

Approved: 3/22/99
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS.

The meeting was called to order by Chairperson Representative Susan Wagle at 1:30 P.M. on March 15, 1999 in Room 313-S of the Capitol.

All members were present except: Representative Freeborn, excused

Committee staff present: Theresa Kiernan, Revisor of Statutes
Mary Galligan, Legislative Research
Russell Mills, Legislative Research
Judy Swanson, Committee Secretary

Conferees appearing before the committee: Ron Gaches, Wichita Greyhound Park

Others attending: See attached list

Chair Wagle announced a request had been made for an entirely new range protection bill to be introduced. She made a motion to introduce such bill. Rep. Ruff seconded the motion. The motion carried.

Hearing on **HB 2537**, Parimutuel racing; simulcasting; takeout limitations, was opened. Revisor Theresa Kiernan reviewed the bill for Committee members.

Ron Gaches, Wichita Greyhound Park, testified in favor of the bill. (Attachment #1) He said **HB 2537** does not change the takeout permitted for races run at Kansas tracks. The bill expands the selection of out-of-state races that could be simulcast and wagered on by Kansas tracks. Discussion followed.

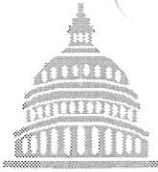
In response to Rep. Klein, Gaches said track owners would get more takeout under this bill. He said the two Florida tracks that would be involved have a takeout that is 2% higher than Kansas permits. Each track has its own percentage that it requires the receiving track to pay. Up to a 5% fee for a popular race is paid back to the host track. Wichita Greyhound Park showed a 35% to 40% increase in their simulcast business in 1998. Currently one-half of their business is live, and one-half is from simulcasts. Gaches said he assumed we are now getting simulcasts which have a lower takeout than Kansas. Kansas is prohibited from receiving simulcasts from tracks where the takeout is higher than what Kansas allows.

Shirley Bowen, Inspector of Parimutuels for Kansas State Racing Commission, explained that Section G of the bill refers to races sent out of the State of Kansas to other states. She said this bill has nothing to do with live race takeouts, only with simulcast races coming into the facilities. Gaches said that in the past, there has been no confusion on how to apply this statute by the Racing Commission.

Gaches said it is not their intent to create a vehicle with this bill for slots at the track. He assured the Committee he would lobby against such action.

Chair Wagle presented the committee with two additional versions of a parental consent bill. She asked members to date these versions and review them for action at a later date.

Committee adjourned at 2:20 P.M.



**Comments before the
House Federal and State Affairs Committee
Regarding House Bill 2537 Concerning Simulcast Racing
Presented by Ron Gaches
On behalf of Wichita Greyhound Park
Monday, March 15, 1999**

Purpose of House Bill 2537: Passage of HB 2537 will permit patrons at Kansas pari-mutuel race tracks to bet on simulcast races from certain out-of-state tracks that they are prohibited from betting on now. Current Kansas law prohibits anyone from betting on a simulcast race where the takeout percentage is greater than the takeout permitted at a Kansas race. Some states allow their tracks a higher takeout than Kansas law permits. Races from those tracks can not be bet on in Kansas.

Explanation of Terms:

Pari-mutuel Wagering: A form of wagering on races where the participants are betting against other participants for a share of the total amount wagered on the race.

Handle: The total amount bet on a race. Also spoken of as the total handle for a day or a week.

Takeout: The part of the "handle" that does not go to the bettors. The takeout is split up between the state for taxes, the charity that holds the racing license, the breed groups for purses and other breed group programs, and that part left over goes to the track. The track must recover all of its expenses, pay its regular taxes and generate any profit from what is left of the handle.

The State of Kansas takes a tax of $\frac{3}{18}$ ths of the ^{take-out} handle regardless of whether the track is making a profit or not. For the Wichita Greyhound Park, the tax is more than **\$1,000,000 per year.**

Each track operating in Kansas also pays the Racing and Gaming Commission a fee of \$200 per day for every day there is racing and wagering. For the Wichita Greyhound Park that totals about **\$60,000 per year.**

Points: The dog and horse owners race for points. Points are awarded for "win," "place," and "show." The most points go to the winner. At the end of each week the kennel operators are paid so many dollars for each point they earned. The amount paid for each point is determined by the size of the purse.

*House Fed + State
Attachment #1 - 1
03-15-99*

Simulcast Race: The live broadcast of a race to another location for the purpose of permitting patrons at the off-site location to participate in the pari-mutuel wagering pool for that race.

The Wichita Greyhound Charities, Inc.: The WGCI holds the racing license for the Wichita track and receives 1% of the total handle from all live and simulcast racing at the track. The WGCI is governed by a volunteer board and has a full-time professional staff. The charity returns those dollars to the State of Kansas through a comprehensive contributions program. Last year the contributions back to the Kansas community totaled \$250,000.

Track Ownership: Mr. Phil Ruffin is a Wichita native and classic entrepreneur. With little formal education, but with a great sense of how to run a business, Mr. Ruffin has become one of Wichita's most successful businessmen. He owns a Wichita-based manufacturing firm; has been active in Kansas oil and gas production with Ruffin Drilling; created a successful chain of convenience stores (Town and Country Marts); owns and operates a ten Marriott Hotels (including the one in Wichita); and owns and operates a successful casino in the Bahamas.

A little over a year ago, Mr. Ruffin bought the Frontier Casino in Las Vegas and negotiated new agreements that ended the labor strikes that had mired that facility in debt. His career as an entrepreneur began in Topeka with a sandwich shop when he was 19 years old.

Mr. Ruffin continues to make Wichita his home and principal place of business.

In 1997, Mr. Ruffin purchased the Wichita Greyhound Park. The Wichita track had been losing money for several years and the out-of-state owners had given up on trying to keep live racing alive in Kansas. Mr. Ruffin immediately began to change the operating formula at the track to make it friendlier to patrons and to improve the economics for the kennel operators who run their dogs there.

The parking fee at the track was eliminated. The fee to enter the nicest parts of the clubhouse was eliminated. The food service was improved by hiring the chef from the Prairie Dunes Country Club in Hutchinson. The grounds and facilities were improved. Investments were made to improve security. A comprehensive marketing program was launched and continues today. And an effort to improve the economics of the track was begun by improving both the simulcast and live racing programs. Mr. Ruffin also hired a highly regarded, experienced dog track manager to run the track, Mr. Kip Keefer.

The effort has been successful in many ways. Attendance is up double digits over the old ownership. The amount wagered, or handle, has also increased significantly. The purses paid to the kennel operators who race the dogs have nearly doubled. And the taxes paid to the state have increased.

But despite the overall improved economics for the State, the Charity and the breed groups, the Wichita Greyhound Track still does not generate any profit. Mr. Ruffin had to invest an additional \$700,000 during calendar year 1998 just to cover the operating costs of the track.

Kansas racetracks, and the live racing industry they support, are on shaky ground. The Pittsburg track has closed, the Woodlands track in Kansas City was recently sold at bankruptcy auction, and the two county fair tracks and Anthony and Eureka exist only because of the subsidies received from the Wichita and Kansas City tracks.

Back to the specifics of the bill. HB 2537 does not change the takeout permitted for races run at Kansas tracks. It only expands the selection of out-of-state races that can be simulcast by Kansas tracks and wagered on by Kansas patrons.

The number of additional racetrack simulcast signals that might be affected is relatively few, compared to the overall number of signals already simulcast into Kansas. According to Kip Keefer, the manager of the Wichita Greyhound Park, there are only about a half dozen tracks around the country where the takeout is higher than what is permitted under Kansas law.

However, among those half dozen or so tracks are three top-rated tracks that Kip Keefer believes will be popular with Wichita Greyhound Track patrons. Those include two tracks in Florida and one track in Pennsylvania.

All of the parties with interest in the success of Kansas racetracks will benefit from passage of this bill.

Track patrons will benefit by the increased selection of races they will have available to watch and wager on.

The horse and dog breed groups will benefit because they receive 5.8 % of the takeout from simulcast races to go towards purses for live races at Kansas tracks. Wagering on simulcast races with a higher takeout will produce higher purses for live races.

The Kansas Racing and Gaming Commission will benefit from a reduced workload, because it will no longer have to scrutinize simulcast contracts to determine whether the takeout percentages are acceptable under Kansas law.

And the track owners will benefit from an opportunity to provide their patrons with the products they want. All of the Kansas tracks are currently losing money. This proposal will give the tracks a small opportunity to close the gap on their losses.

Simulcast racing has been very important to the Kansas live racing industry. A portion of the takeout from each live race is used to increase the purses for live races in Kansas. In the year and a half that Mr. Ruffin has owned the Wichita track, he has pushed the expansion of the simulcast-racing program very aggressively. That has been done

primarily by increased marketing of the track, including both live and simulcast racing, and by increasing the number and quality of simulcast races.

During that time the total purse for live racing at the Wichita track has nearly doubled. This is due primarily to the increase in purse money generated by simulcast races, but also because the amount wagered on live races has increased even while simulcast wagering has grown.

The excitement of a live race is always superior to a simulcast race. Fans love live racing. Simulcast racing provides race fans an opportunity to watch and wager on races when the live races are not being run and provides the track owners with an opportunity to generate additional revenue to cover their costs.

HB 2537 is not a referendum on racing or gaming. This is a minor change in the law affecting simulcast wagering that is already legal in Kansas. And it is not intended to serve as a vehicle for any other racing or gaming proposal. The Wichita track needs the bill to address a specific issue regarding simulcast races and will oppose any effort to load it up with other, more controversial, proposals.

Thank you for your attention. I urge you to recommend HB 2537 favorable for passage.