

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Senator Lana Oleen at 11:00 a.m. on March 23, 2000 in Room 245-N of the Capitol.

All members were present except: Senator Nancey Harrington, excused

Committee staff present: Mary Galligan, Legislative Research Department
Russell Mills, Legislative Research Department
Judy Glasgow, Committee Secretary

Conferees appearing before the committee:
Brad Smoot, Kansas Racing, L.L.C.
Bob Alderson, Kansas Greyhound Association
Meredith Sloan, Kansas Thoroughbred Association
Jeff Rutland, Thoroughbred Owners for Improved Racing
Bob Johannes, Kansas Bowling Proprietors Asso.
Gary Smith, Kansans for Pari-mutual Racing

Others attending: See Attached Sheet

Chairman Oleen opened the hearing on

SB 667—Act concerning racing and gaming; concerning electronics gaming machines

Chairman Oleen recognized Brad Smoot, Kansas Racing, L.L.C., as a proponent for **SB 667**. Mr. Smoot stated that Kansas Racing, L.L.C. is comprised of The Woodlands, Wichita Greyhound Park and Camptown. (Attachment 1). He stated that with slot machines at three parimutuel tracks Kansas could generate gaming dollars in the amount of \$260 million. Mr. Smoot stated that the bill provides that there be a public vote in each of the three counties where the facilities are located.

Chairman Oleen recognized Senator Jones as a proponent to **SB 667**. Senator Jones presented a signed memorandum that the Wyandotte County and Leavenworth County delegation had signed supporting gaming entertainment at The Woodlands. (Attachment 2)

Chairman Oleen recognized Bob Alderson, Kansas Greyhound Association, as a proponent to **SB 667**. Mr. Alderson pointed that greyhound racing in Kansas has been declining because of the impact that riverboat casinos in Missouri and Native American casinos in Kansas have had on parimutuel facilities. (Attachment 3). He stated that KGA believes that **SB 667** will reverse this trend. Mr. Alderson stated that the purpose of this bill is to restore horse and dog racing at facilities in Kansas to the level it was prior to riverboat casinos and Native American casinos in Kansas.

Chairman Oleen stated that after consulting with committee members, the committee will continue hearings on the bill Friday upon first adjournment in order to give everyone an opportunity to testify. She then announced that the hearing would continue with opponents.

Chairman Oleen recognized Gary Smith, Kansans for Parimutuel Racing, as an opponent to **SB 667**. Mr. Smith stated that he is opposing this bill because it does not meet the needs of agri-business in Kansas. (Attachment 4). He stated that to be beneficial to agri-business in Kansas legislature must guarantee at least 60 days per year of live racing. Mr. Smith stated the 3.5% that is being offered in the bill, is too little to make horse racing and breeding competitive with neighboring racing and gaming neighbors.

CONTINUATION SHEET

Chairman Oleen recognized Jeff Rutland, representing Thoroughbred Owners for Improved Racing and Kansas Quarter Horse Racing Association, as an opponent to **SB 667**. Mr. Rutland stated that these organizations support the concept of electronic gaming machines at parimutuel facilities, but are an opposition to **SB 667**, because this bill does not offer the proper configuration to allow benefits for all. Mr. Rutland offered several changes to the bill that would of more benefit to the agri business industry. (Attachment 5).

Chairman Oleen recognized Bob Johannes, representing Kansas Bowling Proprietors Association, as an opponent to **SB 667**. Mr. Johannes state that all segments of the entertainment industry in Kansas have felt the presence of riverboat gambling in Missouri. (Attachment 6). He stated that the bowling industry contribute to the Kansas economy with 127 bowling centers and has 2600 employees, with a payroll in excess of 16 million dollars. Mr. Johannes stated that the state should not single out one group and give them additional monopoly privileges, because to do so will hasten the decline of the other entertainment segments in the State of Kansas.

Chairman Oleen ask if there were any proponents who would not be able to return on Friday to give testimony and recognized Meridith Sloan. Ms. Sloan stated that she appeared before the committee as President of Kansas Thoroughbred Association and Kansas horseman, and as a business woman and taxpayer in the state. (Attachment 7). She stated that owners and breeders throughout the state support this bill. Ms. Sloan stated that these organizations want their industry to flourish in Kansas and this bill will help.

Written testimony was distributed for The Kansas Chamber of Commerce and Industry. supporting pari-mutuel facilities but opposing an uneven playing field. (Attachment 8)

Time was given for conferees to respond to questions that committee members had.

Chairman Oleen introduced, Vi Bui, a senior from Manhattan High School, who is shadowing the Senator for the day.

Meeting adjourned at 12:07 p.m. The next meeting will be held March 24, 2000, 11:00 a.m.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

GUEST LIST

DATE: MARCH 23, 2000

NAME	REPRESENTING
Walter E. Leaf	K.R.C.C.
David Johnson	K.R.C.C.
Gary Smith	K.P.M.
John M ^c Coy	K.P.M.
Dwight Daniels	Ks. T.B. Assoc.
Dr. Jim Smart	KGA
Wayne R. Haid	KGKA
Bob Anderson	KEA
Don Johnson	KRAC
Tom B. Hathaway	KNGC
Rick Chamber	KSBPA
Bob Johannes	KSBPA
Alan Steppat	Harrish's Entertainment
Det. D ^c Gill	Mick, Gachis & Assoc.
Jeff Rutland	KIBOTRA Horsemen
Blair Kanungu	Prairie Band Potawatomi
Marie Dupinako	Prairie Band Potawatomi
Sayedqulabulotta	" " "
Glenn Thompson	Stand Up For Ks.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

GUEST LIST

DATE: March 23, 2000

NAME	REPRESENTING
Bettie Thompson	_____
Rebecca P	K's Clubs & Assoc.
Wayne Stringer	Opposition to 667
Charlorn Yunker	Kansas American Legion
TRACY Diehl	SGA
Ron Hein	Indian Nations in Kansas
TERRY Peatherman	KCCF
Diane W	GTECH
Robert Yount	Davenport
Robert Herley	GTECH
Marylin Carp	_____
Rose Lynn	_____
My Bui	-

BRAD SMOOT

ATTORNEY AT LAW

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TOPEKA, KANSAS 66612
(785) 233-0016
(785) 234-3687 (fax)

10200 STATE LINE ROAD
SUITE 230
LEAWOOD, KANSAS 66206
(913) 649-6836

**Statement of Brad Smoot
Legislative Counsel
Kansas Racing, L.L.C.
Senate Federal & State Affairs Committee
Senate Bill 667
March 23, 2000**

Madam Chair and Members:

Kansas Racing, L.C.C., is a limited liability corporation owned by corporations of W. M. Grace and Empress Entertainment, Inc. Our company purchased The Woodlands dog and horse track in Wyandotte County from the federal bankruptcy trustee on the last day of 1998 and have returned the track's financial condition to a break even point. On behalf of The Woodlands, Wichita Greyhound Park and Camptown, we are again asking for legislative authorization for the Kansas lottery to operate electronic gaming devices at licensed parimutuel tracks in Kansas.

THE OPPORTUNITY

We believe the people of Kansas have a one-of-a-kind opportunity to reclaim a portion of the gaming revenues now exiting our state. With slot machines, our licensed tracks can compete with neighboring states and Native American casinos while returning millions of dollars to Kansas in the form of taxes, investment and jobs. Without legislative action this year, Kansas schools, colleges and universities lose the opportunity to recover \$52 million annually.

Our research indicates that Kansans are pouring gaming dollars into Missouri and Native American casinos at the rate of \$300 million per year. Chart 1. These dollars, of course, are not taxed or shared with the state of Kansas. We also estimate that with slot machines at three parimutuel tracks (Wyandotte, Crawford and Sedgwick Counties) we could recapture some of those gaming dollars and generate others from neighboring states in the amount of \$260 million. Chart 2. SB 667 would recover more than \$80 million dollars for the state, the affected counties, Kansas agricultural interests, charities and others. Additional jobs, capital investment and other economic development benefits simply add to that number. Chart 3.

THE PUBLIC'S VIEW

Regardless of one's personal view of gaming, there are several facts that cannot be denied. First, it was the people of Kansas who brought us gaming. In 1986, your constituents endorsed a constitutional amendment permitting a state lottery (63.9%) and parimutuel racing (59.8%) in Kansas. An amendment authorizing bingo has also been adopted. The Native American casinos are here because the voters approved the lottery.

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3-23-00
ATTACHMENT 1
APPENDIX B

And Kansans continue to support gaming. Whether you look at lottery sales and casino attendance or analyze voter polling as we have done, most Kansans are not adverse to gaming. There is no turning back the clock or ignoring the public will. Gaming is here. It will stay here.

Second, recent competition from gaming establishments, not authorized by the people of Kansas, have damaged the parimutuel industry. In 1993, The Woodlands was Kansas' number one tourist destination, attracting 1.7 million visitors. In 1999, Harrah's casino boasts the top spot, collecting 1.3 million visits. The reason: Slots. The result: Millions of tax and charitable dollars lost. The remedy: Let us compete!

THE KANSAS GAMING REVENUE RECOVERY ACT

SB 667, although patterned after 1999 Sub SB 329, has several new and important features. Here are some of the most noteworthy (See Chart 4):

- The Kansas lottery would control the slot machine operations by contracting with the parimutuel track operators and the Kansas racing and gaming commission would regulate the entire activity. One percent of all gaming revenues would be allocated to cover expenses of the lottery and the commission.
- A county-wide vote would be required before any track could contract with the lottery for placement of slot machines.
- Thirty one percent of net machine income is dedicated to public purposes with the bulk (20%) going to education. All costs and risk in construction, purchasing, maintaining and staffing the slots operation are born by the track operators. The state has no risk or obligation. Neither do the counties, dogs, horses or charities. See Charts 5 and 6.
- The Kansas lottery is extended to 2007, insuring a continued revenue stream for economic development (EDIF) and the state general fund.

Two important distinctions from last year's bill are also worthy of note:

- With the success of the slots programs at Iowa race tracks, the increase in revenues at the Missouri riverboats and the addition of a viable facility in Crawford County, our estimated revenues have been increased to \$260 million.
- Money for education (20% or \$52 million) and local governments (1.5% or \$3.9 million) is increased. New money (.5% or \$1.3 million) for problem gambler programs has been added.

THE OPPONENTS

From those who oppose SB 667 on moral grounds, to those who want even more gaming opportunities, to those who don't want the competition, you may have already heard criticism of this proposal. For those who oppose all gaming on moral grounds, we respect your view and are not here to persuade you otherwise.

For those who want slot machines in private clubs, gas stations, bowling alleys and the like, we assert that Kansans do not support such a dramatic expansion of gaming. Parimutuel tracks, on the other hand, are already completely regulated gaming sites where the addition of slot machines is both logical, practical and supported by Kansas voters. Chart 7. That is why other states have adopted similar measures with great success.

And finally, to those who simply don't want the competition, too bad. Competition is the only method by which Kansans can recover any portion of the gaming revenues now being diverted to riverboats and casinos. We cannot tax Missouri enterprises. We cannot force Native American tribes to share their revenues. We cannot change or eliminate either competitor. All we can do is give our constitutionally authorized gaming facilities the tools to compete.

SUMMARY

We urge this committee to endorse SB 667. This may be our last chance to recover gaming revenues for the benefit of all Kansans. With a state lottery / private race track partnership, Kansas can have a successful parimutuel industry again; it can retrieve \$80 million annually to fund schools, colleges, local governments and charities; it can spur millions of dollars in capital investment and create thousands of good jobs. Chart 8. Who wins with slots at the tracks? Kansas.

Thank you for consideration of our views.

**Presentation in Support of
Senate Bill 667
Kansas Gaming Revenue Recovery Act
Senate Federal & State Affairs Committee
March 23, 2000**

Kansas Gaming Revenue Recovery Act

Keep Kansas Dollars in Kansas

1-5



* Estimate based on Missouri Gaming Commission reports and US Census Population Estimates for Kansas City MSA.

Keep Kansas Dollars in Kansas . . . Contribute to Education

Prepared by Kansas Racing, LLC

Kansas Gaming Revenue Recovery Act

Estimated Economic Impact

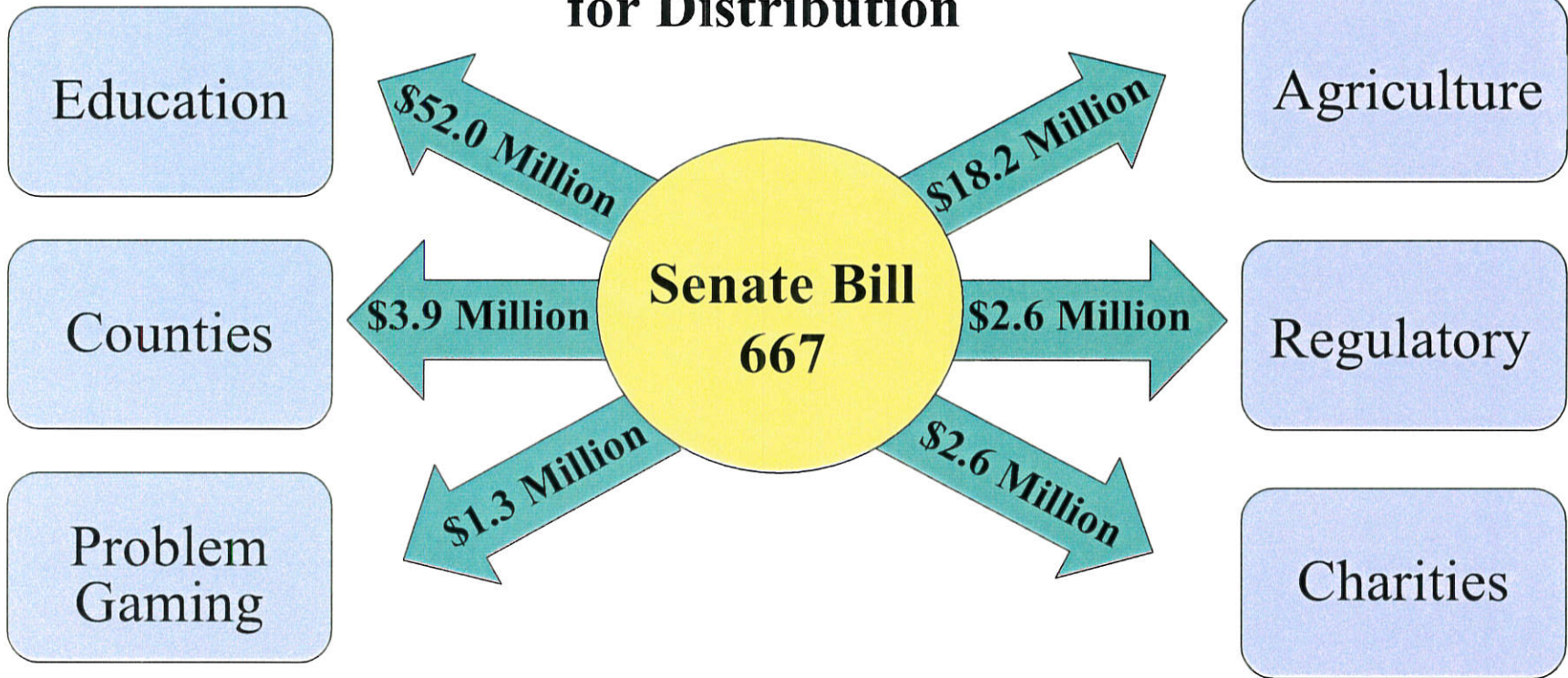
KANSAS will:

- ☑ Capture **\$260 Million** annually of gaming spending
- ☑ Receive **\$80 Million** annually in new revenues
- ☑ Induce **\$140 Million** of private investment
- ☑ Realize over **2,300** new jobs

1-6

Kansas Gaming Revenue Recovery Act Revenues Generated for Kansas

**\$80 Million Available
for Distribution**



1-7

Kansas Gaming Revenue Recovery Act

Synopsis of SB 667

- ☑ Permits the Kansas Lottery to operate Electronic Gaming Devices
 - Restricted to 3 existing parimutuel licensee locations
 - Parimutuel licensees responsible for operating costs and capital expenditures
 - Regulated by Kansas Racing and Gaming Commission

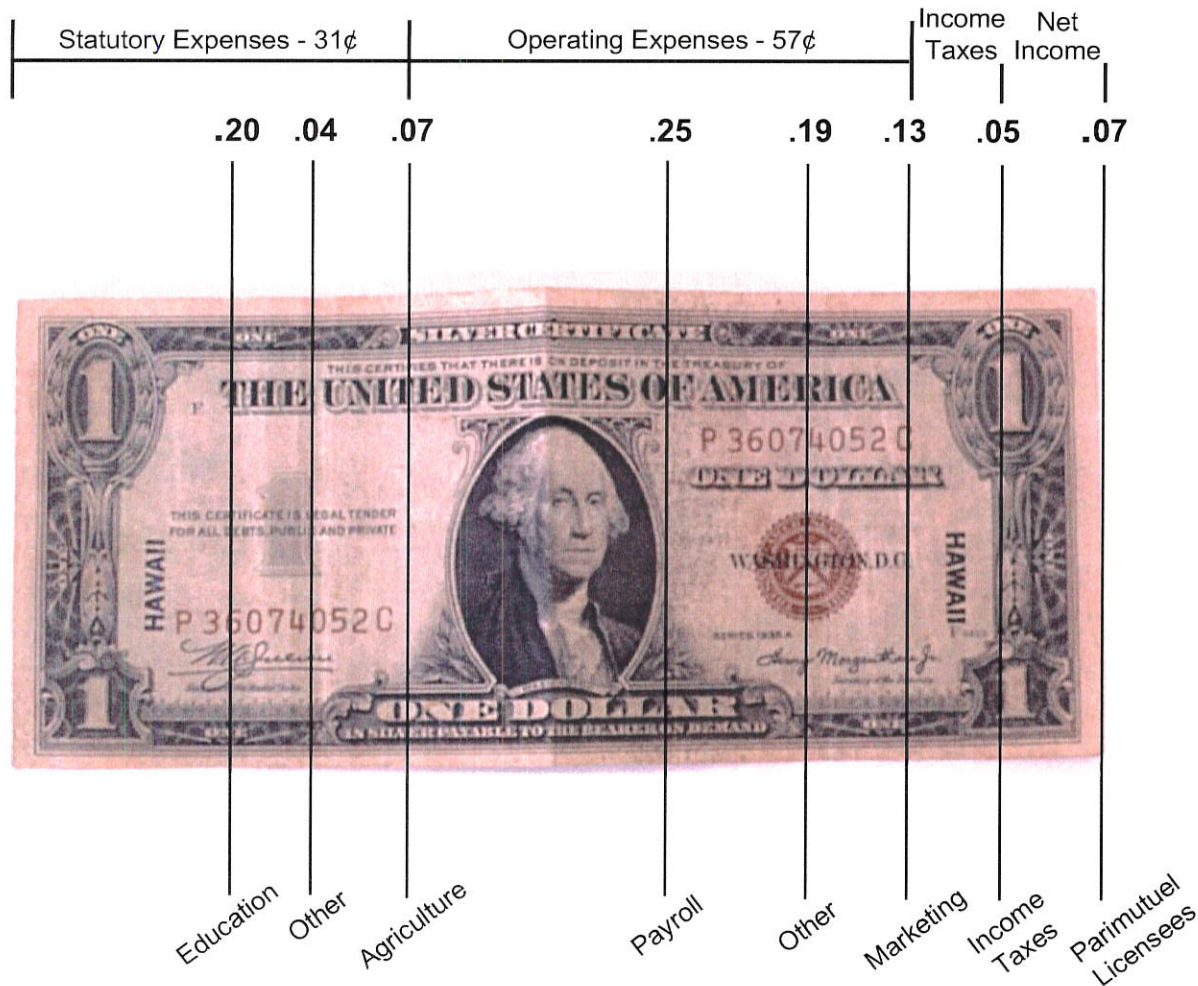
- ☑ Requires approval of voters through local referendum
 - 64% of people surveyed believe voters should decide if the Lottery should operate electronic gaming devices at existing parimutuel locations

- ☑ Establishes new revenue sources
 - Benefits education, agriculture, counties, charities and others

- ☑ Ensures continued tax revenues from Kansas Lottery
 - Extends the Kansas Lottery until 2007

6-1

Kansas Gaming Revenue Recovery Act Where A Dollar Goes



Keep Kansas Dollars in Kansas . . . Contribute to Education

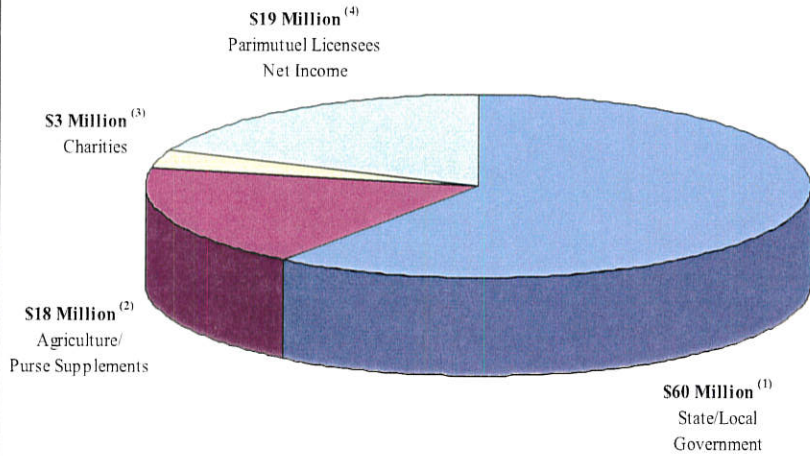
Prepared by Kansas Racing, LLC

Chart 5

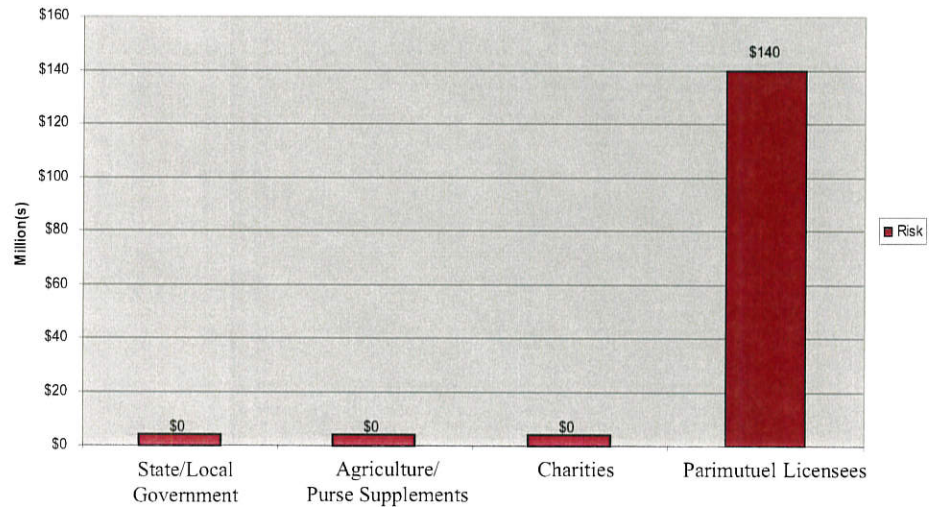
Kansas Gaming Revenue Recovery Act Return vs Risk for Public/Private Partnership

Q7-1

Distribution of Profits



Capital Investment at Risk



- Combined \$52.0M for Education, \$3.9M for Counties, \$2.6M for Regulatory and \$1.3M for Problem Gaming
- \$18.2M for Agricultural Purse Supplements
- \$2.6M for Charities
- Return for parimutuel licensees is net income after operating costs. See supplemental data for operating pro-forma

Keep Kansas Dollars in Kansas . . . Contribute to Education

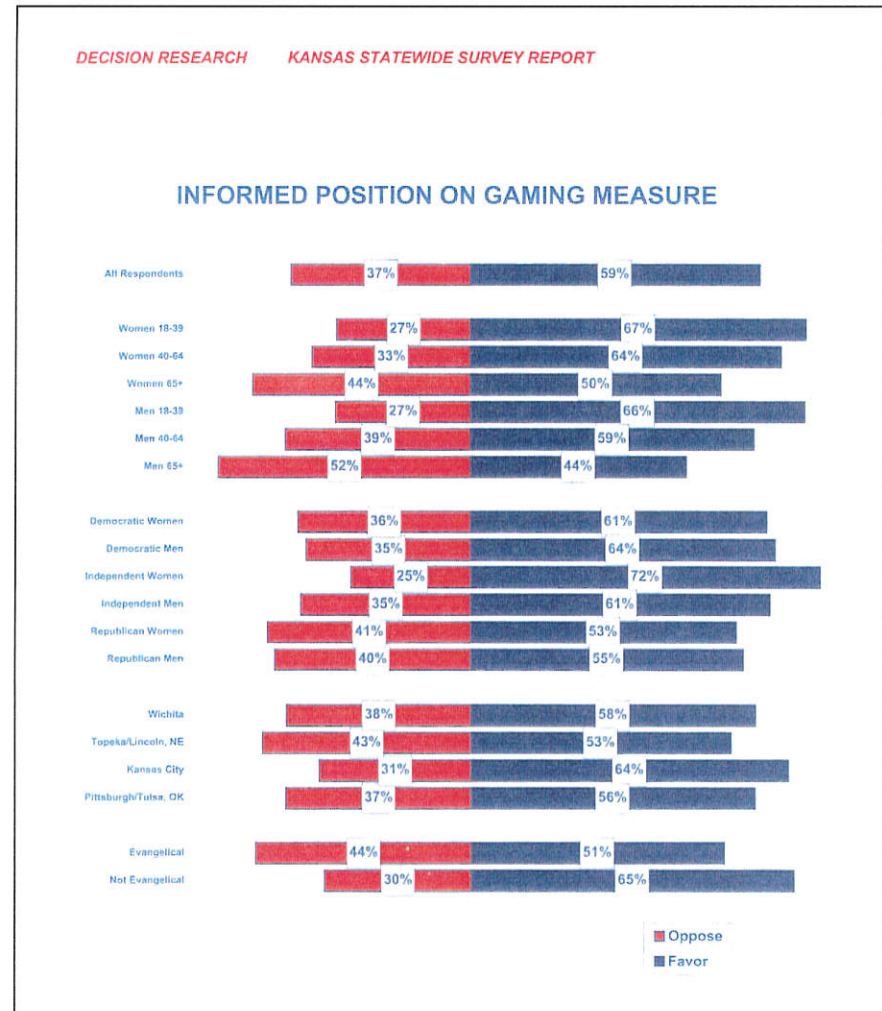
Prepared by Kansas Racing, LLC

Kansas Gaming Revenue Recovery Act Voters Support Measure

1-11

- ☑ 64% of people surveyed believe voters should decide if the Lottery can operate slot machines at existing racetracks.
- ☑ 59% of people surveyed support measure to allow Lottery to operate slot machines at existing racetracks.
- ☑ 65% of people surveyed believe Kansas schools need additional funding.

Based on a telephone survey conducted by Decision Research in December 1999.



Kansas Gaming Revenue Recovery Act

Benefits from SB 667

1-12

☑ Retains and attracts gaming dollars in Kansas

- More than **\$300 Million** spent in 1999 by Kansans in Missouri and Native American casinos

☑ Establishes the Educational Enhancement Fund

- Disburses over **\$50 Million** to universities and community colleges and grants-in-aid to local libraries and school districts

☑ Promotes economic development in Kansas

- Spurs **\$140 Million** of private investment
- Creates **2,300** new job opportunities

**Kansas Gaming Revenue Recovery Act
Support SB 667**

Support Senate Bill 667:
***Keep Kansas Dollars in Kansas,
Contribute to Education***

Kansas Gaming Revenue Recovery Act Supplemental Data for Senate Bill 667

4
1-14

Parimutuel Licensees Estimated Operating Results
(in millions)

	Amount	Percent
Revenues	\$ 260.0	100.0%
Statutory Expenses ⁽¹⁾	80.6	31.0%
	179.4	69.0%
Operating Costs		
Payroll and Related	65.0	25.0%
Advertising and Marketing	32.5	12.5%
Other	19.5	7.5%
	117.0	45.0%
EBITDA ⁽²⁾⁽³⁾	62.4	24.0%
Capital Costs		
Interest	10.0	3.8%
Depreciation and Amortization	20.0	7.7%
	30.0	11.5%
Net Income Before Taxes	32.4	12.5%
Income Taxes @40%	13.0	5.0%
Net Income	\$ 19.4	7.5%

⁽¹⁾ As specified in SB 667 and 1% for charitable organizations as contractual obligations with parimutuel licensees.

⁽²⁾ Earnings Before Interest, Taxes, Depreciation and Amortization, which is a standard indicator used by the industry as a measure of cash flow.

⁽³⁾ Donaldson, Lufkin and Jenrette Gaming Industry Overview, March 2000, reported Station Casinos, Inc. Midwest Operations and Argosy Riverside Casino with 22 % and 20.3% EBITDA margins respectively.

CHRIS STEINEGER

SENATOR, SIXTH DISTRICT

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENT

RANKING MINORITY MEMBER:
PUBLIC HEALTH AND WELFARE
MEMBER: ASSESSMENT AND
TAXATION
COMMERCE
ELECTIONS AND LOCAL
GOVERNMENT
HEALTH CARE REFORM
OVERSIGHT
LEGISLATIVE POST AUDIT
RULES AND REGULATIONS
STATE BOARD OF EMERGENCY
MEDICAL SERVICES
SRS TRANSITION OVERSIGHT

MEMORANDUM

TO: Senator Lana Oleen, Chair

DATE: March 23, 2000

RE: SB 667

The members of Wyandotte County and Leavenworth County delegation support efforts to allow gaming entertainment opportunities at The Woodlands.


Next year the Kansas International Speedway will open for daytime racing, drawing as many as 75,000 fans from across the country to Kansas City, Kansas. In the evening we would like for our guests to be allowed the opportunity to choose gaming in Kansas, in addition to their existing opportunity to pursue gaming in Kansas City, Missouri.

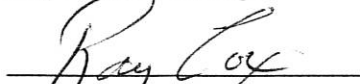
We further point out the positive effects for both the state and local units of retaining a very significant revenue stream in our own governmental coffers.

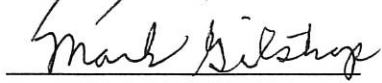
We encourage the passage of Senate Bill 667.


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ATTACHMENT 2

WYANDOTTEE DELEGATION



Rep. Tom Burroughs

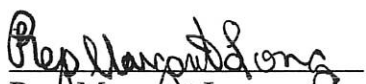

Rep. Ray Cox

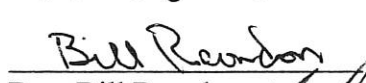

Sen. Mark Gilstrap


Rep. David Haley


Rep. Broderick Henderson


Sen. Sherman Jones

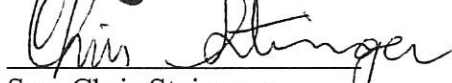

Rep. Margaret Long


Rep. Bill Reardon



Rep. Rick Rehorn


Rep. Bonnie Sharp



Rep. Doug Spangler

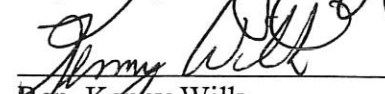

Sen. Chris Steineger

LEAVENWORTH DELEGATION


Sen. Donald Briggs


Rep. Marti Crow


Rep. Candy Ruff


Rep. Kenny Wilk

**ALDERSON, ALDERSON, WEILER,
CONKLIN, BURGHART & CROW, L.L.C.**
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—
LL.M., TAXATION
LICENSED TO PRACTICE IN
KANSAS AND MISSOURI

TESTIMONY OF W. ROBERT ALDERSON

ON BEHALF OF THE

KANSAS GREYHOUND ASSOCIATION

BEFORE THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

SENATE BILL NO. 667

MARCH 23, 2000

Senator Oleen and Members of the Committee:

I am Bob Alderson, and I am appearing today on behalf of the Kansas Greyhound Association (KGA) in support of Senate Bill No. 667.

Kansas is world famous for its greyhounds. This Kansas agri-business is so substantial that Abilene, Kansas is regarded as the Greyhound Capital; the National Greyhound Association is headquartered in Kansas; and the National Greyhound Hall of Fame is located in Abilene. Furthermore, with Camptown re-opening, Kansas will have three, premier racetrack facilities for racing greyhounds.

Notwithstanding all of these positives, greyhound racing in Kansas has been declining because of the well-documented financial impact that riverboat casinos in Missouri and Native American casinos in Kansas have had on parimutuel wagering at racetrack facilities. The decline has reached the point that, based on the latest annual statistics available (calendar year 1998), The Woodlands and Wichita Greyhound Park ranked 24th and 25th, respectively, out of 49 racetracks in terms of the average purse paid per performance. The average purse paid per performance at the top track in the country, located at Lincoln, Rhode Island, was more than 3 times the average purse per performance paid at either The Woodlands or Wichita Greyhound Park. Similar

SEN. FED + STATE
3-23-00
ATTACHMENT 3

disparities exist between the Kansas racetrack facilities and the other top racetracks in the country.

It has now reached the point that Kansas can no longer boast of offering consistently high quality racing opportunities for greyhounds. The facilities are excellent, but the best racing animals in Kansas and from all over the country are racing in facilities in other states, because the purses at the Kansas racetrack facilities are no longer sufficient to attract these animals. I am advised that, of the kennels at The Woodlands and at the Wichita Greyhound Park, only a handful of them have been profitable the past few years. Many kennel owners regard themselves as fortunate if they break even, because the purses offered at these facilities do not afford them the opportunity to recover the significant costs of breeding, training and racing greyhounds.

To reverse this trend, it is the KGA's position that purses offered at live greyhound races at parimutuel facilities in Kansas must be increased significantly, in order to be competitive with the racetrack facilities in other states that are consistently attracting the top greyhounds. KGA believes that SB 667 will reverse this trend. The overriding purpose of this bill is to restore horse and dog racing at racetrack facilities in Kansas to the level it was prior to the advent of riverboat casinos in the neighboring state of Missouri and the Native American casinos in Kansas. Assuming that the racetrack owners' projections as to the net machine income to be derived pursuant to SB 667 are correct, purses for live greyhound races will be supplemented to a level that will potentially enable one or more of the greyhound facilities in Kansas to be competitive with the top tracks in the country.

What level of purse supplements is required to be competitive with these top tracks? We have computed the differences in "per performance purses" between the top tracks elsewhere in the country and those paid at both The Woodlands and at Wichita Greyhound Park. The differences were then annualized by multiplying them by the number of annual performances at each track, and the total amounts produced were then expressed as percentages of the estimated machine income for each facility. Based on these computations, KGA believes that, if 8% of the net machine income were used to supplement purses at the three greyhound racetrack facilities, the racetracks in Kansas would attract the best greyhounds and, as a consequence, eventually be among the top tracks in the country.

Notwithstanding that SB 667 provides only 3.5% of the net machine income to supplement purses at each of the greyhound racetrack facilities, KGA is able to support SB 667 unequivocally, because of the agreement reached by the KGA Board of Directors and the Ruffin Companies, owner of Wichita Greyhound Park and Camptown. Attached to my testimony is a copy of that agreement bearing the signatures of Phil Ruffin and each member of the KGA Board of Directors. The agreement provides that, if legislation such as SB 667 is enacted, at

Camptown and Wichita Greyhound Park 6% of the machine income will be paid to supplement purses for a period of 30 months; for the succeeding 90 months, 7.25% will be paid. While this agreement does not produce the target of 8%, KGA believes that the agreement is very fair and that it will produce purse supplements sufficient to enable both of these facilities to become extremely competitive with the top racetracks in the United States.

I am aware that there are legislators, including members of this Committee, who think SB 667 provides too much money for the breed groups. With all due respect, I must disagree. It must be remembered that legislative authorization for the operation of slot machines at racetrack facilities in Kansas is the means to an end, it is not the end itself. The end objective of SB 667 is the restoration of horse and dog racing in Kansas to their prior status. To accomplish this purpose, KGA submits that significantly higher purses must be paid than are presently being awarded at the Kansas tracks. Higher purses will attract the best racing animals from Kansas and from across the country. This, in turn, generates increased patronage at the racetrack facilities, which creates larger parimutuel pools that also yield enhanced purses.

Equally as important to the KGA, this process also will produce increased revenues for the benefit of greyhounds and greyhound farms which breed, raise and train greyhounds. The Iowa experience serves to illustrate that this process likely will generate additional greyhound farms. Hopefully, passage of SB 667 will bring about the return to Kansas of greyhound farms which have presently relocated in Iowa to take advantage of purses at Iowa racetracks that are available only to Iowa-whelped greyhounds. The purse enhancements offered by SB 667 can produce the same results in Kansas.

After much deliberation, the KGA's Board of Directors has determined to resist the temptation to seek amendment of SB 667, so as to incorporate the percentages of net machine income designated to supplement purses at live greyhound races pursuant to the attached agreement. The greater consideration is KGA's overriding desire to obtain passage of SB 667. KGA believes that passage of this bill at this time is essential to preserving greyhound racing at parimutuel racetrack facilities in Kansas. KGA respectfully urges the Committee to recommend SB 667 favorable for passage.

Thank you for the opportunity of appearing before the Committee. I will be happy to respond to questions.



March 14, 2000

Kansas Greyhound Association
711 Old 40
Abilene, Kansas 67410-6664

Dear Sir:

Should slot machines become legal in Kansas, at the Wichita Greyhound Park and Camptown, I will agree to the following:

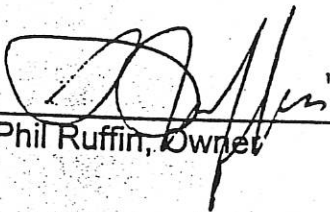
I agree to 6% of the win from the machines for a period of 30 months.

I further agree, beginning with the 31st month to 7.25% for the balance of ~~78~~ 90 ^{VLB} months.

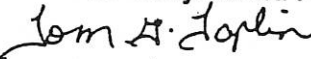
We will further agree to install as many machines allowed by Kansas law as is practical.

This contract is only effective at my two tracks.

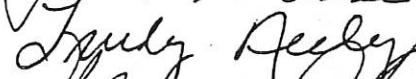
This agreement is valid for 7 days.


Phil Ruffin, Owner


James H. Smart, owner
Kansas Greyhound Association


Tom H. Toplin

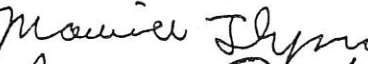

Frank E. Holman


Judy Reelby

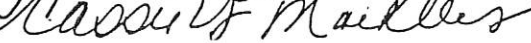

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March 23, 2000

Testimony on Senate Bill 667

Good morning,

My name is Gary Smith. I am from Olathe Kansas and I am here today to speak in opposition to Senate bill 667.

For a number of years I have come to Topeka and testified for similar bills that would allow slot machines in our racetracks. I have supported this type of legislation because it would support the horse industry and other agriculture businesses in Kansas.

Today I am opposing this bill because it does not meet the needs of agri-business in Kansas. As horsemen, many of us have opposed casino style gaming in the past. We were for pari-mutuel because of it supported the horse industry. But as casino gaming became a reality in the Midwest we came to realize that it could help support our industry too.

Our neighboring states such as Illinois, Colorado, Iowa and Oklahoma all have legislation that support the agri-business in their state. In Illinois where I own some horses, and slot gaming has been introduced at the tracks, the gaming interest and the agri-business interest are consistent and supported in the legislation. The horse industry was protected in their legislation.

Senate bill 667 does not protected and support agri-business in Kansas. In Illinois the breed fund is estimated to be 27 million. Here in Kansas our breed

program is about 390 thousand. More money in a breed program means more farms buying more hay, fencing, and other farm related products. Our horsemen in Kansas are being forced to go out of state to breed their horses. I currently have more horses located out of state than in state.

To have legislation that is beneficial to agri-business in Kansas, the bill must guarantee at least 60 days per year of live racing and define how the money is distributed. It needs to specify what tracks will receive money and guarantee each breed a reasonable share for their purses, and in addition new legislation should address money for equine research. The 3.5% that is being offered in this bill, is simply too little to make horse racing and breeding competitive with our neighboring racing and gaming neighbors.

Over the past few years, others have presented legislation that was supported by the horsemen, Greyhound owners and the track owners in Kansas. It was legislation that was carefully crafted and met the needs of all interested parties. Until Senate Bill 667 meets the needs of the entire industry, it should not be voted out of this committee.

Date: March 23, 2000

To: Senate Federal and State Affairs Committee

From: Jeff Rutland

RE: OPPOSITION OF SB 667, In existing form

Madam Chair and Committee Members:

I am Jeff Rutland of Independence. My only income is from breeding, raising, selling and racing horses. I appeared before you many years ago asking that you allow parimutuel racing in the state and have been involved with the issues which racing has faced. I come before you today as a representative of the Kansas Quarter Horse Racing Association, the Thoroughbred Owners for Improved Racing and as one of the largest racehorse breeders in the state to oppose Senate Bill 667 in it's present form. We do support the concept of electronic gaming machines at parimutuel facilities, which could be healthy for the entire industry. With the right legislation, everyone in the state can benefit from allowing these additional forms of entertainment. However, this bill before you does not offer the proper configuration to allow this to happen. I would like to take a minute, not to dwell on the problems that each entity could speak of, but to offer a solution that could put everyone in a win-win situation.

This bill needs certain modification, which if incorporated, should make it more beneficial to us all, including the farmers, the ranchers, feed stores, the veterinarians, western stores, truck dealerships, hardware stores, etc., etc., etc. The effects would be far reaching. Allow me to briefly touch on needed changes:

- Horse racing must be given protection in the law to insure its survival. Our breeding and racing industry is very worthy of saving. This is the one piece of parimutuel that actually touches the rural economy the most throughout the state. When parimutuel first came to Kansas, the state ranked 4th in the production of racing quarter horses and 10th with both quarter horses and thoroughbreds. The breeding of racehorses was a large industry at that time. There were lots of farms across the state raising plenty of horses for the track. We had good numbers as well as quality. The demise of the industry had nothing to do with what the horse people have done. It was simple economics. When live opportunities to start our horses dropped dramatically, there no longer was the need to produce more horses. In order to bring back and allow the industry to once again flourish, we need more racing days guaranteed. It must be specifically spelled out that the parimutuel facility in Wyandotte County shall run not less than 60 days of live horse racing.

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- There should be assurance that the breed of horses the state has consistently raised and raced stay the same, by offering the same mixed format of racing each day at The Woodlands, 3 quarter horse races and 7 thoroughbred races.
- There should be separate gaming accounts created for each of the horse groups, with 37.5% of the horse share going to quarter horses and 67.5% going to thoroughbreds, as past years' slot legislation have spelled out.
- 20% of the horsemen's share of net machine income should go into the Kansas Breeders Development Fund, all of which would filter directly back into the state's agriculture economy.
- Fair Tracks should be allowed to operate machines on a limited basis to allow the grass roots of the industry a chance to participate in the expanded gaming and to allow them to build the base for the major track. The facilities at Eureka and Anthony offer a very valuable aspect to the racing community. Their existence is important.
- Now we must address the percentages. This is the most difficult of all problems to deal with; primarily because no one really knows what income these slots can actually produce. The expectations and projections range tremendously; depending on whom you ask, and believe me, we have asked plenty. I personally have been involved with negotiations with the racetracks since the first slot bill was presented to this legislature several years ago. At that time, I didn't know what was a fair amount. Neither did I really know if the 8% that track owners offered for each of the past few years was fair. What I do know is that the latter fell within the range of an industry standard that other tracks, which operate slot machines, offer today. Just as no one really knew how much money would be gambled on parimutuel racing when that law was implemented, industry standards were used to set state takeout, track share and purse share and they turned out to be fairly accurate for our state as well. The search for this magic number has been nothing short of controversial, even within our own horsemen's ranks. There are some willing to accept anything that they can get, just grasping for something to hold on to. These people are very frightened that there may be nothing left if they turn down this opportunity. I can't say as I blame them with the information that they have and the threats the track owners have made. However, this legislature has historically used wise business sense when passing any law that will effect so many. With this being said, I feel that 6% should be designated to go to the horsemen. Using a midrange projection of total slot drop, this would allow horse purses to be set at a level that would be competitive enough to be able to not only hold a successful race meet, but to once again allow the breeding industry to grow.

The question has been asked, "Why should the horses get anything?" Because the horsemen are the major reason why racetracks were built. We were the backbone of the push for parimutuel. We are the ones that touch the communities of Independence, and Lakin, and Wellington and all the other small towns across Kansas that don't realize any benefit from the racetrack facilities themselves. We are the part of agriculture that can return more to the state's economy in many different ways than the racetracks can. Is it better to insure a larger bottom line profit for two racetrack owners or to insure a livelihood for the thousands of families in Kansas that racehorses touch? We have a substantial investment made in the racing industry as well.

Another Question that is asked is "Aren't the horsemen being greedy?" The answer is no, and I would be more than happy to sit down with any of you and explain my reasoning. Our desire is to survive and to grow, not to get rich. By taking the opportunity that additional gaming machines have offered racing in other states, we feel that we can build back our once strong industry. Distributing 6% to the horsemen would not even rank our purses within the top 20 racetracks of the nation. We only want what is fair. The potential of this bill for all Kansans is good, if done properly.

For these reasons we oppose Senate Bill 667 in its present form, yet, I sincerely hope that this committee would allow those of us in the agriculture community the opportunity to work with you to improve this legislation for the benefit of all Kansas.

Respectfully,


Jeff Rutland

Senate Federal and State Affairs Committee

Testimony of Bob Johannes
Kansas Bowling Proprietors Association

Opposition to Senate Bill 667
March 23, 2000

I would like to thank the Senate Committee on Federal and State Affairs for this opportunity to express my opposition to Senate Bill 667. My name is Bob Johannes and I am representing the Kansas Bowling Proprietors Association.

While much has been made of the pari-mutuel track's economic downturn due to neighboring gaming. I want to make it clear that the tracks do not have a monopoly on this downturn in business. All segments of the entertainment industry in Kansas have felt the presence of riverboat gambling, and the bowling industry is no exception. Some centers in Kansas City have reported up to 40 percent reduction in their casual bowling. People are simply choosing to spend their entertainment dollar in Missouri, rather than Kansas. Without the casual bowler, league formation and tournament participation dwindles until finally the centers will be unable to sustain themselves.

No monopoly exists with respect to contributions made to the Kansas economy. There are 127 bowling centers in Kansas with over 2600 employees. Our payrolls are in excess of 16 Million Dollars and we pay untold millions in local property taxes and state sales tax.

Furthermore, no monopoly exists for the pari-mutual tracks when it comes to charitable contributions to the community. The bowling centers across the state raise millions of dollars for charities each year. These fund raisers range from the nearly three-quarters of a million dollars raised annually for Big Brothers/Big Sisters in Wichita to the \$30,000 raised for El Centro each year in Kansas City, Kansas, to the thousands of little league baseball, basketball and football bowl-a-thons held to raise funds for uniforms and equipment. All of these activities lighten the burden on social agencies and the government and encourage self-sufficiency.

Since we are all part of the same contributions and all part of the same problem, we feel that all should be part of the solution and that the legislature should not single out one segment, specifically the three individual businesses, for monopoly privileges when the tools of competition are being handed out. Their argument that the answer to a monopoly is to give them a monopoly—should fall on deaf ears,

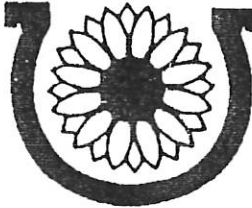
The State should simply not single out one group and give them additional monopoly privileges, to do so will hasten the decline of the other entertainment segments in the State of Kansas such as the bowling industry.

We would urge you to oppose SB 667.

Thank You.

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My name is Meredith Sloan and I appear in front of you today, not only as President of the Kansas Thoroughbred Association and Kansas horseman, but as a business woman and taxpayer in our state. I run my husband's equine veterinary practice and we have raised Quarter Horses and Thoroughbreds in Kansas for more than ten years. I have been a part of the horse industry for over thirty years and I am passionate about its survival and success. Though I may be personally affected by your decisions, I am really here to help you understand the impact this legislation could have for people all across our state, whether they are part of the racing industry, the agriculture industry, or simply the state's tax base as a whole.

This is not a new issue for any of us...and an attempt at debating the pros and cons would not only be redundant but tedious. Instead, I would ask your consideration of the following points in making your decision:

1. Gaming is legal in Kansas...from the lottery to bingo, indian casinos to keno, our state offers a wide array of gaming choices...the addition of slot machines to existing parimutuel facilities is simply a request by a business to expand its product line, at the consumer's request. Since the machines may only be added with county-wide ballot approval, if the consumers don't want the machines, the tracks won't have them...that is democracy and the market at work.
2. Our state faces a budget shortfall and the taxes from the additional gaming revenues could be a solution...instead of going across the border to Missouri or Iowa, we can keep our money in Kansas to help our economy, and more importantly,

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our children and their educational needs. In addition, it has been estimated that the horse industry contributes approximately 500 million dollars to the states economy and such a broad economic impact should not be ignored.

3. We have an obligation to the thousands of Kansas citizens dependent on not only the survival, but the success of the racing industry in our state. As an agricultural state, we must understand the needs of our Kansas breeders and owners...if animals produced in Kansas are not competitive in the regional marketplace due to their inferior profit potential, the operations will move to another state (i.e. Iowa, Illinois, Colorado, etc.). The loss of revenue would be disappointing and potentially harmful to the state's economy, but our abandonment of our agricultural community would go against everything on which our great state was founded.

As with any issue, there are many opinions and views, and I appreciate your time and consideration of our thoughts and feelings. Though you may hear alternative viewpoints, I want to make it clear that I am here on behalf of the membership of the Kansas Thoroughbred Association. We began the current work on this familiar subject last August, when horseman gathered at the Wichita Greyhound Park to discuss our needs and desires concerning the issue. We all have worked tirelessly, meeting and corresponding many times with many individuals, including the track owners, to insure the success of our industry and any necessary legislation. Finally at our annual convention in January, horseman from all over the state gathered to discuss this issue. After much debate, including many questions and concerns, a motion was made by the membership to support the provisions in this legislation, and was decisively passed by a 2 to 1 margin. We want to run our horses in Kansas...we want to continue to breed and raise our horses in Kansas...we want our industry to flourish in Kansas!!

Thank you for your time and efforts on our behalf...your help is much appreciated!!

Meridith Sloan
President

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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SB 667

March 23, 2000

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Federal and State Affairs Committee

by

Jim Edwards
Senior Vice President

Chairwoman Oleen and members of the Committee:

I thank you for the opportunity to provide this testimony on SB 667, a measure which would allow electronic games of chance to be played at state licensed pari-mutuel horse and dog racing facilities in Kansas.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

First, let me clearly state KCCI's position as it relates to the issue of electronic games of chance. The Kansas Chamber of Commerce and Industry supports allowing pari-mutuel facilities in Kansas to operate electronic games of chance. This position was adopted to allow these pari-mutuel

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to operate on a level playing field with other electronic gaming interests in Kansas and surrounding states. KCCI's position was adopted also to help protect the existing dollars coming into the State Gaming Revenues Fund (SGRF) and then making their way into job creation and enhancement projects in the state.

While it appears that if SB 667 were to pass, the pari-mutuel facilities could compete with other electronic gaming interests in Kansas and surrounding states, it also appears that if this bill were to pass in the present form, there is a very good chance that existing dollars into the SGRF will go down, thereby reducing the dollars going into the Economic Development Initiatives Fund. The SGRF has been capped at \$50 million for close to a decade with no move made by the Legislature to handle inflationary trends. To now have the chance of losing a portion of these funds that have already been reduced by inflation would be viewed as totally unacceptable by those working to create jobs in Kansas.

We all know that there is a great need for technology infrastructure improvements in Kansas today. However, if the business base is not continually developed and redeveloped in Kansas, we will simply be educating persons for jobs in other states. Business is still the engine that moves this economy.

KCCI asks you to carefully review this issue. While we support the efforts to provide a level playing field for pari-mutuel facilities, we would oppose any efforts which would make uneven the playing fields where states compete for new job opportunities as well as the retention of existing jobs.

Thank you for the opportunity to present this written testimony.