

ILLINOIS RACING NEWS

OFFICIAL

THOROUGHBRED BREEDERS AND OWNERS FOUNDATION

Too bad she couldn't run at home in Kansas!

2007 ILLINOIS HORSE OF THE YEAR

ROLLING SEA

Breeder: Asiel Stable
Dr. Richard & Gail Radke
9600 W. 175TH Street
Olathe, KS 66062

Sn Fed & State
Attachment 5
1-31-12

Tuesday, January 31, 2012

**Presentation to the Committee on State and Federal Affairs
In support of Senate Bill 241**

My purpose in being here is to provide you with facts to consider that may assist in seeking achievable solutions to the state's immediate and future fiscal needs. The Equine Agra Industry along with subsequent co-dependent industries will also benefit greatly from Senate Bill 241. It is a win-win outcome.

Our family farm is located in Southern Johnson County and we have approximately 55 horses. During our three decades in the business we have been honored to be named Owner/Breeder of the year six times; bred numerous champions; had a Horse of the Year, Brood Mare of the Year; and in 2010 voted Horsemen of the Year.

I am relaying this to you not to brag, but to let you know that I am very familiar with running a racing operation and how it impacts the co-dependent industries and the surrounding communities that our business supports. The state where we achieved these accomplishments is Illinois. The horse on the cover of this packet was one of ours. She was 2007 Horse of the Year and earned over \$700,000.00

It is vital for a decision maker to have accurate data when formulating opinions and making decisions with far reaching affects. The information provided is as straightforward and uncomplicated as possible.

We race in Chicago because that is where it is cost effective and we make money. The winner's share of any race in IL is 60% of the purse. If the horse was foaled in IL and additional 11.5% of the base purse is added on to

the winnings. We would love to race at home, but there is no venue here that makes it financially feasible.

The health of the Kansas Racing Industry impacts many layer segments. Farms, breeding, owning, training, operating a track, sales of horses and secondary venues like feed stores, farriers, and veterinarians are all inter-connected and woven into the very fabric of the industry. Raising a foal from conception to its 2 year old year involves many co-dependent industries. This rippling effect is compounded by the number of farms, breeders and owners involved in a healthy racing program.

Take a look at our financial profile on the next two pages so you can see the rippling effect just one farm can have. It costs approximately \$38,000 to raise a horse from conception through weanling year, yearling year, to training as a 2 year old. These costs vary somewhat for each individual. We have an average of 9 foals each year so that is the number I am using in this financial profile. This does not include the stallion fee. We spend \$90,000 to \$100,000 in stallion fees each year. For the privilege of using these Kentucky stallions, we pay an additional 6% in sales tax to Kentucky.

Remember this is information on only one farm. Think of how much economic impact and revenue stream would be generated by 100 or more farms. Those farms are out there in Kansas and they are shoring up the economies of Iowa, Indiana, Illinois, Arkansas, Oklahoma and Pennsylvania not Kansas.

ASIEL STABLE FINANCIAL PROFILE FOR 9 2 YR OLDS

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
Feed in Illinois	48,000.00	

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 in KS** would be as follows:

Kansas Jobs	Trainer	\$194,400.00
	Farrier	15,713.00
	Veterinary Services	60,224.00
	Additional farm employees	60,000.00
Kansas Items	Feed	48,000.00
	Equipment/Tack	2,500.00
	Total	\$380,837.00

I have not included the amount of money we spend on: maintaining our tractors, trucks, horse trailers, mowers; insurance premiums; fuel costs.

Co-dependent industries

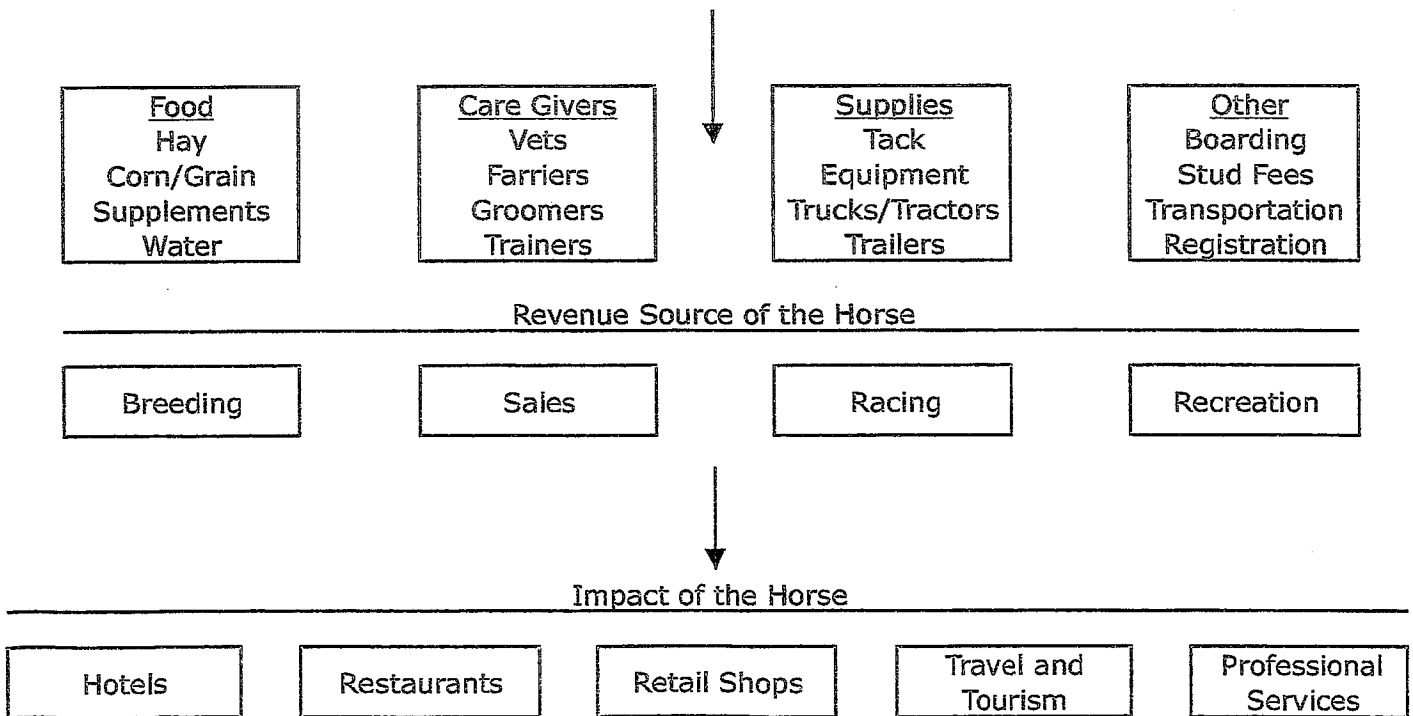
- Purchase and repairs of tractors, balers, mowers, hay rakes from Greely Implement, Garnett, Ks
- Put up 700 sq bales of hay yearly, weighing approx. 70 lbs each, necessitating wire for wrap, Family Farm store, Paola, KS
- 1,200 round bales weighing 1,500lbs. needing plastic wrap from Spring Hill Co-op, Spring Hill KS
- Spraying and fertilizer for pastures, Geutterman Family Farms, Spring Hill, KS
- Alfalfa for pregnant mares and babies, Clay Center, KS
- Diesel for farm equipment from Koechners, Stilwell, KS
- Supplementary Feed, Blair Feed Mill, Atchison, KS
- Kansas State Veterinary School, Manhattan, KS
- Drs. Schwab and Palmer. DVM. Stilwell, KS
- Jerry Mathews, farrier, Osawatomie., KS

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

Dr. Richard and Gail Radke
9600 W. 175th Street, Olathe, KS 66062



Economics of Caring for the TB Race Horse



 JOBS JOBS JOBS JOBS JOBS JOBS JOBS JOBS JOBS JOBS

Economic Impact & Revenue Stream

From conception through 2 year old, prior to racing.

1 HORSE

\$38,000

10 HORSES

\$380,000

100 HORSES

\$3,800,000

200 HORSES

\$7,600,000

300 HORSES

\$11,400,000

These are average costs from an actual Kansas breeder.

The State of Kansas, like so many other states is having budget issues and is in need of funds. The economic engine that can help provide those funds is already in place. Without cost to the state or raising taxes for Kansans, the Woodlands could be up and running and start providing a significant revenue stream. Think of how easy this would be to generate funds from an existing entity without increasing taxes or escalating capital spending.

A substantial revenue stream would help shore up the short fall in the state's budget and help an industry that is declining with lost jobs and farms up for sale or in bankruptcy. Re-opening the Woodlands is a needed catalyst providing economic stability and stimulus spending for the State of Kansas.

According to an article in the *Wichita Eagle*, dated December 30, 2011 the Dodge City casino, open since the middle of December 2009 has already generated significant revenue for the Expanded Lottery Act Revenue Fund. Attached are stats compiled by the Kansas Lottery that will further show the positive financial impact and revenue stream generated by one casino.

In 2008 a study done by Rutgers University showed that the forty-four racetrack casinos (racinos) in the United States generated over 6 billion in gross gaming revenues; 2.59 billion in direct gaming taxes to state and local governments and employed over 29,000 people. (See page 10) **Every horse racing venue that added slots has bolstered their local economies, created hundreds of jobs and exponentially increased spending in their communities. Breeding programs increased and horses' values amplified.**

Delaware was the first to introduce slot machines at race tracks in an effort to salvage horse racing. Before slots the yearly gross purses were

\$650,000. Now they are generating millions annually. On a side note, the neighboring State of Maryland is grappling with a \$1.5 billion budget challenge. Marylanders playing the slots in Delaware and West Virginia are contributing roughly \$150 million annually to the tax coffers of these states, subsidizing the horse racing industries, education and other priorities.

The Rutgers University Study goes on to say that in Pennsylvania, the impact of slot machines has increased the purses 100 percent in just 5 years. (See page 9 & 10).

Since the Woodlands has been closed there is considerable loss to the non-profit community. TRAK East, incorporated in 1988 was mandated to distribute a minimum of \$75,000 (\$6,250 per month) to charitable tax-exempt organizations. (See page 12 for a list of some of the organizations)

In addition, Kansas State University Veterinary School has been an excellent Equine Agra partner now unable to benefit from the KRGC funding. A strong horse industry would help with that educational component. (See attachment page 13)

Existing major tracks in Kansas are key to new revenue streams. Unfortunately, the tracks were intentionally rendered non-competitive with the way the present bill was formulated. The tracks are destined to fail without equal opportunity.

The horse industry in Kansas needs to be nurtured, promoted, developed and improved and in doing so the Agra Economy will improve. The direct economic input, the multiplier effect generated within this industry and the subsequent spending between co-dependent industries, creates jobs and contributes substantial revenue dollars to the economy annually.

Why Does Purse Size Matter?

Purses are the economic engine that drives the racing industry. In the real estate industry success is “location, location, location”. In the horse racing industry prosperity is based on “purses, purses, purses.”

- **Purses are the life blood of the racing industry. By providing revenue directly to horsemen, it enables a state wide rippling effect by direct spending to pay their suppliers of goods, labor and services from Kansas business.**
- **Racetrack patrons wager on these races providing revenue to the tracks.**
- **Customers wagering at other locations in-state and out-of state wager on simulcast of live races provide revenue for tracks.**
- **It has been shown through published statistical analysis that increased purses are the driving force for yearling prices leading to an increase in the supply of foals and better quality of horses.**
- **Purses are of major importance to all three sectors of the racing industry, i.e. racetrack, horsemen (trainers and owners), breeders.**

In 1994 Delaware Park paid \$7.9 million in purse money, average daily purse \$58,642; after slots in 2008 Delaware paid \$34.8 million in purse money and \$256,098 average daily purses.

Example of a \$27,000 purse structure payout:

1st Place \$16,200; 2nd Place \$5,400; 3rd Place \$2,970; 4th Place \$1,620; 5th Place \$810

**Trainer receives 10% of \$16,200; Jockey receives 10% of \$16,200;
Owner receives \$12,960**

**Rutgers University Study on the Forty Four Tracks with Slots,
December 2009**

- Generated over 6 billion in Gross Gaming Revenues
- 2. 59 billion in direct gaming taxes to state and local governments
- Employed over 29,000 people, averaging almost 700 jobs per track
- Every horse racing venue that added slots, bolstered their local economies and exponentially increased spending in their communities

Illinois Horse Racing Industry White Paper, February 2010

Jobs created in communities and revenue in states from racinos:

<u>State</u>	<u>Jobs</u>	<u>State and Local Tax Revenue</u>
➤ Delaware	2,582	\$210.55 million
➤ Florida	2,201	\$114.43 million
➤ Iowa	2,668	\$108.47 million
➤ Louisiana	2,268	\$72 million
➤ New York	3,413	\$446.28 million
➤ Pennsylvania	4,948	\$752.42 million
➤ Rhode Island	1,310	\$302.70 million
➤ West Virginia	5,270	\$430.24 million

National Economic Impact Study of the Thoroughbred Race Horse: The Jockey Club, Lexington, KY

- **Total impact on the US Gross Domestic Product (GDP) \$101.5 billion**

- **Total full time jobs, direct, indirect and induced effects 1.4 million**

- **Direct value of horse related goods and services 39 billion**

In the State of Kansas according to the Woodlands management, Thoroughbred racing accounts for 98% of the simulcast revenue and 73% of the pari-mutuel revenue.

Contributions Lost to Some of the State Wide Charities:

Alzheimer's Association

Big Brother/Big Sisters of Douglas County, Greater Kansas City,
and Manhattan, KS

Cancer Action

CASA of High plains, Inc.

Catholic Housing of Wyandotte County

Donnelly College

Kansas Center for Canine Assistance

Kansas Jaycees Cerebral Palsy Foundation

Kansas State Equine Research

Leavenworth Road Association

Salina Emergency Aid/Food Bank

Temporary Lodging for Children

Wyandotte County Parks Foundation

(Received via e-mail)

**Kansas State University
Equine Medicine and Surgery
Manhattan, Kansas**

Dear Gail,

As a follow up to our discussion yesterday, we typically had \$300,000 annually available to apply for with a split of \$280,000 for canine research and funding and \$20,000 for equine. The last opportunity for funding was FY08.

We would welcome the opportunity to work with a rescue operation with veterinary services/teaching opportunities through the rehabilitation process. Other institutions have done this with success, the best example is the one you are familiar with at Michigan State University called CANTER. Tom Lenz, DVM, past president AAEP and Unwanted Horse coalition <http://unwantedhorsecoalition.org/> is a valued resource for such discussions on the surplus of horse in this country. This is the type of organization that we would hope to be affiliated with. Bill McGuire is the Director of the program at Cloud County College and has obtained retired TBs from KY.

Our caseload would be positively impacted by the increased revenue generated from an enhanced TB industry in the state of Kansas. We have seen a decline in our horse admissions since 2003, this has impacted the teaching cases available for training veterinary students.

We are completing the fourth year of the HB 3005 Debt Forgiveness Program, which provides a student loan to selected students who then work in the state of KS for a minimum of 4 years following graduation. These graduates work in rural areas of KS (<35K residents) focusing in the area of livestock management. We would welcome the opportunity to develop a similar program to encourage DVMs to remain in KS to work in the TB industry. The focus being maintained on the agribusiness in the state of KS.

Please feel free to contact me for further questions or information.

**Best regards,
Beth**

**Elizabeth Davis, DVM, PH.D., DACVIM
Associate Professor Head, Equine Medicine and Surgery
Director, Veterinary Research Scholars Program
Kansas State University**

Kansas position:

Legislative goals to ensure the viability of the horse racing and breeding of race horses in Kansas; to ensure Breeders in Kansas remain competitive with other states and encourage new breeders to come to Kansas; to ensure profitability by rewarding breeders with Breeders Awards and owners with Owners Awards throughout the year; to create and encourage breeding education programs that ensure a better quality of race horse; to promote research through funds provided to Kansas State University and other in state entities.

The following Economic Studies were used in compiling data for this presentation:

Rutgers University Equine Science Center, 2009: Impact of Slot Machines/Video Lottery Terminals on the Economy, Horse Racing and Breeding Industry, Agriculture and Open Spaces in the States and Provinces Where They Exist.

Thalheimer Research Associates, Lexington, KY; December, 2008: The Economic Impact of the Iowa Race Horse Industry on the Iowa Economy.

Illinois Racing Commission; December, 2009. Report of the Illinois Racing Board on the State of Horse Racing in Illinois.

Purdue University, Lafayette, Indiana, Department of Agriculture Economics; April, 2006: Economic Impact of Indian Pari-Mutual Horse Industry on Indiana.

Jockey Club Information, Lexington, KY.



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Kansas Expanded Lottery Distribution Of Revenue*

Boot Hill Casino & Resort

Month	State of Kansas 22%	Problem Gambling & Addictions Fund 2%	Dodge City, KS 1.50%	Ford County, KS 1.50%	Boot Hill Casino Management Fees 73% **	Gaming Facility Revenue ***
Dec. 2009	\$437,798.29	\$39,799.84	\$29,849.88	\$29,849.88	\$1,452,694.32	\$1,989,992.22
Jan. 2010	\$689,129.29	\$62,648.12	\$46,986.09	\$46,986.09	\$2,286,656.27	\$3,132,405.85
Feb. 2010	\$685,039.47	\$62,276.32	\$46,707.24	\$46,707.24	\$2,273,085.50	\$3,113,815.75
March, 2010	\$752,419.48	\$68,401.77	\$51,301.33	\$51,301.33	\$2,496,664.63	\$3,420,088.54
April, 2010	\$699,862.87	\$63,623.90	\$47,717.92	\$47,717.92	\$2,322,272.26	\$3,181,194.87
May, 2010	\$682,481.48	\$62,043.77	\$46,532.83	\$46,532.83	\$2,264,597.64	\$3,102,188.55
June, 2010	\$599,346.35	\$54,486.03	\$40,864.52	\$40,864.52	\$1,988,740.17	\$2,724,301.60
July, 2010	\$775,004.87	\$70,454.99	\$52,841.24	\$52,841.24	\$2,571,607.06	3,522,749.40
Aug, 2010	\$669,504.73	\$60,864.07	\$45,648.05	\$45,648.05	\$2,221,538.43	\$3,043,203.33
Sept, 2010	\$642,402.81	\$58,400.26	\$43,800.19	\$43,800.19	\$2,131,609.33	\$2,920,012.78
Oct, 2010	\$718,474.47	\$65,315.86	\$48,986.90	\$48,986.90	\$2,384,028.93	\$3,265,793.05
Nov, 2010	\$654,398.09	\$59,490.74	\$44,618.05	\$44,618.05	\$2,171,411.83	\$2,974,536.76
Dec, 2010	\$745,283.50	\$67,753.05	\$50,814.78	\$50,814.78	\$2,472,986.16	\$3,387,652.28
Jan, 2011	\$735,671.83	\$66,879.26	\$50,159.44	\$50,159.44	\$2,441,092.89	\$3,343,962.86
Feb, 2011	\$773,978.35	\$70,361.67	\$52,771.25	\$52,771.25	\$2,568,200.90	\$3,518,083.43
March, 2011	\$825,101.59	\$75,009.24	\$56,256.93	\$56,256.93	\$2,737,837.08	\$3,750,461.76
April, 2011	\$786,465.26	\$71,496.84	\$53,622.63	\$53,622.63	\$2,609,634.71	\$3,574,842.07

May, 2011	\$769,031.56	\$69,911.96	\$52,433.97	\$52,433.97	\$2,551,786.53	\$3,495,597.98
June, 2011	\$716,844.47	\$65,167.68	\$48,875.76	\$48,875.76	\$2,378,620.30	\$3,258,383.97
July, 2011	\$866,582.89	\$78,780.26	\$59,085.20	\$59,085.20	\$2,875,479.58	\$3,939,013.12
Aug, 2011	\$751,410.46	\$68,310.04	\$51,232.53	\$51,232.53	\$2,493,316.52	\$3,415,502.08
Sept, 2011	\$811,175.06	\$73,743.19	\$55,307.39	\$55,307.39	\$2,691,626.33	\$3,687,159.36
Oct, 2011	\$785,940.26	\$71,449.11	\$53,586.84	\$53,586.84	\$2,607,892.68	\$3,572,455.72
Nov, 2011	\$751,297.18	\$68,299.74	\$51,224.81	\$51,224.81	\$2,492,940.64	\$3,414,987.18
Dec, 2011	\$770,583.23	\$70,053.02	\$52,539.77	\$52,539.77	\$2,556,935.27	\$3,502,651.05
Totals	\$18,095,227.83	\$1,645,020.71	\$1,233,765.54	\$1,233,765.54	\$60,043,255.95	\$82,251,035.56

Boot Hill Casino began sales on Dec. 15, 2009.

* All amounts shown are unaudited, are subject to revision, have been rounded to the nearest cent, and are presented for informational purposes only. All "Total" amounts are cumulative.

**Boot Hill Casino is responsible for paying from its Management Fee all of its expenses related to the casino, including but not limited to: contractual payments for the facility itself; utilities; the expenses of all gaming machines and equipment; employee expenses; fees for the central computer system and slot management system providers; certain expenses of the Kansas Racing and Gaming Commission and the Kansas Lottery; taxes; insurance; and, other obligations per Boot Hill Casino's management contract with the Kansas Lottery.

*** "Gaming facility revenue" means the total revenue from the play of lottery facility games after all related prizes have been paid.

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