

# GREY2K USA WORLDWIDE



To: Chairman John Barker  
Vice Chair Ron Highland  
Ranking Minority Member Louis Ruiz  
Members, House Federal and State Committee

From: Christine A. Dorchak, Esq.  
President, GREY2K USA

Re: HB 2173 – lower tax rate on slot machines at racetracks, dog racing required

Date: February 6, 2017

I am the President and General Counsel of GREY2K USA, a national non-profit organization with more than 100,000 supporters. We work to pass greyhound protection laws, promote greyhound adoption and phase out dog racing. Thank you for the opportunity to address issues concerning the economic impact of racing in Kansas.

At this time, the legislature is being asked to consider a proposal to lower the statutory tax rate on slot machines at racetracks. Part of the pitch for this idea is that some of the profits could be used to revitalize dog racing, create thousands of jobs and an economic engine for the state.

Nothing could be further from the truth.

The greyhound racing subsidy proposed in Kansas has not worked in any other state, ever. Instead, commercial dog racing continued its catastrophic decline, the stands remained empty, and states like Florida, Iowa, Rhode Island and West Virginia found themselves holding the bag.

## **The greyhound racing subsidy proposed for Kansas has not worked in any other state.**

Subsidizing dog racing with profits from expanded gaming is a policy that has failed repeatedly in other states. In the early 1990's three states (Iowa, Rhode Island and West Virginia) tried to use slot machine subsidies to revive greyhound racing. In all three states, this policy cost the state millions in lost revenue and rather than save the industry, greyhound racing only declined further. Rhode Island ended these subsidies and decoupled dog racing in 2009. Iowa followed suit and ended its greyhound subsidy program in 2014. West Virginia is now looking to do the same, as are the tracks of Florida.

In 2004, two Florida dog tracks were authorized to offer slot machine gambling. But they can only do so if they also run a full schedule of live racing. Both tracks support legislation to decouple live racing at their facilities. The Miami track alone loses \$5 million a year because of the state's live racing mandate. All combined, Florida tracks lose more than \$30 million on live racing each year, but they need to maintain the activity as a loss leader for card games and the other profitable forms of expanded gambling they wish to offer.

In Arkansas, despite the introduction of slot machines at its Southland dog track, the amount of money wagered on live dog racing has still plummeted 45% in the last eight years.

In Arizona, live racing has just been prohibited but the facility remains open for other forms of gambling. After years of struggling, the state's only dog track has now streamlined its business model and the state is no longer left subsidizing the losses it took on live racing. According to a recent state audit, the facility was in bankrupt status and gambling on the dogs had decreased by 61% since 2008.

It should also be noted that nationwide, the dog racing industry as a whole employs very few people. The US Economic Census of 2012 indicated that the total number of racetrack employees in counties with active dog tracks was between 7,788 – 16,059 people. This included full and part-time employees for all horse tracks, dog tracks and auto racetracks. These figures represented the aggregate employment data for fifty-eight racetrack facilities, of which only twenty-two were dog tracks. The minimal employment opportunities provided by greyhound tracks is further supported by data from the Iowa Racing and Gaming Association, which reported that its two tracks had only eighty-eight racing employees as of 2014. One of these two tracks stopped offering racing in December 2015.

More information about the futility of using slot machines as an economic generator for live dog racing is included below. In short, it makes little sense to ignore the reality that dog racing is a dying industry wherever it still persists, and that current dog track owners are fighting to end it because dog racing is objectively beyond redemption as a commercial enterprise.

### **Dog racing was a failed experiment in Kansas**

In Kansas, commercial greyhound racing was introduced in 1989. This was more than fifty years after dog racing had first been legalized in other states and at the same time that the industry had begun its current national collapse. According to the Association of Racing Commercial International, from 1990 to present, there has been an 81.5% reduction in gambling on live racing nationwide. More than thirty tracks have closed in ten states and dog racing remains legal and operational in just six. Florida remains the one big dog racing state, and it is losing as much as \$3.3 million per annum simply because the cost of regulation exceeds taxes collected.

Following the national trend, the three Kansas tracks experienced a 95% decline in greyhound gambling from 1989 to 2007. Wichita Greyhound Park and The Woodlands had been the first tracks to open. A third dog track, Camptown, started racing in 1995 but went dark just six months later. All three tracks experienced significant financial losses and as a result, live greyhound racing ended in August of 2008.

Even Phil Ruffin himself has admitted that dog racing is a dying industry. In response to a question about the effect of putting slot machines at his tracks, he told the Lottery Gaming Facility Review Board that "Parimutuel is a losing proposition. When we closed Camptown I think we were losing a couple hundred thousand a month, but parimutuel is not a viable business anymore anywhere in the country ... Parimutuel [horse racing] is dead and Greyhound is even worse." When Wyandotte County Unified Government Commission voted in April to prohibit dog racing from returning should the track reopen to host slot machine gambling.

### **The proposed subsidy to prompt the return of live racing should be rejected.**

This scheme has been tried in other states and failed. It makes little sense to sacrifice what would otherwise be General Fund revenue to prop up a dying industry.

## The Failure of Greyhound Racing Subsidies

Greyhound racing subsidies are a failed experiment. In the states that implemented them - Rhode Island, Iowa, West Virginia, and Arkansas – they have served only to prop up a dying industry.

**Rhode Island:** On July 28, 2009, *The Providence Journal* published the article “Fate of dog racing in R.I. takes another twist.” Journalist Katherine Gregg writes, “The owners [of Twin River Casino] blame their financial arrangement with the dog owners’ association for some of the money troubles, since the racing nets them only \$1.75 million, not nearly enough to cover the \$2.5 million expense or the \$9 million subsidy they are currently obligated to pay the greyhound owners.”<sup>1</sup>

Twin River ceased live racing on August 8, 2009.

**Iowa:** On January 21, 2014, *The Des Moines Register* published the article “\$14 million in casino subsidies keep greyhound tracks open.” Journalist William Petroski writes, “Combined betting at the Mystique greyhound track in Dubuque and Bluffs Run Greyhound Park at Horseshoe Council Bluffs has dropped from \$186 million in 1986 to just \$5.9 million in 2012, a 97 percent decline... What’s still keeping the greyhound racing operations going are about \$14 million in annual subsidies from Iowa casino profits, as required by the Legislature.”<sup>2</sup>

Bluffs Run ceased live racing on December 18, 2015.

**West Virginia:** On January 9, 2015, the Spectrum Gaming Group published their report *Impact Study: West Virginia Greyhound-Racing Subsidies*. The group states, “Live handle, or wagering on races, at West Virginia greyhound racetracks has declined from \$35.0 million in 2004 to \$15.8 million in 2013, or 55 percent over the 10-year period. Despite the decline in live handle, purses since 1990 have increased dramatically ... The reason for the anomaly: Purses have been artificially inflated or fueled by subsidies from racetrack casino Video Lottery and table games operations.”<sup>3</sup>

**Arkansas:** Arkansas Business.com published a profile on Southland Greyhound Park. The author writes, “In 1989, gamblers wagered \$212 million on live greyhound races at Southland. By 2005 that figure had dropped to \$33.5 million.”<sup>4</sup> Electronic games of skill were introduced in 2006, which then began a history of subsidies. By the end of 2013, live greyhound handle had dropped to \$18,376,901.10, in spite of the financial aid imposed by the state subsidy program.

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<sup>1</sup> Katherine Gregg, “Fate of racing in R.I. takes another twist,” *The Providence Journal*, July 28, 2009.

<sup>2</sup> William Petroski, “\$14 million in casino subsidies keep greyhound tracks open,” *The Des Moines Register*, January 21, 2014.

<sup>3</sup> Spectrum Gaming Group, *Impact Study: West Virginia Greyhound-Racing Subsidies*, January 9, 2015.

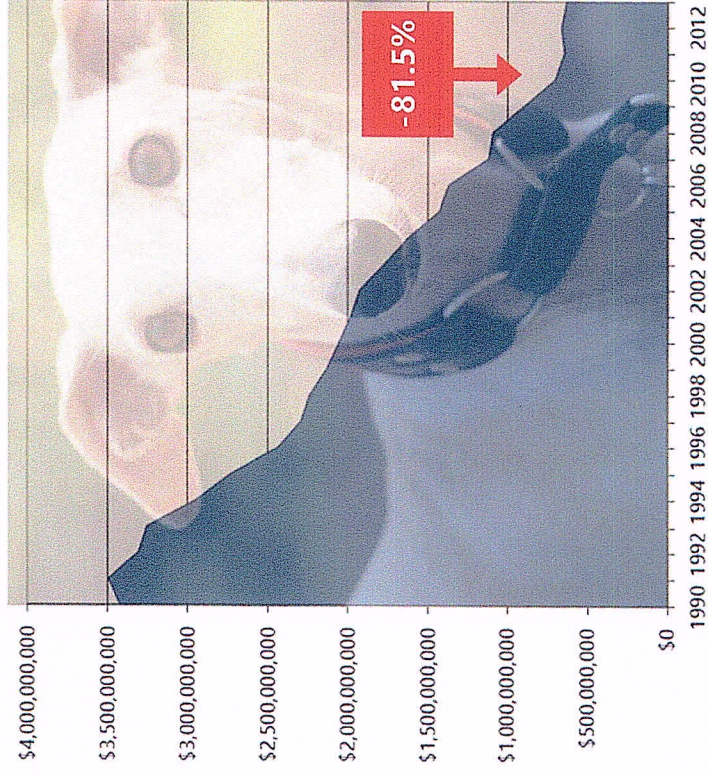
<sup>4</sup> “Southland Greyhound Park,” *Arkansas Business*, Arkansas Business.com, accessed 2/24/2016.

# Propping Up Dog Racing is a Failed Policy

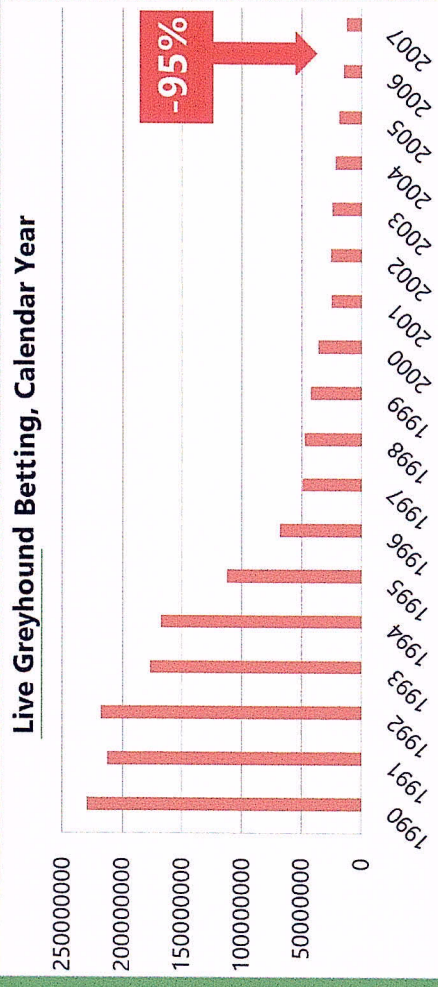
“Parimutuel is not a viable business anymore anywhere in the country.” Phil Ruffin, May 29, 2015

## Across the United States

Total Amount Gambled on Greyhound Racing, 1990-2013



## In Kansas



In the early 1990's three states (Iowa, Rhode Island and West Virginia) tried to use slot machine subsidies to revive greyhound racing. **In all three states, this policy failed.** Rather than save the industry, greyhound racing only declined further.

