



# Testimony before the House Federal and State Affairs Committee

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By:

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&  
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Chairman Siegfried, Vice Chair Huebert, and Committee Members:

Boot Hill Museum, through its subsidiary Boot Hill Gaming, speaks today in support of legislation to allow for expanded gaming in the State of Kansas.

Dodge City appreciates the kind reception by the Chair and Committee members in hearing our testimony in support of expanded gaming, specifically as it relates to Southwest Kansas. For us, this is simply family business – develop a partnership that will increase tourism, economic development to Kansas, and generate meaningful tax revenues at the State, regional, and local levels. Governor Sebelius, spoke to Dodge City residents and stated that her administration will *“look to partnerships with local communities for tourism and travel as a strategy for growing this economy”*. As one of Kansas’ primary tourism destination sites, Dodge City fully agrees.

We believe a challenge to your committee is to evaluate the impacts and effects of expanded gaming and to evaluate proposals that would:

- maximize tax revenue to the State of Kansas,**
- enhance entertainment opportunities in Kansas communities,**
- enhance economic opportunities in Kansas communities, and**
- provide a sustainable, realistic business model.**

Dodge City and Ford County leaders believe we have a sustainable business model that effectively answers each of these issues.

- **Maximize Tax Revenue to the State of Kansas**

Based on conservative models, Dodge City has proposed tax distribution percentages in the past that would direct revenues to State general funds, State and Southwest Kansas tourism, and local City-County municipalities in excess of \$20 Million annually.

Analysis of conservatively projected revenues indicates that a destination casino located in Dodge City would provide that level of new tax, based on estimated gross annual gaming revenues of \$54 Million. In fact, Christiansen Capital Advisors (CCA) engaged by the Kansas Lottery to assess the feasibility of gaming in Kansas, projected even higher gross revenues from a Casino in Dodge City in their 2004 report and again in their updated report of 2006, than our own estimates.

- **Enhance Entertainment Opportunities in Kansas Communities**

In 1997 Dodge City said that it would become the entertainment capital of SW Kansas and voters made a commitment to that goal when over 70% approved a one-half cent sales tax to build entertainment facilities. Today, we have a nationally recognized motor-speedway complex, state-of-the-art baseball and soccer fields, and improved concert-arena facilities.

This *'entertainment facility'* sales tax had no sunset and included a voter commitment to fund a \$30 Million Convention/Special Events Center that is currently in the development stages. Ford County voters reaffirmed their commitment to this entertainment and tourism development tax in November 2004, again without a sunset.

It is a model of public-private partnership in the development of a destination casino/convention complex. The local voter approved a \$30 Million convention/special event center – a natural companion to a destination Casino complex and the private development of Hotel facilities. Gaming compliments the investment platform Dodge City and Ford County citizens have already made in their community and our objective to be the center of regional entertainment facilities. Our convention capacity is planned to increase from less than 200 to 1,000. In addition, we have two new hotels under construction now.

Old west history clearly involved gaming parlors and games of chance. Dodge City has been a destination site in Kansas since 1872 and we're proud of our worldwide brand name. A gaming-convention complex is a comfortable companion to Dodge's invitation to revisit the legend and our promise of *'Old West – New Excitement'*.

- **Enhance Economic Opportunities in Kansas Communities**

The Christiansen report compares gaming facilities from the standpoint of revenue for the State. Clearly Dodge City's proposal is not the largest – and was never intended to be. But, it is a sustainable model that, in relative terms, could have the largest economic impact on the local area. Christiansen made the point that in the competitive areas of NE and SE Kansas it was difficult to project what could happen with competition closely across state lines.

A Dodge City facility was not designed to be supported by local gaming patrons. Southwest Kansas is a tourism destination for old-west entertainment and we are expert in developing travel itineraries and attractions for regional tourism. That is our host market. Not the largest casino – but very efficient in the development of our market.

Dodge City needs to diversify from its concentration of employment in agricultural and meat processing industries. Tourism and entertainment represent a large segment of our economic base and provide significant opportunities for expansion. Before gaming opportunities arose, Dodge City was investing largely in its quest to be the entertainment center of Western Kansas.

With a capitalized investment between \$55–70 Million to complete the casino, and over \$30 Million in local sales tax for development of a Convention/special events Center, Dodge City will add approximately 300 new jobs with estimated annual payrolls of nearly \$8 Million. Most important for us – **It's an All-Kansas team – a Dodge City destination facility will be owned, managed and operated by only Kansan's.** Every dollar of gross gaming revenue at a Dodge City facility will land in a Kansas pocket first. We don't believe any other proposed site can make that claim.

In addition, Non-lodging tourism spending is projected to increase by \$2,592,960 and gross lodging sales to increase by \$1,728,640. Not the largest impact to some – but on a relative basis, much larger to our rural Western Kansas market.

Dodge City has proposed that a percentage of gross gaming revenues may be dedicated to fund the development of a grant pool, administered through the Kansas Department of Commerce Travel and Tourism Development Division, for member-entities of *'Wild West Country'*, an unfunded regional tourism group comprised of 22 counties in southwest Kansas. We believe that by funding such grant-pool, members of this southwest Kansas tourism coalition will effectively gain a participatory ownership in the Dodge City casino complex that directly enhances the tourism and economic development projects in their individual communities. In other words, each member-entity has the opportunity to directly benefit from expanded gaming through funding of their local individual tourism and economic development activities. Collectively, this enhances Kansas' ability to develop regional tourism themes that will significantly benefit all southwest Kansas communities.

#### ○ **Provide a Sustainable, Realistic Business Model**

Dodge City has long maintained a seasoned tourism infrastructure through Boot Hill Museum, who greets over 90,000 visitors per year; a very active Convention and Visitors Bureau who coordinates our marketing and delivery of first class community services, and a Chamber of Commerce-Economic Development Corporation who continuously measure and guide our community development.

- Dodge City has public/private assets in place to be a significant partner in a destination Casino complex.
- Dodge City is very experienced in the development and management of tourism services and companion industries.
- Dodge City has brought together a primary team of City, County, Economic Development Corporation, Community Facilities Advisory Board, Boot Hill Museum and Boot Hill Gaming representatives to facilitate the local control and success of an expanded gaming complex in our community. **Our development team is the people of S.W. Kansas, not an out-of-state organization. We speak for ourselves.**

Simply, Dodge City is prepared to expand its tourism services through the implementation of expanded gaming with probably the least difficulty of any city in Kansas. Dodge City is prepared to provide a first-class destination gaming facility. It's a very natural extension of our existing brand name – known world wide.

- **Summary**

HB-2055 in its current form is not the best plan from Dodge City's perspective or from Christensen's study. We believe that the CCA report gives credence to the recommendation that there be a Western Kansas non-exclusive gaming zone and that Dodge City's capital plan is perfectly sized for that market. We can always increase a facility size, but refuse to overbuild in the beginning just to satisfy a comparable model description of large-casino development in other parts of the State.

Dodge City wants to stress to the Committee the value of Kansas approving legislation providing for destination casinos. While we understand the complexity and confusion attached to many of the proposals for expanded gaming, none of that exists with the presentation you are hearing today.

We provide a clear, concise proposal for the approval of a gaming facility that is a partnership between our local community – the State of Kansas – and private development. We believe our proposal sets the standard for meeting the challenges of maximizing tax revenues, enhancing regional entertainment and economic opportunities, and being based on a solid business platform.

## **Gaming and Dodge City – It's very simple – It just fits!**

### **Additional Exhibits attached:**

- **A Casino in Dodge City – Feasibility of...**
- **A Casino in Dodge City – Local Impacts and Tax Revenues**
- **A Casino in Dodge City – Ownership and Financing**



## **A Casino in Dodge City – Local Impacts and Tax Revenues**

Boot Hill Gaming, Inc., a subsidiary of Boot Hill Museum has been working with other Kansans to bring gaming to our state. We know that hundreds of thousands of people travel hundreds of thousands of miles each year to gamble. Why not bring some of them to Kansas – particularly Dodge City and southwest Kansas?

The local economic impact for Dodge City and the surrounding 22 counties in Southwest Kansas would be monumental. Based on conservative figures, we could expect more than 500,000 visitors each year in our area, visiting towns along the way to Dodge City.

The casino alone would create more than 300 new jobs, adding nearly \$8 million in new local payrolls.

Boot Hill Gaming's desires a plan that provides for payments to the State of Kansas, Ford County, the City of Dodge City and Boot Hill Museum. Besides helping the budget in Topeka, this plan would improve life in Southwest Kansas.

Gaming legislation will provide specific percentages of gross gaming revenue to be paid to the state (for example - 22%) and Ford County (4% divided between City and Boot Hill Museum) and additional funding for regulation (2%) and problem-gambler treatment services (0.5%). When these percentages are applied to estimated gaming revenue, a casino in Dodge City would provide nearly \$16 million annually in new tax revenues. (All percentages are examples only)

That means approximately \$12 million annually in new tax revenue to the state – over \$800,000 annually to both Ford County and Dodge City - \$270,000 a year to fund quality problem-gambler treatment services- over \$1 million each year back into tourism development for the state, southwest region and Boot Hill Museum – and full costs of regulation and oversight by the state.

In addition, the casino and ancillary service facilities (hotel, dining, entertainment venue, and conference facilities) would add at least \$30 million of infrastructure to our County/City tax base and pay significant property taxes. Projections show that the destination casino enterprise would generate nearly \$1 million annually in sales and transient guest taxes to Ford County and Dodge City.

Overall, the casino enterprise is projected to contribute nearly \$20 million annually in new tax revenues and regulatory fees – not including benefits of \$7-8 million in new payrolls.

When we look beyond the revenue capacity of the casino complex, the project will serve as a catalyst for a host of new and expanded retail and service businesses in Dodge City and add significantly to the value of regional marketing and tour promotion. It's conservatively estimated that non-lodging tourism spending and gross lodging property sales in Dodge City would grow by at least 28% as a direct result of the gaming – convention complex.

Private funding – managed locally for the benefit of Dodge City – a clear companion to our tax-supported entertainment facility, equals a tremendous step forward in diversifying our local economy, expanding our tourism and providing direct and measurable tax and financial impacts.



## **A Casino in Dodge City – Ownership and Financing**

Who will own and operate a casino complex proposed to be built in Dodge City?

Boot Hill Gaming, Inc. (BHG) is a for-profit, wholly-owned subsidiary of Boot Hill Museum. It was formed to separate their lobbying efforts from Boot Hill's normal role as a museum and entertainment facility and charged with the idea of determining whether casino gaming would be beneficial for Dodge City. Boot Hill Museum's primary goal was to find a permanent revenue source that would ensure the museum's future through increased patron visits. A percentage of gaming revenue was a very likely source, as pari-mutuel tracks are required to pay a percentage of their revenue to local non-profit organizations.

Various proposed bills have stated that a destination casino enterprise must include ancillary operations including service facilities such as a restaurant, hotel, entertainment venue, and meeting space that is a part of the destination casino complex. In other words, Dodge City cannot just build a stand-alone casino - it must include ancillary facilities and services.

Proposed bills have also stated that a destination casino enterprise, including its physical infrastructure and real estate and all property and equipment shall be owned by the destination enterprise manager. BHG fits the definition of being the destination enterprise manager and may be the one that provides financing for construction and development of the whole complex, including the destination casino.

Legislation may require that there be an investment in infrastructure of at least \$50 Million and must demonstrate through a market study the feasibility of a destination facility. In addition, proposed legislation may require an accelerated payment of up to \$15,000 per slot machine (with 1,000 machines this will be about \$15 Million) that is due at the time of contract between the State and the destination enterprise manager. This is expected to be 'pre-payment' of tax and recoverable over a five-year period.

The destination enterprise manager must also purchase or lease gaming equipment at a cost between \$10 and \$15 Million (for the size of casino Dodge City recommends), including computer networks and communication systems with the state Lottery. However, to be in accordance with the Kansas constitution, the certificate of authority issued by the state will place "full, complete and ultimate ownership and control of the gaming operation of the destination casino with the Kansas Lottery".

Total costs should run between \$55 and 70 Million to build and equip the casino complex. Those costs would be funded privately by BHG - the casino operator that will eventually be hired – the hotel developer - or some combination of all three. There will be no tax-dollars used in building the destination casino enterprise.

There has been discussion that a Special Event Center, funded by Why Not Dodge sales tax revenues, could be located adjacent to the destination casino complex. This would represent use of tax-dollars, however that project would be independent from the destination casino enterprise.

The destination casino is not dependent upon having the Special Event Center, however BHG believes the Center may be more successful because of its correlation with the casino complex.



## A Casino in Dodge City – Feasibility of...

You've read and heard the reports of a study of gaming in Kansas commissioned by the Kansas Lottery. The report was compiled by Christensen Capital Advisors LLC (CCA) during 2004 and updated in 2006. The surprise event was the focus on how successful a casino resort could be in Southeastern Kansas. Comparing Dodge City and the Galena area, the consultants stated in their 2006 report:

*"...a destination casino resort in the southeastern corner of the State makes more sense than one in Dodge City despite the recent changes in gaming in Oklahoma. With only 62,749 adults within 50 miles, and 738,501 within 150 miles, the Dodge City market will simply not support a large destination casino. CCA estimates that the potential gross gaming revenue from a Dodge City casino (destination or otherwise) would be \$57.7 million, compared to a market potential as much as \$161 million for a destination casino in southeast Kansas."*

CCA continued by noting *"A casino in the Galena area would be vulnerable to further increased competition in the case that a new license is approved in Missouri closer to Springfield (cutting off that market). Similarly, a casino and/or racino in Kansas City would be vulnerable to increased competition should Missouri remove its present loss limit, thereby increasing the competitiveness of Missouri casinos. Such risks are inherent in this type of development and beyond the control of the Kansas Lottery, or any branch of Kansas government."*

The report by CCA also discusses the revenue potential of destination casinos in the Kansas City area at \$255 million and Wichita area at \$241 million.

**We don't disagree! Dodge City has always presented itself as the 'fourth market' for expanded gaming in Kansas.**

The good news is that the consultants (CCA) estimated Dodge City gaming revenues at \$57 million, higher than Dodge City projects at \$54 million. CCA built their assumptions entirely on a trade-pull area – drive in patrons – but not including Dodge City's existing tourism, bus tour development and world-wide brand name.

Dodge City has always proposed it's site as the smaller of the four with an estimated cost of construction between \$50-70 million or less. In fact, previous gaming legislation was designed to favor a Dodge City facility by lowering the minimum capital investment to \$30 million. The large complexes proposed in Northeast and Southeast Kansas are easily in the \$200 million plus range.

Dodge City is not the biggest casino proposal in Kansas, but it is the most organized in the State, developed entirely by local non-profit and public/private interests, and dedicated only to the development of tourism in the 22 Counties of Southwest Kansas, new businesses and tax revenues. **Dodge City is an 'All Kansas Team'** – of-the-people – for-the-people in Southwest Kansas.