

Approved: January 22, 1996
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 January 18, 1996 in Room 519-S of the Capitol.

All members were present except: Representative David Adkins, Excused
Representative Clyde D. Graeber, Excused
Representative Bill Mason, Excused

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

Conferees appearing before the committee: Cindy Lash, Legislative Post Audit

Others attending: See attached list

The Chairman stated Alcohol Beverage Control had requested revision of the alcoholic beverage act.

Mary Torrence, Revisor of Statutes, gave a briefing on 5 RS 1601, stating that it was a revision and also combines the Kansas liquor control act and the club and drinking establishment act and complete recodification.

Chairman Boston moved and Representative Aldritt seconded to request 5 RS 1601 as a committee bill. The motion carried.

Cindy Lash, Legislative Post Audit, gave a briefing on the performance audit report reviewing the operations of the Woodlands Race Track.

The audit answered the following questions: (1) What entities or individuals have had significant involvement in the Woodlands' operations, and have they benefitted financially, and (2) has the Woodlands Race Track complied with applicable requirements for its operations?

In conclusion of the audit, the response to question (1) was: To date, the chief financial beneficiary of the Woodlands has been Richard Boushka, one of two original owners of Sunflower Racing, Inc. In about 8 years, Mr. Boushka was able to generate nearly \$12 million in income from his \$800,000 investment. The other original owner, R. D. Hubbard, has received more than \$15 million in cash payments for principal and interest on loans, salary and distribution to stockholders. He also received restricted stock from the sale of Sunflower Racing to Hollywood Park. That stock was valued at about \$6 million at the date of the sale and is currently valued at about \$2.7 million. Mr. Hubbard still is owed more than \$13 million on loans he made to Sunflower. That money may be lost if the racetrack ceases operations.

Hollywood Park has taken a gamble by purchasing Sunflower Racing Inc., and by making loans to it. In essence, it is betting \$23 million that the Legislature will approve some form of casino gambling at the track. If that happens, Hollywood Park and Mr. Hubbard through his 14% share of the company, could profit handsomely. If casino gambling is not approved, Hollywood Park, Mr. Hubbard, and the banks that financed the track would likely lose substantial amounts of money, unless alternative uses can be found for the buildings and property at the Woodlands.

There is no doubt that the Woodlands has suffered from a downturn in the racing industry and competition from riverboats. Although there may be a few areas where the track could trim some expenses or seek better prices from vendors, no evidence was found to suggest that the owners have misrepresented the track's finances.

The response to question (2) was: The Woodlands appears to be in compliance with most of the regulations

CONTINUATION SHEET

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reviewed. The only area where substantial noncompliance was found was with requirements to submit contracts and agreements to the Kansas Racing Commission. Infractions regarding the licensing of employees and concessionaires appear to be isolated incidents, and do not appear to be pervasive problems at the track.

The Chairman stated that Bruce Rimbo, President of the Woodlands had planned to be present to answer questions, but due to inclement weather was unable to attend. If any of the members have questions for Mr. Rimbo, please give them to the Chairman in writing and they will be forwarded to Mr. Rimbo for his reply.

The meeting adjourned at 2:00 p.m.
The next meeting is scheduled for January 22, 1996.

FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE: January 18, 1996

NAME	REPRESENTING
Glenn Thompson	Stand up for Kansas
Betty Thompson	" " " "
Roger Frawley	KGC
Dave Schuider	Kansas For Life At Its Best
Tom Allen	Camp Town
DAVID B SCHLOSSER	Pete McGee & Assoc
Denny Burgess	Sunflower