 state constitutional amendment. Further, legalizing casino games at racetracks would open the door for Indian casinos across the state and create numerous social and economic problems.

WE URGE YOU TO VOTE NO ON SENATE BILL NO. 2547.

Chairman Boston and committee members,

I am Frances Wood, Topeka, a volunteer lobbyist for the Woman's Christian Temperance Union of Kansas.

I brought my towel along today as I'm just about ready to throw it in!!!!!!! There is nothing that I can tell you that I haven't already stated on the other gambling bills. It seems those who wish to make money from various methods of gambling are going to keep proposing more and more methods.

Until you realize the menace of gambling and the societal cost and put an end to it, there will be a continual line of propositions for you to consider.

I do hope you'll remember about setting aside money for the addictive gambling treatment centers for we'll be needing them down the road after all this variety of gambling comes into fruition. Of course, by then, you will have forgotten those of us who "told you so".

A reminder, that almost everyone here that is in favor of this bill, has money to be gained by its passing. No one is here stating how much this activity is going to add to the quality of life in Kansas.

A "NO" vote is the correct vote for that quality of life. I believe I'll keep my towel.

F & SA
3-13-95
Atch # 11