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TESTIMONY

HB 2168

An Act concerning the Kansas expanded lottery act; relating to racetrack gaming facilities; relating to pari-mutuel racing; creating the Kansas agricultural opportunity act.

**House Federal and State Affairs
March 22, 2013**

Chairman Siegfried and Members of the Committee:

Good morning Chairman Siegfried and Members of the Committee. I am Whitney Damron and I appear before you today on behalf of Kansas Entertainment, LLC, the joint venture partnership of International Speedway Corporation and Penn National Gaming – the development group selected by the State of Kansas in 2009 to develop an over \$300 million destination casino for the Northeast Kansas Gaming Zone.

Historically, when matters of interest or concern to Kansas Entertainment have been brought before the Legislature, both Jeff Boerger, President of Kansas Speedway Development Corporation and Karen Bailey, the Vice President of Public Affairs for Penn National Gaming have provided testimony. Unfortunately neither is available for today's hearing.

Kansas Entertainment does appreciate the opportunity to provide comments on HB 2168.

New Section 4, beginning on page two would allow for a revote in Sedgwick County for electronic gaming machines at Wichita Greyhound Park. While we do not specifically object to that matter, we suspect others will have strong concerns after significant investments have been made in Sumner County at the Kansas Star Casino and we will leave it to them and others to discuss the merits of allowing for a second vote in Sedgwick County for slots at the pari-mutuel track.

Section 5 (g)(2), beginning on page five would lower the investment threshold from \$225 million in the southeast Kansas gaming zone to \$50 million and Section 5(g)(6) lowers the privilege fee from \$25 million to \$5.5 million in the southeast Kansas gaming zone. Kansas Entertainment does not object to this change.

Our neutrality on HB 2168 ends here.

Once again the Kansas pari-mutuel track owner – and as a reminder, this is not plural, as there is only one interested track owner involved with this legislation – once again we see attempts to dramatically change the revenue stream in favor of the pari-mutuel track owner.

Section 9 (a)(1), found on page 13 would grant to the track owner the same revenue stream properly accorded the developers of the destination gaming casinos, such as Hollywood Casino and Kansas Star Casino, which were required to invest at least \$225 million into their facilities and won the right to develop a state-owned casino within their respective gaming markets through a highly-competitive process. Pari-mutuel track owners have had a lock on a gaming license from the beginning and have repeatedly failed to live up to the promises made to the State of Kansas, communities in which they are located and the pari-mutuel industry of Kansas.

Under SB 66, the Kansas Expanded Lottery Act, criteria used to evaluate proposals to be a lottery gaming facility operator included the following factors:

- Size of the proposed facility;
- Geographic area in which the facility is to be located;
- The facilities location as a tourist and entertainment destination;
- The estimated number of tourists that would be attracted by the proposed facility;
- The number and type of lottery facility games to be operated at the proposed facility; and,
- Agreements related to ancillary lottery gaming facility operations.

All three markets that ultimately saw a lottery gaming facility application approved had multiple applicants with highly-competitive proposals.

Under the Act, there is nothing even remotely close to these kinds of requirements for pari-mutuel track owners and certainly there was no framework creating competition for a license.

By providing pari-mutuel track owners with an extraordinary windfall of revenues with minimal capital at risk, it places the destination casinos at a highly-uncompetitive position and jeopardizes an investment of more than \$300 million at Hollywood Casino and a full-time workforce of over 800 people. Allowing a facility like The Woodlands, located less than two miles from Hollywood Casino to enjoy the competitive advantages proposed in the legislation before you today will also have significant negative financial impacts upon the future expansion of the Hollywood Casino and other businesses located in Village West. In addition, state and local revenues and charitable contributions will be reduced as well, given that a substantial amount of revenues are dedicated to community and charitable programs per our development agreement with the Unified Government of Wyandotte County and Kansas City, Kansas. Revenues from our facility are also committed to the school districts and economic development organizations in our region. Under these newly-proposed statutory changes, The Woodlands would not be subject to these same obligations.

The pari-mutuel industry, including the owner of Wichita Greyhound Park and Camptown Greyhound Park supported SB 66, the Kansas Expanded Lottery Act that was passed in 2007. Unfortunately, since that time they have refused to live up to the commitments they made back then.

My client, Hollywood Casino at Kansas Speedway has lived up to commitments it has made and continues to support the gaming act as passed into law. Our commitments were to add second Sprint Cup race date and to build a road course at the Speedway. As of this past fall, both projects are complete with the potential for more on the way. We hope the State of Kansas will keep their word and protect our investments by keeping the rules intact, as is, for the northeast gaming zone.

We respectfully ask the Committee not to make the changes requested of the pari-mutuel industry, other than the two identified on the first page of our testimony should you care to do so, otherwise the state's investment in its existing facilities will be jeopardized.

I would be pleased to respond to questions at the appropriate time.

Thank you.

WBD

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