

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 1:30 p.m. on February 3, 2010, in Room 346-S of the Capitol.

All members were present except:

Representative Lisa Benlon- excused
Representative Judy Loganbill- excused

Committee staff present:

Mike Heim, Office of the Revisor of Statutes
Jason Long, Office of the Revisor of Statutes
Julian Efrd, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Nikki Feuerborn, Committee Assistant

Conferees appearing before the Committee:

Mike Murray, Kansas Food Dealers Association of Retail Grocers of Kansas City
Tracey Wildey, Kansas Greyhound Association and National Greyhound Association ([Attachment 1](#))
Gary Guccione, Executive Director, National Greyhound Association ([Attachment 2](#))
Gail Radke, Kansas Thoroughbred Association ([Attachment 3](#))
Kelly D. Clark, Kansas Thoroughbred Association ([Attachment 4](#))
Dr. William J. McGuire, Breeder, Owner, Trainer ([Attachment 5](#))
Jeff Rutland, Rutland Ranch ([Attachment 6](#))
Rita Osborn, General Manager, Eureka Downs ([Attachment 7](#))
Kurt Eck, Kansas Quarter Horse Racing Association ([Attachment 8](#))
Robert Rodgers, President, Kansas Quarter Horse Racing Association (written only) ([Attachment 9](#))

Others attending:

See attached list.

Representative O'Brien moved for the introduction of legislation regarding mail delivery vehicles. Motion was seconded by Representative Kiegerl. Motion carried.

Representative Bowers moved for the introduction of legislation regarding bluestem grass. Motion was seconded by Representative Fund. Motion carried.

Representative Knox moved for the introduction of legislation regarding children's day care. Motion was seconded by Representative Huebert. Motion carried.

Representative Fund moved for the introduction of legislation which would allow the sale of single strength beer, wine and spirits to be sold in grocery stores at the request of Mike Murray. Motion was seconded by Representative Steve Huebert. Motion carried.

Representative Holmes moved for the introduction of a resolution which would call for a constitutional amendment requesting Senate redistricting. Motion was seconded by Representative Kiegerl. Motion carried.

Representative Peterson moved for the introduction of legislation which would establish the Kansas Partnership in Technology. Motion was seconded by Representative Hill. Motion carried.

Tracy Wildey, President of Seastrom Kennels, Inc., appeared on behalf of the Kansas Greyhound Association and explained the negative economic impact which has occurred in the greyhound industry ([Attachment 1](#)). The loss of the racetracks in Wichita and Kansas City were responsible for the immediate loss of 3000 jobs and at least 1500 more secondary jobs. She related the importance of the industry in other states and the economic impact it has. The most successful greyhound race tracks have added slots to their facilities. The addition of these slots would provide larger purses for the "world-famous greyhounds" which are raised in Kansas but forced to seek races outside the state.

Gary Guccione, Executive Director of the National Greyhound Association in Abilene, gave the history of the industry and its economic importance to Kansas as being the Greyhound Capital of the World ([Attachment 2](#)). National Greyhound Association Meets are held every six months in Abilene and these gatherings bring in dog racing fans from all over the world thus filling hotels, restaurants and retail outlets. Even without the race tracks, Kansas remains the leading producer of greyhound pups for which the average price is \$5,000 to \$9,000.

CONTINUATION SHEET

Minutes of the House Federal and State Affairs Committee at 1:30 p.m. on February 3, 2010, in Room 346-S of the Capitol.

The record sale was \$80,000 for an untried pup. The state's breeding industry will likely have an inevitable decline unless live racing is soon restored.

Gail Radke, representing the Kansas Thoroughbred Association, presented a financial picture of what costs are involved in raising foals (Attachment 3). It costs approximately \$38,620 to raise a foal through its two-year old year. This does not include the stallion fee. Those costs range from \$500 to \$300,000. Due to track closures in Kansas, they race in Illinois, Kentucky, and Iowa. The Breeders Incentive Program in Illinois pays the winner 11 ½ % more of the purse money than Kansas did. If they were able to raise and race 9 two-year olds in Kansas the positive economic impact would be \$372,644.

Kelly Clark, representing the Kansas Thoroughbred Association, spoke of the importance of horse breeding operators to the agriculture industry (Attachment 4). Nineteen hundred to 2000 tons of horse feed and over 600 tons of hay were sold in Dodge City at the Co-op mill which amounts to \$850,000 at just one location. He asked that the Legislature allow slots at race tracks which he thought would revitalize racing in Kansas. In those states that have racing and gambling at the tracks, the purses have increased a substantially.

Dr. William J. McGuire testified as a breeder, owner, and trainer of thoroughbred racehorses and as a college educator (Attachment 5). The original **SB 66** which allowed slots at race tracks also stated that racetracks had to pay a higher percentage of tax than destination casinos. Racetrack owners were counting on the additional source of revenue and when it failed to materialize they ceased operations. Most casino operators are from out of state thus the revenue does not stay in Kansas. Dr. McGuire stated that one of the most significant increases seen from putting slots in racetrack would be the creation of jobs when additional investments are made in horse breeding. Currently he is heading a retraining program for race horses at Cloud County Community College in Concordia. These are retired race horses which are sent to the school as teaching aids for students who are enrolled in equine management. After the retraining, these horses are available for pleasure riding and relocated.

Jeff Rutland, Rutland Ranch in Independence, spoke in favor of adding slots to racetracks (Attachment 6). He stated that our laws no longer shelter us from gambling...they only isolate us from its revenues. The horse industry provides more than \$39 billion in direct economic impact to the U.S. economy and pays \$2 billion in taxes. By allowing racetracks to get back in business with the addition of slots, there will be incentives to increase the horse and dog industries in Kansas.

Rita Osborn, General Manager of Eureka Downs and the racing facility in Anthony, suggested that the money generated by allowing slots at race tracks would enhance the state coffers which in turn could aid in supporting public education (Attachment 7). She stressed the social and economic impact of their local race track which will have 10 racing days in 2010. Last year 594 horses ran at Eureka Downs with only 10% being from out of state. Trainers have been taking many of their horses out of state to race due to higher purses at tracks that allow slots.

Kurt Eck, Board of Director to the Kansas Quarter Horse Racing Association, urged the Legislature to allow Kansas to become a leader in the production of quarter horse foals (Attachment 8). He related the success of the Oklahoma racing industry by endorsing slots at the tracks. An increase in horse production would stimulate the rural economy through increased sale of feed, equipment, jobs, and the entertainment factor which would keep needed dollars in Kansas.

Written testimony from Robert Rodgers, President of the Kansas Quarter Horse Racing Association, was distributed (Attachment 9).

The next meeting is scheduled for February 4, 2010.

The meeting was adjourned at 3:30 p.m.

FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: Feb 3

NAME	REPRESENTING
Doug Lawrence	KGA
Tracy Wilder	KGA
MIKE PITKO	CITY OF EUREKA, Ki.
Danny Burgess	KTA
Gail Falke	KTA
Kelly D. Chant	KTA
William Meseri	KTA
Shirley Bryant	Horsemen
Kate Kull	
Megan Case	Cloud County Equine Program
Rachael Cash	CCC Equine Program
Brian Harding	CCC Equine Program
Lou F. Richardt	" " "
Nancy Zenger-Beneda	
Diane G. Rupp	KQHA
Allen H. Hays	KQHA
Ray Swatten	KQHA
Regina Layman	KQHA

FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: July 3

NAME	REPRESENTING
Philip Collins	KQHRA
Dev Beeson	APAA
Kenneth Layman	KRHKA
TED HEURY	CAPITOR STRATEGIES
Greg Huckins	KQHRA
Carol Huckins	KQHRA
Amy Campbell	WMS
Jay Hall	KRGC
Leise Winger	Ruffin Company's
Rita Osborn	KQHRA
Jeff Rutland	KSHorse Racing Assn.
Kurt Eck	KQHRA
J P Small	" "
Jackson Lindsay	Hemlow
Joe Mosimann	pacca
Tom Pattee	Amur
Rae Hein	SIG-RK
Walt Jones	KS Safety Council

Jon Watkins

" "

RS Wilson

Ruffin

Jeff Bottorf

KS Entertainment

Isaac Cueterdoh

SEASTROM KENNELS INC
2350 EDEN ROAD
ABILENE, KS 67410
785-263-3965
785-479-0723(cell)

**TESTIMONY OF TRACY WILDEY ON BEHALF OF THE KANSAS GREYHOUND
ASSOCIATION AND NATIONAL GREYHOUND ASSOCIATION
February 3, 2010**

Dear Members of the Committee:

I am Tracy Wildey, President of Seastrom Kennels Inc. and I am appearing today on behalf of the Kansas Greyhound Association (KGA)

I am a second-generation greyhound owner. My father passed away in November of 1997. At that time, my husband and I made the decision to move back from Florida and keep Seastrom Kennels operational. All in all, Seastrom Kennels has been in business for 40 years. We have raised greyhounds on our farm in Abilene, Kansas during this entire time, and operated racing kennels in both Wichita and Kansas City when they were open and viable. We currently operate one racing kennel in Dubuque, Iowa where racing only occurs for 7 months each year.

In 2003, I was elected to the National Greyhound Association's Board of Directors. I am currently the vice-president of this board. It was at this time, I became increasingly active in the legislative process with the purpose of bringing VLT's to the existing pari-mutuel facilities throughout the state. Those efforts culminated in the passage of SB 66 in 2007.

However, SB 66 turned out to be flawed. Economic conditions – an unusually high state tax rate and the failure of the vote in Sedgwick County, caused our two existing racetracks closed their doors. At a time when we thought we would join 11 other states in using slot machines at racetracks to generate new state revenues while growing agricultural elements of our business – we ended up with nothing. Our loss was also a loss for Kansas, in the form of lost state revenues and lost jobs.

This has proven to be a devastating not only for the breed groups but for various vendors that serviced these industries. These closures were responsible for the immediate loss of 3000 jobs and at least 1500 more secondary jobs. Those jobs losses affect more than just the track locations. Communities all across the Kansas were felt the loss.

House Fed & State Affairs

Date: 2-3-2010

Attachment 1

In 2003, with the assistance of the National Greyhound Association, the KGA conducted a study in an attempt to quantify the economic impact of our industry in Kansas. That study was probably the first comprehensive effort to look at all elements of the greyhound business in Kansas. The study looked at three particular types of greyhound operators:

1. Greyhound Breeders
2. Kennel Operators
3. Greyhound Owners

While, most of us in the industry knew we had a significant positive impact on our local economy and the state economy, even we were surprised by the outcome of the study.

Among other things, we learned:

- Kansas Greyhound operators earn more than \$50 million dollars a year in direct revenues, of which 60% comes from outside of Kansas through purses, and other types of revenues
- Greyhound Breeding Operations invest more than \$16 Million dollars directly in their local economy through purchases of services, supplies, equipment and labor in the local community
- Kansas Kennel operators spend more than \$14 million dollars a year in all forms of goods and services.
- Kansas Greyhound Owners collectively own more than 24,000 active greyhounds. (By the way, those greyhounds consume more than 14 million pounds of beef every year)
- Collectively Kansas Greyhound Operators have invested more than \$25 million in land, buildings and investment.

27M - Dickinson County
All of these numbers are "direct" impacts and do not include any sort of economic development multiplier.

It costs approximately \$3,000 dollars to breed, raise and train a greyhound for the 18 months it takes to prepare them for competition at a racetrack. Which means, Kansas greyhound operators, at any given time, have invested more than \$72 million in the greyhounds they own, with most of those dollars spent locally in our state.

Kansas is the undisputed national leader in the Greyhound Breeding industry. The current record for the auction sale of a Greyhound is \$80,000. The dog was whelped, raised, and trained in Kansas and purchased by a Chanute greyhound owner/businessman. The previous record of \$70,000 was also a Kansas bred greyhound raised in the Emporia area.

Our Kennel operators and Greyhound Owners are very competitive on a national level. In recent years, Kansas greyhound operators have dominated the "Derby Lane Million" a million dollar greyhound race held at Derby Lane in Florida, by taking the

top purse every time the race was held. It's equivalent to having a Kansas Horse win the Kentucky Derby every year.

While Greyhound breeding and training continues, the recent closure of the tracks in Kansas leaves a large portion of our economic impact with no place to go but out of state. Kennel Operators are million dollar businesses and each track has as many as 15 kennel operators who are responsible for the dogs that race at each track.

As you can imagine, losing 30 opportunities for Kennel operators in our own state has cost the industry dearly. Ultimately, the expertise and investment must go elsewhere to run. We've lost many jobs, and investment dollars

When a Kansas Kennel operator sets up at an out of state track, the vast majority of the economic benefit stays in that other state.

The breeding business is also very competitive. As good as Kansas Greyhound Operators are, every state with the exception of Florida that offers live racing is now providing significant incentives for greyhounds that are bred in that state. These programs have a percentage of the purses that are directed specifically to the breeders and encourage development of the industry to capture all of the agricultural economic benefits for that state and its operators.

For the last several years, Kansas Greyhound Operators have been very successful at breeding "Wheeling dogs." Greyhounds that buyers believe will run well at the Wheeling, West Virginia racetrack. When a greyhound comes to the auction that buyers believe can be competitive at Wheeling, the prices go very high. The most recent \$80,000 greyhound was one such dog. Why are bidders willing to pay that kind of money for a greyhound that can win at Wheeling? Because, the Wheeling track offers more than \$18 million dollars in purses (more than 10 times the purses paid at our Kansas tracks before they closed.) Those purses are large because that track has a very successful slot machine operation as well.

You may think that using slot machine revenue to supplement purses is a "subsidy," but it isn't. It is good business for the track, and for the state of West Virginia. Those larger purses bring the best greyhounds in the world to that track. It is a brutally competitive greyhound racing environment where only the very best can compete. High quality greyhound racing brings increased attendance and slot machine play. A couple of years ago, the live racing at Wheeling was shut down for several weeks after an outbreak of kennel cough. With no live racing, the track's slot machine revenues fell by \$200,000 a DAY!

There are studies in the Horse industry that confirm this phenomenon. High Quality racing brings higher revenue to the track and therefore to the state where those facilities are located.

All of this comes with another bonus, a robust agriculture business that can spread the benefits and opportunities throughout a state.

Kansas Greyhound Operators do well in Wheeling. It is harder to train a greyhound in a place where the facilities, bloodlines, and expertise doesn't exist. But, that is only a fleeting advantage that will ultimately fade. Our industry is eroding, and dollars that originally flowed back to Kansas from places like Wheeling will fade, as our operators must establish their businesses in places where they can breed "Iowa Greyhounds, and "West Virginia Greyhounds," to be competitive.

While we are not here to address any particular legislation, or gaming in particular, it is important for you to understand that success at reopening the racetracks in Kansas will have a significant and immediate benefit all across the state.

First, it takes roughly 18 months from birth for a greyhound to make it to the racetrack so breeders would immediately increase their breeding program in the state of Kansas as well as start registering their animals as Kansas-Bred. This would not only have an impact on the state level but the national level as well.



There are currently no kennel operators actually operating in this state, because all tracks are closed. With the reopening of the racetracks, there would be an immediate opening for approximately 36 kennel operators (14 at KC; 12 at Wichita and 10 at Pittsburgh). One kennel operation is the equivalent of a million dollar business in the local community.

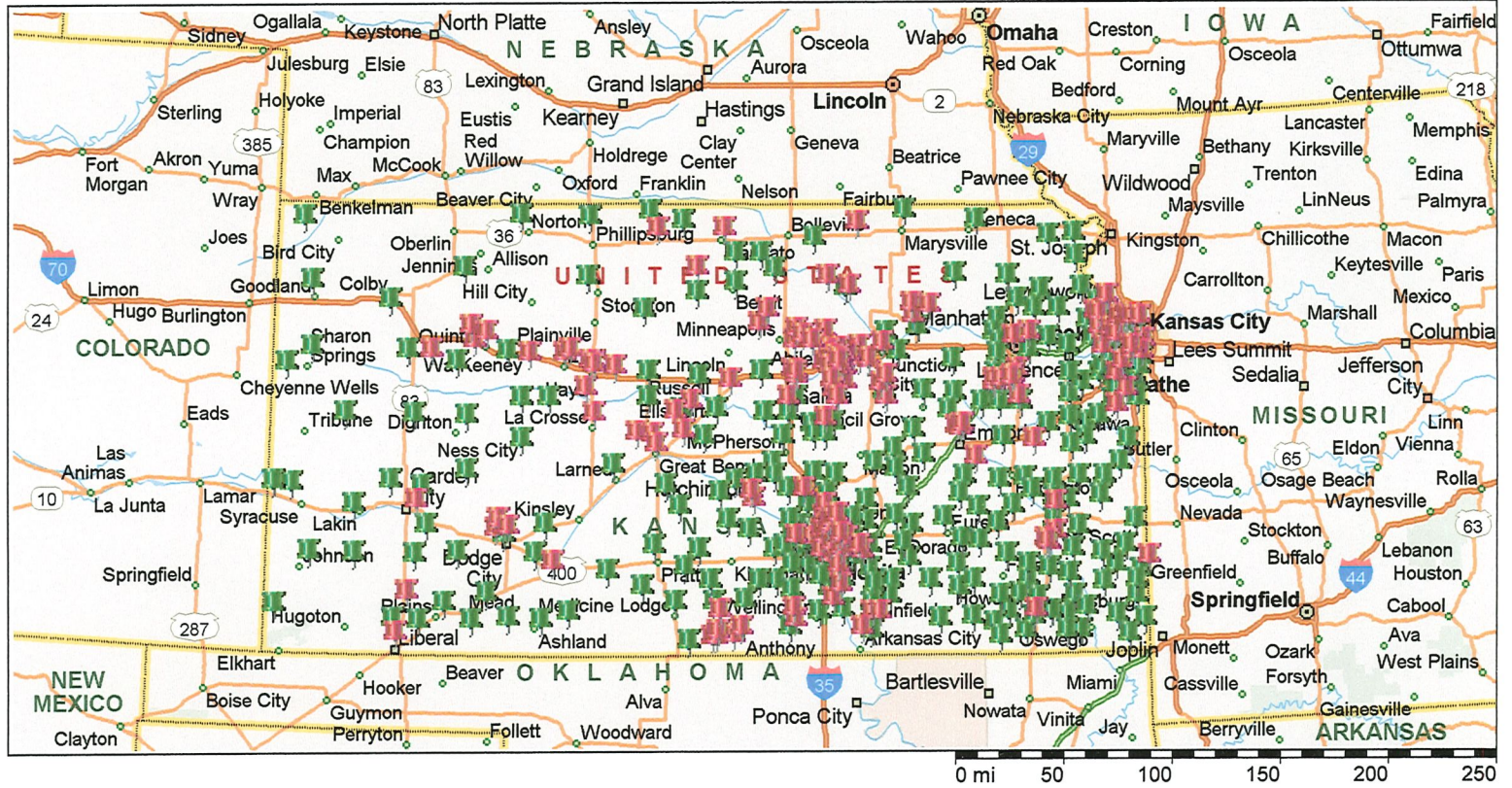
The breeders and kennel operators in the state have already proven that they are willing to invest in their future and the viability of the industry. Following the passage of SB66 in 2007, the number of Kansas-Bred greyhounds increased significantly, in anticipation of improved purses at these Kansas tracks.

It is important for the KGA and the NGA, as well as the communities directly affected by the breed groups, that the pari-mutuel industry be restored in the state. It will increase revenues to the greyhound breeders in Kansas who breed, raise and train these animals. Money now being spent out of state will be reinvested in local Kansas communities, not only benefiting the communities, but the economy of the entire state. This has to happen in Kansas so that the state world-famous for its greyhounds also becomes world-famous for its purses.

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

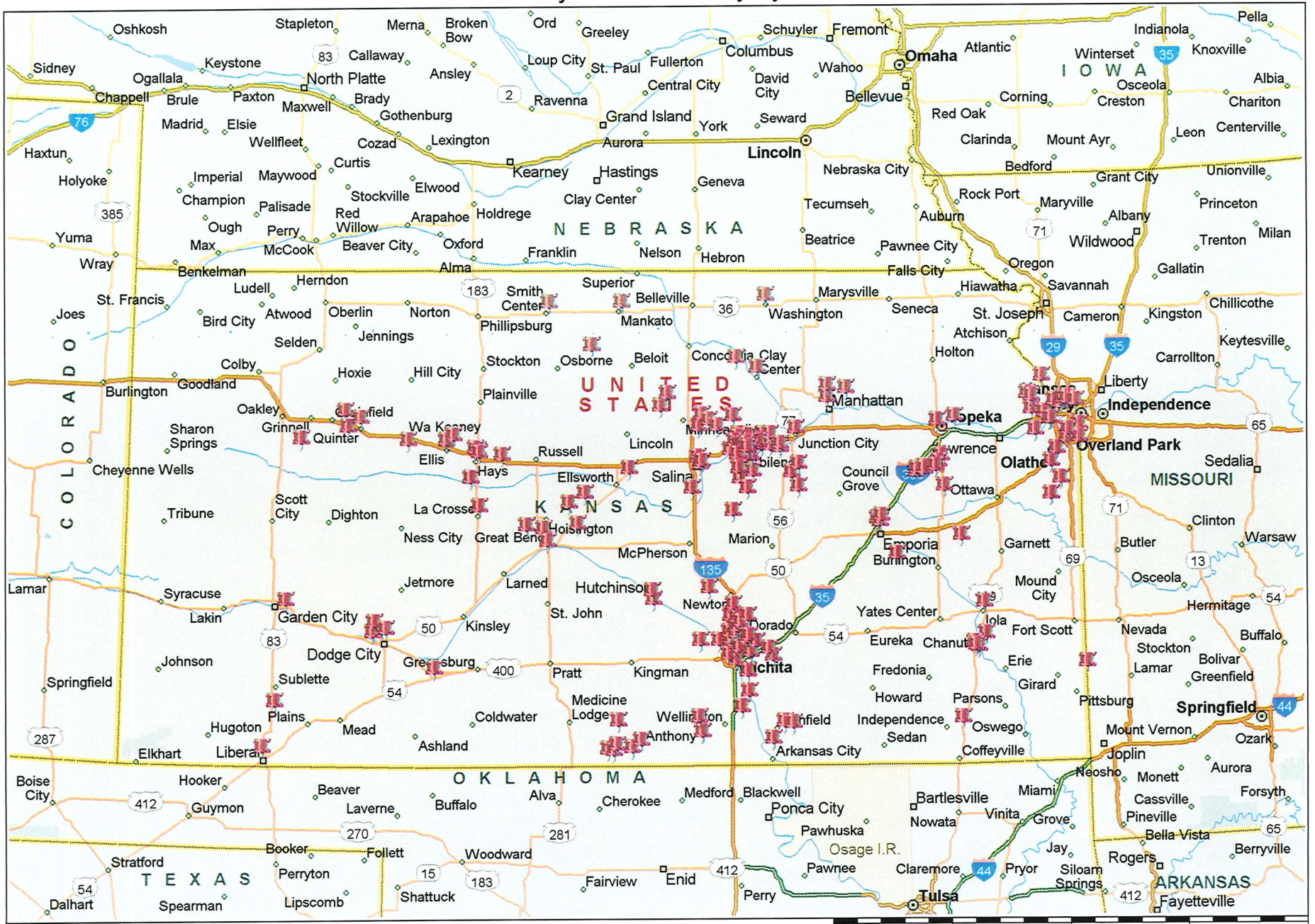
Kansas Horse and Greyhound Industry by Location

-  1500+ KS Greyhound Operators
-  1500+ Kansas Race Horse Locations



4-1

Kansas Greyhound Industry by Location



9-1

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A report to:
The House Federal and State Affairs Committee
Feb. 3, 2010
Gary Guccione, Exec. Dir
National Greyhound Association
Abilene, KS

By way of introduction, I am the director of the National Greyhound Association, headquartered in Abilene, Ks., and have served in that capacity for the last 28 years.

The NGA, founded 104 years ago (1906), is greyhound racing's official registry, representing the greyhound owners and breeders in North America. Since 1944, the NGA has been located in Abilene—which has also been the site of the Greyhound Hall Of Fame since 1963, across from the Eisenhower Center. In addition, there are more greyhounds raised in Dickinson County than any other county in America—a claim the county has held since the 1970s.

Put these impressive historical facts together and you can understand why Abilene is popularly known in all racing circles as the Greyhound Capital of the World. It has proudly held that title for more than four decades now.

As the official registry, the NGA records and certifies all greyhound matings (more than half of which are now carried out by frozen insemination), DNA registrations (certifying correct parentage), whelpings, litters, transfers, individual registrations, identification and ownership for the greyhound racing breed on this continent.

But serving as the sport's registry is not the NGA's only function. Going back to 1944, when the NGA established permanent roots in Abilene, our community has been the site of semi-annual national meets, held every April and October. The week's activities include racing competition for young pups, social programs, industry meetings, Hall Of Fame induction and awards ceremonies—all capped off at the end of the week by an auction for pups and brood stock. These traditional gatherings attract as many as 600 racing aficionados from all over America—even some that make the trek from Europe and Australia. Some come to showcase and sell or lease their young pups; Some come to purchase or lease pups for their racing kennels; Some come for the social activities, or to see old friends. Some come because they've been coming to Abilene for 30, 40 or even 50 years or more.

The impact on our little community is huge, filling hotels and restaurants, with a significant overflow into Salina and Junction City. Hundreds of thousands of dollars—most of it out-of-state—are pumped into the local county at each NGA Meet. And it happens every six months, year in and year out, for the last 66 years.

House Fed & State Affairs

Date: 2-3-2010

Attachment 2

The auctions are a dramatic climax at each national meet—with total pup sales on occasion exceeding more than \$1.5 million. Average price per pup ranges from \$5,000 to \$9,000 from one meet to the next. The record single sale at an NGA Auction is \$80,000—the price paid for a single, untried pup raised at an Abilene farm in 2006.

Despite declines in the industry in the last decade, the NGA Meets have remained a vibrant fixture in our sport. Only this past year, in the heart of the current recession, did we see a downturn in auction and meet numbers—a decline that was much less pronounced than declines suffered at the major Thoroughbred-racing auctions.

Our next Meet in April will feature two innovations: On-line bidding on our auction, and the unveiling of two major futurity-type stake races for the pups. Please feel free to come experience an NGA Meet in Abilene (Apr. 19-24).

On a national perspective concerning the greyhound breeding industry—I'm happy to report that, with 2009 figures just compiled, and in spite of our state not having live racing for two years, Kansas remains the leading producer of greyhound pups in the nation (followed by Texas, Iowa, Oklahoma, West Virginia and Florida). In contrast, Colorado, which was once among the top 10 states, has seen a significant decrease in the number of greyhounds raised since the state ended live racing two years ago. Not incidentally, the reason Colorado tracks were forced to close was the high cost of regulation and tax on the tracks.

It should be noted that Kansas didn't become the top pup producing state until after the state's tracks opened in the late 1980s. Why it has remained No. 1, even two years after the tracks have been shuttered, speaks of the great reputation Kansas' greyhound farms—with the advantage of an ideal climate, soil conditions, water, etc.—have built for producing a high percentage of top racers throughout the sport's history. But the state's breeding industry will likely face an inevitable decline, as did Colorado, unless live racing is soon restored. It would be a tragic mistake to not maximize the potential of the greyhound breeding industry that has been such an integral part of Kansas' agricultural-based landscape for more than a century.

ILLINOIS HORSE RACING NEWS

MARCH 2007 \$3.00

OFFICIAL

OF THE
THOROUGHBRED BREEDERS AND OWNERS FOUNDATION

2007 ILLINOIS
HORSE OF THE YEAR

Wish I coulda
run in Kansas.

ROLLING
SEA

House Fed & State Affairs

Date: 2-3-2010

Attachment 3

**Presentation to House Federal and State Affairs Committee
House Bill #2516; February 3, 2010**

My name is Gail Radke. I have been asked by the Kansas Thoroughbred Association to present a financial picture of what the costs are in raising foals. Some background on our operation would be helpful to you.

My husband Richard Radke has been a thoroughbred owner and breeder for 40 years. Before we married 15 years ago, I raised, trained and showed quarter horses. Together we run Asiel Stables, a thoroughbred breeding and racing operation in the Stilwell/Olathe, KS area. Over the past 15 years my husband and I have bred numerous champions, a Horse of the Year, Broodmare of the Year and have been the State Breeder of the Year, in 2003, 2005, 2006, 2007. The state in which we have achieved all these honors is Illinois. We race in Illinois because of the Breeders Incentive program. We receive 11 ½ % more of the purse money which in a normal year usually pays for our out of state stud fees.

There are 55 horses in our operation, give or take a few. Fourteen of these are broodmares. Our mares are bred to KY stallions and foal their babies in Illinois. We raise them in Kansas on the family farm and race in Illinois, Kentucky and Iowa.

The cost of raising a horse from conception to a 2 year old on the track varies with the individual horse. One of real differences lies in the

choice of stallion. Those costs can range from \$500 to \$300,000. In the last three years we have spent \$272,527.51 in stallion fees in the state of KY. We also paid \$18,000.00 in state sales tax for the use of those stallions.

It costs approximately \$38,620.00 to raise a foal through its' 2 year old year. This does not include the stallion fee. The following is a list of costs for Asiel Stable from January 2007 to December 2009. A three year period was used because in some instances it shows the cost from conception through the gestation period of approximately 11 months, through the yearling year to the training at the track in the 2 year old year. Nine two year olds are used in this financial profile because that is the average we have each year and their individual costs vary.

Category	Yearly	3 Years
Foaling in IL/Mare care in IL and KY	\$52,523.00	
Registration fees of foals in IL in KY	2,250.00	\$5,250.00
Transportation	6,469.00	19,407.00
Shoeing in Illinois at track/2 year olds	14,880.00	
Shoeing in Kansas	833.00	2,500.00
Training in Illinois /nine 2 year olds	194,400.00	
Lead Pony Service at track/2 year olds	1,200.00	
Veterinarian Services/IL & KY	60,224.00	180,673.00

Veterinarian Services in KS	2,000.00	6,000.00
Feed in Kansas	14,807.12	44,421.36

Other costs to run the farm:

Category	Yearly
Salary of farm manager	\$30,000.00 plus house, utilities
Contract Labor in Kansas	7,500.00
Fertilizer and Pasture Seed	12,300.00

If it were fiscally feasible for us to raise and race 9 two year olds in the State of Kansas the **economic impact for one year** would be as follows:

Kansas Jobs	Trainer	\$194,400.00
	Shoer	15,713.00
	Veterinary Services	60,224.00
	Additional farm employees	60,000.00
Kansas Items	Feed	14,807.00
	Equipment/Tack	2,500.00
	Total	\$347,644.00

If you have any questions, please feel free to contact either me or my husband:

farm eqpmnt. 25,000
 Dr. Richard and Gail Radke
 9600 W. 175th Street
 Olathe, KS 66062
 913-897-3600

First of all, I want to thank you for giving me this opportunity to speak to you today on behalf of the Kansas Thoroughbred Association, and also as an owner & breeder of thoroughbreds in the State of Kansas.

As you may know, there hasn't been a recent economic study done in Kansas detailing the financial effect that racing has on agriculture.

I contacted our local Co-op feed mill in Dodge City, and inquired about the number of tons of horse feed and hay sold annually by this one mill. The figures given were 1900 to 2000 tons of horse feed and over 600 tons of hay. At today's prices, this would be \$700,000 in horse feed, and \$150,000 in Hay. Can you imagine what the total figures would be if all mills in our state were similar, and the economic impact it would have on our agricultural industry?

Personally, I have fed these products from our local mill for years, and am convinced they have played a major roll in the success I have achieved in breeding and racing.

Last year my wife Trudy and I were fortunate enough to be named "Kansas Breeders of the Year." Now we face great challenges in our business of racing and breeding Thoroughbreds.

We chose not to breed back this year due to the uncertainty of racing in Kansas. We are only one of many facing these uncertain times. There are many owners and breeders across the state facing the similar challenges. We all share a great passion for this sport we call "Racing". It would be a shame to stand idly by and see it end, when with a stroke of a pen and a vote, the future of racing could be revitalized.

House Fed & State Affairs

Date: 2-3-2010

Attachment

4

I'm told that if passed, the bill could make it possible to generate 40 million dollars annually to our State Budget. With the budget crisis the state faces, any new funds would have an enormous impact not only on our State Budget, but also our agricultural industry.

In those states that have racing and gambling at the tracks, the purses have increased a substantial amount; therefore bringing in more horses, more grain and hay products, more horsemen and the list goes on. I know this to be true that the Hay raised in Kansas is of the highest quality. My younger brother owns Tri Cross Hay in Cimarron, and hauls hay from the same farmers I buy my hay from. He hauls to racetracks in a number of states, including Oklahoma, Texas, Iowa, Louisiana, Arizona, Colorado, Virginia, Maryland, California and New Mexico. Most of these states have racing and gambling.

It's time our state reaps the benefits, instead of taking our industry out of state and give our product to those states that have racing and gambling.

Don't just take my word for it. Take the time and call a fellow Representative or Senator that has racing and gambling in their state, and ask what type of revenues are being generated. I believe you will be amazingly surprised.

Again, I want to "Thank you" for allowing me the opportunity to visit with you and shed some light on how racing, breeding and agriculture are truly one in the same. I would very much appreciate your support of House Bill 2516. I feel it would greatly benefit all.

Kelly D. Clark

Testimony for the Federal and State Affairs Committee

Dr. William J. McGuire

2/03/2010

Committee Members:

I am here today testifying as a breeder, owner, and trainer of thoroughbred racehorses, as well as an educator in a college agriculture department with an equine management program.

Over time, the debate over slot machines in the state of Kansas has required great amounts of expenditures of your time and energy, and has often resulted in heated debates. After years of dedicated work on both sides of the issue, the Kansas Legislature passed legislation that was originally SB 66 allowing slot machines at Kansas racetracks and at 4 destination casinos. Development to implement the destination casinos is underway with one (Boot Hill Casino in Dodge City) already in operation. The other three gaming zones are still trying to determine who the licensed operators will be, and this legislation could help establish this. Unfortunately this legislation has not materialized into slot machines functioning at the racetracks in the state. Track owners decided the original legislation did not leave them enough profit to financially operate, as the racetracks must pay a higher percentage of tax than the destination casinos. The racetrack owners were counting on this additional source of revenue in trying economic times, and when it failed to materialize the racetracks ceased operation. This action resulted in the immediate loss of many jobs and tax revenue to the State of Kansas, and threatens the continuation of live racing in Kansas. I believe the current legislation is not just about more slot machines in the State of Kansas, but more significantly getting operating slot machines where they will have the most benefit to the State of Kansas as a whole.

Slot machines at destination casinos have several benefits to the state. They result in increased revenue through taxes, and provide jobs for individuals working at the casino as well as at the state level in regulatory positions. I am no expert analyst of destination casinos, but the benefits become unclear after this point. One of my major concerns is that with every successive round of application for casino managers, names such as Penn National, Harrahs, and others keep appearing. Although these names represent accomplished gaming and entertainment companies that have an inherent expertise at managing such enterprises, many if not most are out of state entities. This is a concern as the profits generated by these casino managers could represent a transfer of wealth out of Kansas.

The racetracks in Kansas that would be affected by this legislation are mostly owned by Kansans, with the Woodlands being owned by a Missouri entity as the exception. This should

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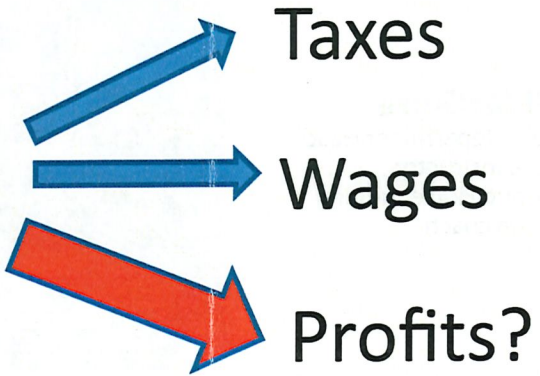
indicate that most of the profits generated from the slot machines at racetracks remaining inside of state borders. Though important, I view this as the least significant of the benefits arising from this legislation.

The current law requires that 7% of the slot machine profits are put into horse racing purses and breeders awards, with a similar 7% going to the dogs. This would have a staggering impact on the Kansas horse industry, with ripple effects throughout all of Kansas agriculture. The current provisions for the 7% of profits going to the horses is set up as follows: 1/3 in purses for non-state bred horses, 1/3 in purses for state bred horses, and 1/3 in Kansas breeders and owners awards. Any industry is driven by profits, and the horse industry is no different. This influx of money into this small industry would result in immediate and large expansion. The increased value of Kansas bred horses and Kansas bred purses would result in large demand for Kansas bred horses. This would in turn result in increased numbers of stallions, mares, and breeding farms in the state of Kansas. Statistics from The Jockey Club (the official registry for thoroughbreds) shows that in 2007 the average earnings per racehorse in Kentucky was \$22,607, while the average earnings for a Kansas racehorse was \$3,623. This financial difference is reflected in the number of registered thoroughbred foals for the same year. Kentucky had 10,466 registered foals while Kansas had 84. It is impossible to predict the number of mares that would be bred in Kansas upon successful passage of this legislation, but some insight can be gained by looking into states that have recently passed similar laws. Examples such as Oklahoma, Louisiana, Iowa, Indiana and others demonstrate that we could easily breed anywhere in the range of 500 to 4,000 mares. While this is far below leading standards, it could easily represent an exponential growth of the current industry size. The resulting increase in numbers of broodmares would translate into similar increases in numbers of weanlings, yearlings, and functional aged Kansas bred racehorses. This increase in numbers would have a major impact on horse owners expenditures. Goods and services such as feed, tack, equipment, vehicles, veterinary expenses, shoeing, advertising and marketing, transportation, and others would grow significantly. In an economic impact study done in Iowa looking at horse owners expenditures (in 1995 before slots at Prairie Meadows vs 1999 after installation of the slots) found expenditures rose from \$40,571,000 to \$97,100,000.

One of the most significant increases seen from this legislation would be in the creation of jobs in Kansas. A study conducted by Thalheimer Research Associates in 2008 dealing with the economic impact of the Iowa race horse industry on the Iowa economy found that for every thoroughbred foal born on a farm in Iowa, it resulted in .535 FTE employees per foal. With any meaningful increase in the numbers of Kansas bred horses being born, this would add significantly to the number of fulltime and part-time jobs in Kansas. Unfortunately I am unable to predict the number of jobs that would either be created or saved in the industries associated with and/or supplying the equine industry with needed goods or services.

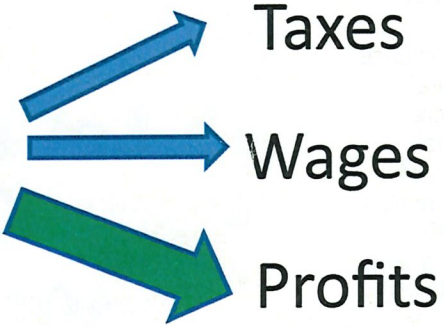
The Kansas legislature has the opportunity through this legislation to increase tax revenues, create jobs, and greatly stimulate many sectors of the agricultural industry in Kansas, simply by allowing slot machines at racetracks to pay the same tax rate as those in destination casinos. Slot machines are here, we should use them to the maximum benefit we can for the people and industries of Kansas. Let Kansas agriculture have an opportunity to maximize the benefits of this resource, it's what we do best.

CASINOS



Transfer of Wealth **OUT** of Kansas?
 (Destination casinos possibly owned
 by OUT-of-State entities)

RACETRACK SLOT MACHINES



- Locally owned tracks
- Increased purses
- Increased demand of Kansas bred horses

- Increased value of Kansas bred horses
- Increased Breeding Farms (numbers, stallions, mares, and foals)
- Increased Jobs
- Increased Expenditures (feed, tack, equipment)

Programs to retrain displaced workers into this industry

PURSE MONEY DRIVES THE INDUSTRY

Leading States by:

Average Earnings per Starter	Registered Foal Crop (2007)
1. Kentucky (\$22,607)	1. Kentucky (10,466)
2. Florida	2. Florida
3. California	3. California
4. New York	4. Louisiana
5. Louisiana	5. New York
6. Pennsylvania	6. Texas
7. Maryland	7. Pennsylvania
8. Illinois	8. New Mexico
9. Texas	9. Oklahoma
10. New Jersey	10. Illinois
11. New Mexico	11. Maryland
12. West Virginia	12. West Virginia
13. Oklahoma	13. Washington
14. Virginia	14. Virginia
15. Ohio	15. New Jersey
16. Washington	16. Indiana
17. Iowa	17. Arizona
18. Indiana	18. Ohio
32. Kansas (\$3,623)	28. Kansas (84)

5-4

AMENDMENTS TO THE KANSAS EXPANDED LOTTERY ACT

Impact of Racetrack Slot Machines on Kansas Agriculture

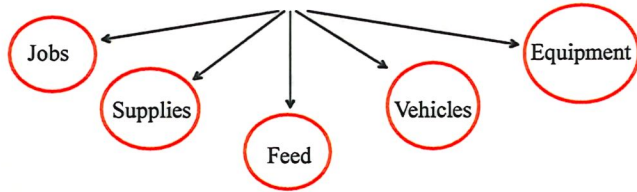
Increased Purses and Breeders Awards



Increased Numbers of KS Bred Racehorses



Increased Numbers of Broodmares, Stallions, Breeding farms



A major distinction between slot machines at racetracks and other gaming industries is its contribution to the agricultural sector of the Kansas economy.

Purses paid directly to owners and trainers of horses, and indirectly to breeders through the effect of purses on bloodstock prices and supply of foals, generate not only agriculturally-related employment and expenditures but also result in the maintenance of green space as commercial race horse breeding farm operations.



Dr. Bill McGuire

Agriculture Department Head
Agriculture Instructor
Livestock and Horse Judging
Rodeo Team coach

Educational Background

BS in Animal Science, Kansas State University, 1983
MS in Animal Science, Kansas State University, 1989
PhD in Physiology, Colorado State University, 1993

Bill McGuire received a BS in Animal Science from the College of Agriculture at Kansas State University in 1983. As an undergraduate McGuire was a member of a livestock judging team that won several national contests. He returned to K-State where he received an MS in Animal Science from Kansas State University in 1989. McGuire then entered Colorado State University, where he received a PhD in Physiology in the Animal Biotechnology and Reproduction Laboratory of the College of Veterinary Medicine and Biomedical Sciences at Colorado State University in 1993. Following the completion of his Doctoral degree, McGuire received a USDA Post-Doctoral Fellowship at the USDA RLH Meat Animal Research Center in Clay Center, Nebraska.

McGuire has been involved with horses most of his life. Since 1990, he has been involved in breeding, training, and racing horses. Currently McGuire owns and manages McGuire Thoroughbreds where he stands the leading stallion in the state of Kansas.

Contact
bmcguire@cloud.edu
(800) 729-5101 ext. 274
(785) 243-1435 ext. 274



We are KANSAS!

We are AG!

Let us GROW Kansas Agriculture!

It's what we do best.





Rutland Ranch
Jeff & Laurie Rutland
1047 East College Avenue
Independence, KS 67301-7140
(620) 331-2485 ~ Fax (620) 331-2235

Date: February 3, 2010

To: House Federal and State Committee

Re: **Support of HB 2516**

From: Jeff Rutland

Chairman Nuefeld and Committee Members:

As one of the largest horse breeders in the state I have seen many changes in our industry. I have one horse barn literally larger than a football field that would cost well over \$1 million to build today. I can show you my father's individual tax returns of the early '80's revealing that we spent over \$300,000 for feed and hay each year, while today's complete feed prices are twice as high and hay is three times as much as what we gave for them back then. But as people lost opportunities to race our horses in Kansas the supply for our product was more than the demand, diminishing the incentives to invest in Kansas agriculture. Now it seems that the entire nation finds itself in a similar situation – less demand for goods produced, less spending on resources, more workers without jobs, and businesses closing or relocating to other areas where a demand may exist. You have the opportunity to reverse this trend and truly stimulate the economy throughout rural Kansas. **Our laws no longer shelter us from gambling ... they only isolate us from its revenues.**

The horse industry is big business and a very complex one. According to a study commissioned by the American Horse Council, we provide over \$39 billion in direct economic impact to the U.S. economy and pay another \$2 billion in taxes each year. The industry sustains almost 1.5 million full-time equivalent jobs with almost a half a million of those jobs created from the direct spending within the industry, and much of that can be attributed to the horse industry right here in the state. Over the past 40 years, Kansas has consistently ranked among the top 10 horse producing states in the nation in both quality and numbers raised. It's estimated that a single Kansas horse operation has invested an average of over \$300,000 in land, buildings, machinery, trucks, trailers, etc. Kansas has the ideal landscape and natural resources to offer so much more to horse racing investments than any other state in the nation. We must take advantage of this by insuring a solid racing program in the state.

To offer some comparisons to a nearby state, before 1995 Iowa had never been ranked in the top 20 of horse producing states. They currently rank 12th in the number of foals produced annually. The Otto study conducted in 1999 by an economist associated with Iowa State University concluded that horse racing, breeding and horse-related tourism had become a \$250 million per year industry creating 3,261 jobs in Iowa. The investment by horse owners in land, buildings, machinery, etc. went from \$125 million to over \$270 million after only four years of slots operation at their only horse track in the state. During

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this same time period, annual operating expenditures made by Iowa horse owners for hay, feed, taxes, etc. not associated with the racetrack, more than doubled to \$100 million each year. The direct economic impact that 60 days of horse racing at The Woodlands would have a tremendous economic affect on the Kansas City area. Approximately 1500 horses would make the trip to Kansas City to race. Owners, trainers, jockeys, grooms, and all others involved directly with the horses would spend over \$20 million on training, shoeing, veterinarians, lodging, food, fuel, etc. in their every-day activities of preparing the horses to run. Eureka Downs and Anthony would certainly see similar spending on a somewhat smaller scale.

Setting aside my strong beliefs of what the racing industry means to our state, I want to direct my thoughts as an ordinary citizen of Kansas who says "Let's use some common sense." In 2008 the state of Missouri took in over \$355 million in state gaming taxes while Oklahoma took in over \$106 million from gaming. Colorado received \$95 million and Iowa got over \$91 million in state gaming taxes that same year. We already pay more tax on gasoline in Kansas than any state around – 25 cents per gallon while tax on gas in Missouri and Oklahoma is only 17 cents. The lowest bracket of personal income tax for Kansans is 3.5%. Missouri residents pay only 1.5% while Oklahomans pay only ½ percent individual state income taxes. There are only 12 states in the nation where residents pay higher property tax as a percent of their home value than Kansans. These are not facts that any of us should be proud of. The point is, **we cannot afford more taxes be put on us to balance the state's budget while a solid revenue source stares us in the face.**

In front of you is an opportunity to create one of the greatest economic stimulus plans this state could have. Let's be rational, many Kansans do enjoy gambling as a clean form of entertainment. **But this is not about gambling. Gambling is all around us. This is about re-directing a revenue stream from gambling, one that already exists that will continue to leave the state if an amendment is not made to our law. This is about rural Kansas. Allowing the racetracks to get back in business will bring back the incentives to raise horses and greyhounds in Kansas once again, attracting back new investment and re-generate the spending on the agricultural sector of our state that the racing industry has proven to do.**

I ask your favorable consideration for HB 2516.

Respectfully,

Jeff Rutland

February 3, 2010

TO: House Federal and State Affairs Committee
RE: Support of HB 2516
FROM: Rita Osborn

Chairman Neufeld and Committee Members:

I am Rita Osborn from Eureka, KS. I am currently a special education teacher at Eureka Jr. Sr. High School. I grew up around the Eureka area, "The Heart of the Flint Hills." I have been teaching for 29 years, with the last 11 of those years being in Eureka. I taught in Dodge City, "The Cowboy Capital," for 18 years. I am also a volleyball coach, spirit squad coach and the sponsor of the Kansas Association of Youth (K.A.Y) organization. I am the guardian for 3 special education adults as well as a member of the New Beginnings board. I am very involved in the needs of the students, consumers and the community. I just completed my first year as General Manager of Eureka Downs, also known as "The Racing Capital of Kansas." When I see the budget cuts that education is dealing with while a revenue source like having slots at the racetracks could generate, I just don't understand why anyone would not want to fix the law so your kids are not deprived of the education they deserve.

You cannot begin to fully appreciate the needs of the community surrounding Eureka, Kansas that is met by our racetrack without knowing the full impact of its operation. Each year, Eureka Downs provides part-time employment for many individuals during the race meets. The total amount of race track expenditures, which does not include any of the expenses related to the care and handling of the horses, is a very sizable amount. A majority of these dollars are spent in Greenwood County. Based on the widely accepted economic multiplier, the economic impact to Greenwood County in 2009 exceeded \$4.5 million. This is real economical development for any size community, especially Eureka. Since 1995, Eureka Downs has put well over \$9 million directly into the Eureka area by track expenditures. Operating since 1872, our racetrack has truly been a pillar of the community. As a fair track, we don't present the huge numbers The Woodlands can but perhaps the social aspects and values of horse racing is best understood here. One can appreciate the faith, hope and love that our young learn and respect around our small track. Racing is a family event at Eureka.

Year	2011	2009	2008	2007	2006
# of Days	40	10	6	13	18
Total Race Track Expenditures	\$ 1,694,828	\$ 667,662	\$ 372,071	\$ 399,096	\$ 552,594
Total Economic Impact	\$11,863,796	\$4,673,634	\$ 2,604,497	\$2,793,672	\$3,868,158

The figures above don't even take into consideration the huge impact that the animal based industry has on the community. The expenses of training a horse and the supplies purchased such as hay, grain, labor, veterinarian services, lodging, food, etc. amount to big dollars as they circulate throughout the rural parts of the state.

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As a teacher, I see the importance of the track to the community. We are a community of low-income families, 50% of the students are on free/reduced lunches, and many from single-parent homes. Not only does it provide addition income for these families, it provides income into the community- gasoline sales, motel fees, income for local farmers and well as the local businesses, etc.

In the field of education, many sacrifices have taken place (and more are coming): lose of excellent educators, increased student-teacher ratio, classes being consolidated, no field trips allowed, elective classes being minimized, program cut, **shortage of supplies and textbooks**, just to mention a few. Is this what is best for our children?

As a child, I remember going to the horse and dog races at Eureka Downs and Bluestem Downs. The stands were full to capacity and everyone was having a great time. It was a family affair. It continues to be a family affair, without excessive family expense.

So what is happening to the industry? Horses are leaving the state to compete, individuals are being attracted to out-of-state entertainment, horse related businesses are seeing a decline in the dollar, and the agriculture industry is on the decline.

I strongly urge you to support HB 2561. Take one last look at the figures you have in front of you. The entire nation is watching what we do here in Kansas. Let's show them that we can generate real economic development from casino gaming. Stand up and fix the current gaming law to allow these benefits to our state, the racing industry and to re-invest in agriculture.

Respectfully,

Rita Osborn
314 N. Mulberry
Eureka, Kansas
620-750-0118

February 3, 2010

House Federal and State Affairs Committee

Re: Support for HB 2516

Kurt Eck

12011 W. 19th

Wichita, KS 67235

Chair Neufeld and Committee Members:

My name is Kurt Eck. I was born just west of Wichita near a small town where my family has bred, raised, and raced horse over the past 35 years. I hope to continue this tradition as I continue to add to the investment my family has made in the horse industry. I was elected a board of director to the Kansas Quarter Horse Racing Association last year with the hopes of bringing new energy and fresh ideas to our industry.

With the passage of the constitutional amendment for pari-mutual racing in the late 1980's, our state realized how valuable the economic impact the racing industry has. Once again, in 2007, the legislature recognized both the cultural and economical value that racing brings to agri-business across the state. The legislature realized that the competition for the gaming dollar had become so intense, that the highly regulated pari-mutual and gaming landscape in Kansas had to change to ensure a vibrant horse industry, one that at one point was the 5th leading producer of quarter horse foals in the nation. This is an industry capable of producing thousands of jobs and injecting millions of dollars into rural economies.

Now, two years after that legislation was passed, we have seen this bill did not spur the agri-business as it was intended, due to the lack of feasibility for the tracks to make the investment to install slot machines. The amendments to the law that have been proposed in HB 2516 now provide that opportunity for the racetracks to find it financially attractive to re-open their doors, not only for slots and racing, but to an entire industry. This bill should be viewed as a jobs-creation bill meant to stimulate our rural economy. If you look to our neighbors to the south, Oklahoma now has a vibrant horse racing industry due in large part to the legislation they passed a couple of years back bringing slots to the racetracks there, and while they have been somewhat affected by the recession as we all have, their industry is poised to continue to grow and become one of the strongest in the nation.

From a more personal perspective, my family has been involved in the industry for last four decades. At one time, the family farm was home to nearly 50 horses, most of which were involved in the breeding and raising of running quarter horses. We have since cut back on this operation due to the decline in racing opportunities in the state. Most recently, we have ventured out of state to compete at tracks that provide not only the opportunity to race but also the financial reward necessary to continue investing in the industry. The decision to take horses out of state to race was certainly not easy. Our family takes great pride in the fair meets at Eureka and Anthony. The unique entertainment value of horse racing should not be underestimated, as we invite extended family and friends week after week to

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the races to enjoy what live racing has to offer. These fair meets are truly a family-oriented atmosphere that many entertainment venues cannot offer, and it would be a shame if they died along with this bill.

I myself work for a small manufacturing firm in Wichita, employed as a cost accountant. Working for this small company, I see daily the decisions we make and understand the investments made for continued growth. As a younger generation guy, I would like to make these same kinds of long term financial commitments to the horse racing industry, but am currently unwilling due to the uncertainty of the industry within the state. Make no mistake about it, I am passionate about the sport and will continue to support it, but not to the financial extent I would otherwise be willing without a solid, long term plan within our state.

To rebut a statement we've heard that *"It's all about economics. The revenues a casino can generate for the state won't compensate for the money taken away from mainstream businesses. Few casinos lead to economic development."* For several years the racing industry attempted to persuade the legislature to allow slot machines at racetracks only, an expansion of gambling that would truly lead to economic development within the rural segments of Kansas. Today, we are faced with a real threat that this dynamic economic stimulus may not even be allowed to present itself if this amendment to the existing gaming law is not passed. Many Kansans enjoy gambling as a clean form of entertainment, just as some will pay over \$50 to take the family to the movie, or pay over \$100 for a nice meal at a fancy restaurant, or \$1,100 for one ticket to a KU basketball game, or \$1,575 for a ticket to the Bon Jovi concert in Wichita or \$2,300 to park their RV on the infield at the Kansas Speedway...each of these detracting from the amount of money we may spend downtown on a new pair of shoes, a new dress or a new piece of furniture. But let's face it. We are an entertainment-craved society. Sometimes there is no limit to what we will pay to be entertained. But to say that we should not be allowed a form of entertainment that surrounds Kansas...one that could give a certain economic boost to rural Kansas... is just not good sense.

With all this being said, we have an opportunity before us to create that solid foundation for an industry ready to grow, to create jobs, to provide entertainment value, and to stimulate a stagnant economy. The decision was made nearly three years ago that this was an industry worth committing to when the original expanded lottery act was passed. Keep the positive impact our industry can have on our economy as the key target of making gambling work for all of Kansas.

Thank you for your consideration.

Sincerely,

Kurt Eck

The Kansas Quarter Horse Racing Association

P.O. Box 228 / 210 N Jefferson • Eureka, KS 67045
Toll Free (866) 583-7510 • (620) 583-7510 • FAX (620) 583-7118
Web Address www.kqhra.com • E-Mail kqhra@sbcglobal.net

February 3, 2010

House Federal and State Affairs Committee

Dear Chairman Neufeld and Members of the KS House Federal and State Affairs Committee:

Recently I had the misfortune of breaking my leg and as such am unable to present my testimony in person. Please accept my testimony in writing.

I am President of the Kansas Quarter Horse Racing Association. KQHRA has been instrumental in all aspects of the Horse Racing Industry and has been for many years. Our many members are actively involved in the Horse Racing Industry, most as breeders of racing Quarter Horses right here in Kansas. Many others race their horses here in Kansas and in other states. All of us have suffered much with the closing of the major race tracks in Kansas. With no live racing and no simulcast racing in Kansas our membership is suffering. We are being forced to run our Kansas Bred horses in other states, and have no Breed awards for our mares and stallions. We continue to be hopeful that this will once again change and as Kansans we will have reason to continue breeding and raising our horses in Kansas.

In 2008 with the passage of slot legislation we saw a 300% increase in the number of horses entered into the Kansas Bred Program. Many of those were from out of state. People wanted to send their horses to Kansas to participate in our Kansas Program. That came to a screeching halt with the closing of the Racetracks in Kansas City and Wichita. There no longer was any incentive to participate in the Kansas Racing Program. The out of state people simply took their horses back home. Many Kansas breeders either sold out or drastically reduced their herds. KQHRA is in support of legislation that will allow the Kansas Racetracks to once again open there doors to live racing. Then breeders residing in Kansas will once again have reason to hope. This legislation will be a great opportunity to stimulate the Kansas economy. Gambling is in every state around us. Many Kansans choose to participate in gaming. We believe it is high time that Kansas gets its fair share of this revenue. We want to spend our money in Kansas and support agriculture here at home. Our neighbors will benefit every time we purchase hay, feed, and supplies for our horses right here in Kansas.

Please support passage of gaming legislation that will allow the KS racing industry to thrive.



Robert Rodgers
President, KQHRA

House Fed & State Affairs
Date: 2-3-2010

Attachment 9

Robert Rodgers
PRESIDENT, KQHRA
9237 N West Rd • Hesston, KS 67062
(620) 327-2626

Renee Jones
SECRETARY, KQHRA
P.O. Box 228 • 210 N Jefferson
Eureka, KS 67045