



Testimony Provided to the

House Appropriations Committee
March 23, 2017

Greater Kansas Racing Alliance
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Testimony in Support of H.B. 2173

Good morning Chairman, Vice Chair, Ranking Member and Committee Members -

Thank you for the opportunity to provide comments this morning in support of H.B. 2173 on behalf of the Greater Kansas Racing Alliance.

There are a lot of arguments both for and against this issue – some legal, some economic, some emotional. You have heard some of the arguments already, and will hear additional information in a few moments. But I wanted to make sure the committee understands what is at the heart of this request.

Long before 2009 when glitzy slot machines with bright lights and whirring effects at state-owned casinos were introduced to Kansas, long before the modern efforts to expand gaming here in Kansas - including favoring state-ownership of casinos against private competitors, long before 1986 when pari-mutuel betting was approved in Kansas - even long before Las Vegas was founded as a town (1905), Kansas had horse and greyhound racing. That history, and the legacy of highly professional breeding and husbandry of racing animals, are a rich part of the fabric of Kansas.

Few institutions last as long as Eureka Downs, which saw its first horse race in 1872 - eleven years after statehood. Or Anthony Downs, which started racing in 1904. Kansas hosted the first coursing meet for greyhounds in the United States in 1886. Even our original Governor's mansion - used by the state from the turn of the century to 1962 (and portions of which were preserved and can be seen in the Ramada hotel here in Topeka) was originally built and then donated by Erasmus Bennet, a professional breeder of horses.

More than simply added entertainment, these races are a part of our history. The livestock knowledge of our early pioneers made us a natural fit for the breeding and raising of racing stock, and that industry has been an important part of the Kansas economy - playing a central role for several Kansas towns and countless breeders and ranchers across the State. It is a history and modern industry of which we can be proud. It is a refined type of gaming - more than simply pulling on a crank and watching a screen, horse and greyhound racing represent a robust network of breeders, excellent trainers, veterinarians, high quality feed ingredients grown and processed in the state, and the thrill of a live race - the same thrill that spectators have been enjoying since humans began riding horses and wanted to see which one was faster.

But times are different now, and people seeking entertainment, regardless of industry, want a broad range at their fingertips. Guests expect diversification. They want shopping, live music, sports – live and streaming, gaming of all

types and racing.

H.B. 2173 proposes to change the state tax rate on a slot machine at a privately-owned racetrack to 22% from 40% thus creating parity between the private racetrack and the state-owned casinos. The bill does not propose changing the preferential tax rate of the slot machines currently enjoyed by the state-owned casinos although doing so would undoubtedly bring more revenue to the state.

You have heard it said that changing these tax provisions upends "the deal" on casinos in Kansas - that it throws out the arrangement that Kansas lawmakers passed a decade ago. But let's be clear - Kansas gaming laws have changed immeasurably since the first race at Eureka Downs. In just modern history the state passed major changes to the laws affecting the tracks in the 1980s, with sweeping changes in 2007 and additional changes to be more accommodating to a potential state-owned casino in southeast Kansas. Specifically, just a couple of years ago, the Legislature altered SB 66 to facilitate the development of the southeast Kansas gaming quadrant. The Legislature specifically lowered the investment threshold from a minimum investment of \$225 million to \$50 million dollars and reduced the associated privilege fee accordingly. In fact, if the number of slot machines approved for the three racetracks in Kansas are all installed, the \$2,500 per slot machine privilege fee for a maximum 2,800 slots, will be greater than the required privilege fee in the southeast quadrant. Are we to say that the State will never change gaming laws in Kansas again? That is unlikely. As you know, lawmakers cannot bind or encumber future Legislatures.

As legislators, the only "deal" you have before you is what is good for the people of the state of Kansas. You must weigh whether a protectionist policy for state-owned casinos is unfairly holding back one of the oldest and most established industries in the state of Kansas. You must ask yourselves why, if the state owns these casinos - why is it that the casino operators are the ones so forcefully pushing to keep the current arrangement? If we are a state that champions private industry and private investment and free competition, we should allow an investor to reinvigorate a key part of our state's entertainment and let the people of this state choose with their dollars.

Furthermore, this bill allows the citizens of Wichita and Sedgwick County the right to vote on whether they want the greyhound track in their area to re-open. Allowing residents the ability to vote - to express their preference - has generally been a preferred policymaking tenant for Kansas lawmakers. HB 2173 states that the ballot language would read, "We request an election to determine whether the operation of electronic gaming machines at the Wichita Greyhound Park by the Kansas Lottery shall be permitted in Sedgwick County." As opposed to the 2007 ballot language Proposition 1: Shall the following be adopted? Shall the Kansas lottery be authorized to operate a lottery gaming facility in SGCO? Proposition 2: Shall the following be adopted? Shall the Kansas lottery be authorized to place electronic gaming machines in SGCO?

Admittedly, these haven't exactly been great years for the horse and greyhound breeders in Kansas. Without races in the state, more of the infrastructure that keeps a professional breeding system thriving is moving to the states where business is located, including Oklahoma which now boasts a \$4 billion dollar a year industry. Kansas has the National Greyhound Association and the Greyhound Hall of Fame in Abilene. Tucked away in quiet corners of the state, Kansas has some of the top horse breeders in the country. Let's keep them here in the Kansas and utilize them to grow the economy by putting the privately owned tracks back on a level playing field with the state owned casinos.

In 1990, the Woodlands attracted 1,700,000 guests and the Wichita Greyhound Park attracted 800,000 fans. Noting the \$80 million in STAR bond incentives proposed for an attraction in Wyandotte County which touches 100,000 people annually, passage of HB 2173 which creates tax parity; allows for a citizen vote, and provides financial protection for the state would spur creation of more than 4,000 jobs across Kansas; unleash hundreds of millions in new payroll taxes, state and local revenue while reinvigorating a storied industry in our State. While the 1,700,000 guests seems like a number in our rearview mirror, passage of H.B. 2173 creates a new number to attain and exceed. And that brings nothing but new economic benefit to Kansas - something we all are striving to achieve.

Thank you for your consideration.