

Date: March 11, 2020

To: House Federal and State Affairs Committee

From: Jeff Rutland
Kansas Quarter Horse Racing Association

Re: Testimony in Support of HB 2671 **ONLY IF** Amended (with HB 2280 Language)

Chairman Barker and Committee Members:

The oddity of the supporters to open the Kansas Expanded Lottery Act is absolutely amazing. I hope everyone can see the irony of this hearing today. For the past ten years, when the racing industry has brought legislation that could open The Woodlands racetrack, the casino groups have come before this body claiming foul, claiming that it would destroy their businesses, claiming a change would breach their contracts with the state and going so far as to threatening law-suits against the state if the KELA were tampered with and changed in any way. Yet here we are, now that it's their idea, to suddenly think that it's okay to change the law. Doesn't this seem just a bit self-serving to you? They are lobbying strongly to amend the KELA that will be sure to increase these out-of-state operators' profits, probably increase casino attendance and more than likely, in future years, lay grounds to expand even further into an on-line gambling platform ... all while doing little to the state's revenue. If you are going to amend current law, I ask you to consider the racing industry and the good it could do to all of Kansas if allowed to re-establish itself. Include changes that would allow The Woodlands to open and bring back a \$200 million industry to the state. That's right, it's important that you understand this clearly. Amending this bill to allow The Woodlands to operate successfully will bring back an economic driver that will create well over a \$200 million economic impact on rural Kansas ... without any added incentives from the state. Think about that for just a minute. What other industry in Kansas that wants to re-establish itself here could boast a similar value to the state's rural economy? Over the past several years, this body has been given numerous pieces that documents the value of our industry to the state. I would be happy to supply any one of you with some if you aren't already convinced of our importance.

For a brief history ... during the session of 2007, before SB 66 (KELA) passed, Governor Kathleen Sebellius called lobbyists connected to the bill into her chambers and laid out some very certain terms. It was a take it or leave it ultimatum. If accepted, the bill had a high chance of passing both chambers. If changes were attempted, the bill would be killed. But included was her promise that a trailer bill could be run the following year to fix any flaws that might prevent the bill from working as intended. She left office months later for Obama's post and the trailer bill never happened. 2008 brought the financial depression and SB 66 would not work for the racing industry, requiring that 40% of NMI at the tracks go to the state while the same share of NMI at the state-owned and operated casinos was only 22%. In fact, another crucial flaw of SB 66 being consider for a change in this bill is one that requires the KRGC to do background checks on any person that owns 0.5% or more of the entity which holds the casino operator's license. To this day, the KRGC shows total disregard of this requirement by not following what is written in law. Who knows what casinos or racetracks would be operating today had this requirement been strictly adhered to. I point this out to reiterate, changes do need to be made to the

KELA to make it workable for Kansans. See to it the intent of the original law is allowed to function properly by bringing rural agri-economic development to the state thru horse racing.

Yes, for the past ten years we've been here asking for these changes. Those of you who have been here during this time know that the only reason our racetrack is still closed is because of the casino groups' strong opposition and threats. For you recently elected legislators, you probably have asked "Why hasn't this change been made that would re-vitalize a once-important part of our state's economy". It's a logical question that nobody seems to be able to give a good answer to. Is it because a change would pump over \$200 million into the state's rural economy? Is it because there are horse owners in every single county in Kansas? Is it because it would generate millions of dollars in new tax revenues for the state? It would not only re-vitalize existing agri-related industries tied to racing to re-invest but would attract new out-of-state investment into our existing framework that makes horse racing a part of our culture here in the Kansas. It simply makes good sense! It's the right thing to do. The ONLY opposition you will have to this amendment will be the STATE-OWNED casino groups because they simply don't want the competition.

Time has come for Kansas to make changes to KELA. Over the years, the gambling industry has changed and we must allow the racing industry to change as well. In 1984, 23% of the gambling dollar wagered in America was bet on horse racing. Today, that figure is less than 3%. The intent of the KELA was to see that the expansion of gaming encouraged racing to maintain its contribution to our state's economy. Our old business model no longer works. Our law needs to be amended to insure the best for all Kansans.

If passed as is, HB 2671 will increase these out-of-state casino group operators' profits by millions of dollars while doing little for the state as a whole. But if you add language that would put racing back into operation in Wyandotte County, feeding the many tributary businesses that our industry effects directly and indirectly, you will see hundreds of millions of dollars re-circulated all across the state each year. I ask that you do the right thing and amend this bill to reflect the true intention of the KELA. Bring horse racing back to Kansas. Amend the language included in HB 2280 into this bill.

Thank you for your consideration.

Respectfully,

Jeff Rutland
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Kansas Quarter Horse Racing Association

The Kansas Horse Racing Industry

- Industry fed thru purses
- Early '80s 23% of gambling dollar was wagered on pairmutuel racing
 - Today, less than 5% is wagered on pm
- Kansas passed the law in 2007, legalizing casino style gambling and slots at tracks
- We have gambling, the issue is not about expanding the gambling law
 - It's about directing a portion of the revenue from slots back into rural Kansas
 - We are simply asking for a reduction in the state's share of slot revenue **AT THE WYANDOTTE COUNTY-ONLY RACETRACK** to be even with what the casinos pay
- Horse industry in Kansas is a major piece of the agri-business of the state
 - Industry provides over \$39 billion in direct economic impact annually across the U.S.
 - Pays almost \$2 billion in taxes each year
 - Much of this attributed to Kansas horse industry
- Kansas ranked 5th in the nation in production of running QH in the '80s.
- Opening the tracks will undoubtedly provide for a huge incentive for existing breeders as well as new investment
- Restricted races for state bred horses offer larger purses against a smaller pool of competition
 - The Kansas bred program allows much of the purse money to stay, and be circulated, here in Kansas

Kansas Horse Racing Facts

- 7,783 Horses associated with live racing industry
- \$272 million investment in land, equipment and Livestock
- 1,351 jobs
- \$103 million annual direct economic impact
- \$375 million total economic impact annually

➤ Presence in nearly every county in Kansas

- In 2012, the economic impact of the horse racing in Oklahoma was \$3.6 billion
 - and \$100 million in state and local taxes
 - And paid over \$122 million to education thru the operation of slots at the tracks
- opportunity to create one of the greatest economic stimulus plans this state could have at this time.
 - It's not about gambling. Gambling is all around us.
 - This is about re-directing a revenue stream from gambling, one that already exists but is all currently leaving the state.
 - This is about rural Kansas.
 - Allowing the racetracks to get back in business will bring back the incentives to raise horses in Kansas,
 - attracting new investment and re-generate the spending on feed, hay, land, equipment, buildings, veterinarian services, truck and trailer dealerships, tire shops, hardware stores, lumber yards, etc., etc.....
 - **AND IT CREATES JOBS!**
- **Oklahoma's horse racing industry injected \$491,110,000 into the state's economy in 2012.**
- **Oklahoma's horse racing industry yields 6,450 full time equivalent jobs** in the state.
- **Each 100 racehorses create 50 jobs and \$34,700 economic impact.**
- There are roughly 14,000 horses dedicated to the racing industry in Oklahoma.
- There are over 800 breeding, training and racing enterprises in Oklahoma.
- There were over 6,500 individual racing licenses issued to participants from 23 different states.
- Out of state racing operations spend up to 8 months out of the year in Oklahoma, paying expenses in the state.
- Oklahoma equine industry pays more than \$100 million annually in state and local taxes.
- Before the closure of Kansas racetracks in 2008, over 7,500 state-owned horses were dedicated to the racing industry in Kansas.
- Based on the detailed study done on the economic impact of the horseracing industry in Oklahoma, one should assume Kansas could, once again, boast numbers at least 50% of those in Oklahoma.
Therefore:
- **Can Kansas afford NOT to allow an industry to re-establish in the state that could offer over 3,000 jobs?**

- Can Kansas afford NOT to allow an industry to re-establish in the state that could inject well over \$200 million into the state's economy each year?
- Can Kansas afford NOT to allow 400 race-related enterprises to establish in Kansas, each one making more than \$40,000 capital expenditures each year?
- Kansas has had a well-established agri-based industry dating back to the early 1900's.
- This industry offered not only jobs and financial input to the state, it created family values and a way of life for many.
- The racing industry utilizes much of the local blue-collar work force yet attracts a large percentage of out-of-state specialized labor.
- Allowing the Kansas horse racing industry to come back has little to do with expanding gaming, as the law of 2007 did.
- It would simply allow the law to work for the state as the bill was originally intended to do.
- Kansas should not turn their back on any industry wishing to come to the state, especially one with such rural impacts.

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Allowing Change to Wyandotte County Racetrack Gaming Facility Will Benefit Agri-business thru Horse Racing in Kansas

- Horse Racing has been a part of Kansas history since the 1800's. Eureka Downs began in 1872.
- In 1986, the citizens of Kansas overwhelmingly voted to change the state's constitution to allow Parimutuel racing ... sending a clear message this industry was important.
- Throughout the 20th century, Kansas was ranked 5th in the production of QH and among top 10 in the production of TB in the nation.
- In 1989, The Woodlands opened, attracting over 1.7 million visitors its first year and generating a market-place for the racing industry of the state while attracting new out-of-state investment in land, facilities, machinery, etc.
- In 1990, Kansas received over \$1.5 million for its share of the parimutuel handle.
- In 1985, parimutuel wagering accounted for 24% of the total dollar wagered. Today that figure is less than 3% as casino gambling has savaged the dollar once bet on horse racing.
- By 1993, Missouri riverboat casinos had begun to take its toll on The Woodlands, ultimately forcing it into bankruptcy and financial struggles into the new millennium.
- In 2007, after the KELA was signed into law, residents of Wyandotte County voted to allow a racetrack gaming facility there with over 82% of the votes cast in favor.
- In 2008, the track was closed when the operator realized they could not sustain a profitable operation by distributing 40% of the slot revenue to the state while the lottery gaming facility directs only 22% to the state.
- After years of attempting to change the state's share of slot revenue at each of the three racetracks, a bill was voted on by the Senate which would allow these similar changes be made at the Wyandotte County racetrack-only. It passed by a count of 24 to 12. But the House failed to be able to seriously consider the bill in the last hours of the session.
- Revenue from lottery gaming facilities has little economic impact on counties outside of Wyandotte County. But a racetrack gaming facility will be a strong economic driver for the horse racing industry, and the agri-businesses it is tied to, which lends economic benefits to every county across the state of Kansas ... creating jobs and income both directly and indirectly.
- Kansas horse racing not only generates revenue for the state thru taxes, it offers a certain foundation of family farm values to the youth of the state.
- This economic development project requires zero funding from the state as incentive to rebuild the horse racing industry that has deep roots to Kansas agriculture.
- Adding horse racing to the entertainment venue Wyandotte County already offers will attract an even more diverse business investor, tourist and fun seeker to Kansas.