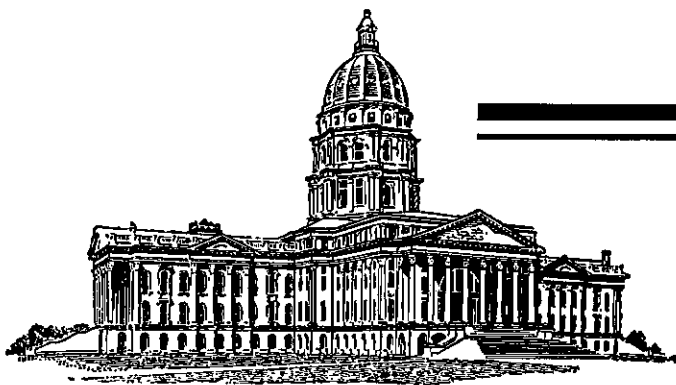




PERFORMANCE AUDIT REPORT

**Reviewing the Impact of
Parimutuel Racing In Kansas
On the Kansas Racehorse and
Greyhound Industries**

Executive Summary ***with Findings and Conclusions***

**From a Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
March 1996**

Legislative Post Audit Committee

Legislative Division of Post Audit

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March 11, 1996

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions from our completed performance audit, *Reviewing the Impact of Parimutuel Racing In Kansas On the Kansas Racehorse and Greyhound Industries*.

If you would like a copy of the full audit report, please call our office and we will send you one right away. We would be happy to discuss our findings or any other items in the report with you at your convenience.

A handwritten signature in cursive script that reads "Barbara J. Hinton".

Barbara J. Hinton
Legislative Post Auditor

Reviewing the Impact of Parimutuel Racing in Kansas On the Kansas Racehorse and Greyhound Industries

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

The numbers contained in this report are based on a survey of all relevant racehorse breeders, greyhound breeders, racehorse owners, and kennel operators. The survey response rates we received from some groups--particularly racehorse owners and breeders--were not very high. Although we received responses from breeders in all size categories (large, medium, and small), we can't say with certainty whether the responses we received are completely representative of the populations we surveyed. Thus, the numbers contained in questions one and two of this report should be viewed as a ballpark estimation of the economic impact on these businesses as a result of legalizing parimutuel racing in Kansas, and should not be considered exact.

Question 1: What Impact Has Parimutuel Racing Had on the Kansas Racehorse and Greyhound Breeding Industries?

We estimated that, in 1995, Kansas breeders sold \$1.4 million page 6
worth of race animals as a result of having parimutuel racing in
Kansas. *We considered a race animal to be sold as a result of parimutuel if it was sold to race at one of the three racetracks (Woodlands Race Track, Wichita Greyhound Park, and Camptown Greyhound Park) that have come into existence since parimutuel wagering was legalized. We estimated that racehorse and greyhound breeders sold about \$3.2 million worth of race animals in 1995, and about \$1.4 million of those animals were sold to race in Kansas.*

Industry officials tell us the Kansas racehorse and greyhound..... page 7
breeding industries initially grew by about 30% as a result of
parimutuel racing, but are much smaller now. *About 38% of the racehorse breeders and 56% of the greyhound breeders responding to our surveys indicated they started their breeding operations as a result of parimutuel racing being allowed in Kansas. However in recent years, membership in organizations related to horsemen has declined, while membership in the Kansas Greyhound Association has remained fairly constant. The number of Kansas-bred greyhounds registered in Kansas since parimutuel increased until 1992, then stabilized. The number of Kansas-bred racehorses registered has continued to decline, from 802 horses in 1990 to 199 horses in 1995.*

Question 1: Conclusion — *Currently, it appears that racehorse page 11*
and greyhound breeders annually sell about \$1.4 million worth of race animals to race at Kansas racetracks established since the passage of the Parimutuel Racing Act. About \$933,000 of that amount is for racehorses, and about \$473,000 is for greyhounds. Breeders say both industries grew about 30% as a result of parimutuel racing, but have declined in recent years because of the drop in attendance and wagering at Kansas racetracks. It does appear that the industries were once somewhat larger,

and that a number of people did start breeding businesses because of parimutuel racing. Of the two industries, it appears the racehorse breeding industry has been hardest hit by declines in attendance and wagering at Kansas racetracks.

Officials from the various breeder organizations who responded to the draft report questioned why we only counted the animals that were bred in Kansas to supply Kansas racetracks. This approach was taken because the Special Committee on Gaming asked us to focus on that portion of the breeding business that could be attributed to legalization of parimutuel racing in Kansas.

Question 2: What Economic Impact Has Racing Had On Kansas Agribusinesses Such As Food Suppliers and Veterinarians?

We estimate that the economic benefit to Kansas agribusinesses supplying goods and services to breeders and owners of race animals as a result of having parimutuel racing in Kansas was about \$15.2 million in 1995. The racing industry has an economic impact on the businesses that supply goods and services to owners and breeders of racing animals in three ways. page 12

- *the money breeders spend while the racehorses or greyhounds are being raised and trained in Kansas—estimated at \$9.9 million in 1995*
- *the money racehorse and greyhound owners spend to keep their race animals in Kansas while they are racing at Kansas racetracks—estimated at \$4.5 million in 1995*
- *money spent for racehorses that remain in Kansas during the non-racing season—estimated at \$788,000 in 1995*

Most of the money racehorse and greyhound owners, breeders, and kennel operators spent with Kansas agribusinesses in 1995 went for animal training and food. Together, racehorse and greyhound owners, breeders, and kennel operators spent about \$3.9 million for training and \$3.1 million to feed the race animals. These two categories accounted for nearly half the expenditures reported in 1995. page 13

Question 2: Conclusion — Currently, it appears that having parimutuel racing in Kansas creates about a \$14 million to \$15 million a year economic benefit for Kansas businesses that supply goods and services to breeders and owners of race animals. The largest economic beneficiaries appear to be animal trainers and food suppliers. If Kansas racetracks were to go out of business, these individuals would be among those who would likely suffer the greatest economic loss. page 16

Officials from the various breeder organizations who responded to the draft report questioned why the scope of the audit didn't include economic activity generated by the racetracks themselves, and why economic multipliers weren't used to project the impact on the entire Kansas economy. In requesting this audit, the Special Committee on Gaming specifically asked us to look at the direct economic impact parimutuel racing has had on the breeding industries and on associated agribusinesses such as veterinarians, food suppliers, trainers, and the like. That is the scope the Legislative Post Audit Committee approved.

Question 3: How Much of the Prize Money Awarded At Kansas Tracks Ends Up Going to Kansas Residents Who Own Racing Animals?

In 1995, about \$4 million, or 47% of the total prize money paid out at Kansas racetracks, went to Kansas residents. page 17
During 1995, patrons at The Woodlands Race Track, Wichita Greyhound Park, and Camptown Greyhound Park wagered more than \$164 million on greyhound and horse races. About 5% of that money, or about \$8.6 million, went to pay purses for winning greyhounds and horses at those tracks. About \$6.8 million of the total purses were paid for winning greyhounds, and the remaining \$1.8 million was paid for winning horses. About 47% of the prize money was paid on behalf of winning animals owned by Kansas residents: \$3.2 million for greyhounds and \$800,000 for racehorses.

Kansas owners and breeders also received about \$1 million from purse supplements and breed awards when Kansas-bred race animals won at the tracks. page 18
Another way winning race animals can generate money for Kansas residents is through programs established to encourage breeding of race animals in Kansas. In 1995, \$372,620 in purse supplements and \$621,410 in breed awards were provided for Kansas-bred race animals.

Owners and breeders of Kansas race animals told us the demand for Kansas-bred race animals is declining, because the prize money paid in Kansas isn't as attractive as in other states. page 19
The prize money paid at Kansas racetracks is directly linked to attendance and the amount of money wagered at the tracks. As less money is wagered at the tracks, less money is available for purses, purse supplements, and breed awards. Officials told us that purse supplements encourage people to buy Kansas-bred race animals, while breed awards encourage people to enter into the breeding industry in Kansas. Officials also told us that some breeders in the State take their animals to be bred in other states.

Question 3: Conclusion — *Kansas residents received slightly more than \$5 million during 1995 as a result of animals they owned or bred winning races at Kansas tracks. They received about \$4 million of that money from purses at the track, and about \$1 million from purse supplements and breed awards made from the Kansas Horse Breeding Development Fund and the Kansas Greyhound Breeding Development Fund. As the amount wagered in Kansas declines, there will be a corresponding decline in the amount of money available for purses, purse supplements, and breed awards.* page 22

Appendix A: Survey Responses from Racehorse Breeders page 23

Appendix B: Survey Responses from Greyhound Breeders page 27

Appendix C: Survey Responses from Racehorse Owners page 31

Appendix D: Survey Responses from Contracted Kennel Operators page 35

Appendix E: Estimate Methodology page 39

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Appendix G: Audit Responses page 47

This audit was conducted by Trish Pfannenstiel and Scott Brunner. If you need any additional information about the audit's findings, please contact Ms. Pfannenstiel at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (913) 296-3792, or contact us via the Internet at: LPA@PostAudit.ksleg.state.ks.us

