

TO: The Honorable Chris Christie
Governor State of New Jersey

FROM: The Governor's Advisory Commission on Gaming, Sports and Entertainment
Jon F. Hanson, Chairman

RE: Recommendations on the Future of Horse Racing in New Jersey

DATE: November 15, 2010

On July 21, 2010 Governor Christie by Executive Order 34 charged this Advisory Commission with continuing the work performed by it under Executive Order 11, including recommending a new self-sustaining course for the horse racing industry in New Jersey, free of taxpayer subsidy.

The horse racing industry in New Jersey is at a crossroads, and didn't arrive there overnight. It is an industry whose two main attractions are losing money and are operated by a State authority that is losing money at a time of enormous challenges to the State budget.

We see our mission as twofold. First, to propose an economically sustainable model for the horseracing industry, without state subsidies. Second, to propose a plan that preserves the possibility of live standardbred and thoroughbred racing in the State. Neither the New Jersey Sports and Exposition Authority, nor the taxpayers of New Jersey, have the wherewithal to support two money losing racetrack operations. Accordingly, we recommend that regulatory and legislative initiatives be implemented to consolidate all live racing at one venue and to sell the State's racetracks and/or racetrack property for operation by the private sector.

Our recommendations are based upon the latest sobering financial results for horse racing in New Jersey. During 2010, even with significant attendance and handle gains from the creation of the Monmouth Park Elite Meet, on-track losses at Monmouth Park alone are projected at approximately \$6.6 million. The Meadowlands Racetrack is expected to experience an estimated loss of an additional \$11 million in 2010. In response to the unsustainability of the current model, we propose a new model for a sustainable industry, implemented over a multi-year transition period, as new forms of wagering become possible and the build out of Off Track Wagering facilities accelerates with the enactment of needed legislative changes. Critically, it is a model that, once in place, will not require taxpayer capital investment or operating subsidies.

Our initial report identified four potential options to move toward a self-sustaining model for the horse racing industry. Since that report in July, we have continued to seek broad and diverse input from the full range of stakeholders, including industry experts, horsemen's groups, state legislators and other interested persons. After considering numerous financial models, we have reached the conclusion that there is no viable self-sustaining industry model based upon two government operated race tracks.

Consequently, we present a direct and difficult solution to a problem that has been in the making for decades. That solution is a structured plan to enhance the value of the State's racing assets and divest the State's interest therein, thus maximizing the value for the taxpayers of those tracks and the public land they occupy.

Our recommendation is to improve the value of racetrack operations through a combination of cost efficiencies and new revenue opportunities within the horse racing product. Specifically, to achieve cost efficiencies we propose the consolidation of all live NJSEA racing operations at Monmouth Park beginning in 2011. However, to preserve the heritage of the Hambletonian at the Meadowlands, we suggest a super six day standardbred meet be held at the Meadowlands in August. The standardbreds would also race a 30 day meet at Monmouth in the fall of 2011 and a 70 day meet in subsequent years. The thoroughbreds would race a 59 day live meet at Monmouth from May to September duplicating successful strategy of 2010. A capital investment of approximately \$4.6 million will be required to prepare Monmouth Park for standardbred racing including, lights, track changeover, a receiving barn and winterizing a portion of the grandstand.

To make private investment in horse racing more feasible, we recommend legislation to ease the siting of Off Track Wagering facilities. We further endorse establishing a full scale Off Track Wagering facility at the Meadowlands, either in a converted front Paddock or at Xanadu, which we believe could become the most profitable Off Track Wagering site in North America.

We also recommend enactment of legislation authorizing exchange wagering, single pool wagering, and instant racing. These concepts, while not a panacea, can bring new revenue to racetrack operations in New Jersey.

Furthermore, we recommend that the State immediately prepare a Request for Proposals for the sale of Monmouth Park, its Off Track Wagering license, the Woodbridge Off Track

Wagering facility and some number of other Off Track Wagering licenses in 2011. If the recommended legislative and regulatory steps are taken, such a sale will not only relieve the public of the losses incurred by the racetracks but also provide revenue to reduce or eliminate the associated state debt. Finally, the property at the Meadowlands Sports Complex is simply too valuable to be occupied by a money losing business. This plan allows for both breeds of racing to continue while allowing the State to pursue the maximum return from the value of public assets including Monmouth Park and The Meadowlands.

We recognize that even if this plan for a self-sustaining horse racing industry is implemented immediately, there will be a period of time during which transitional operating support for horse racing operations is required. Such continued support is acceptable in our view only if it is part of this larger plan to achieve a self-sustaining, privately operated horse racing venue for New Jersey.

We are under no illusions about the ease of implementing these recommendations. But, we have inherited a set of conditions that have been allowed to worsen for a decade and the status quo is simply unsustainable. In our view, we have presented a plan that preserves both standardbred and thoroughbred racing in New Jersey while improving the position of the state's taxpayers.

Jon F. Hanson

Debra DiLorenzo

Robert Holmes

Wes Lang

Al Leiter

Robert E. Mulcahy III