
Public Hearing

before

SENATE WAGERING, TOURISM AND HISTORIC PRESERVATION COMMITTEE

"Testimony from invited speakers regarding the horse racing industry in New Jersey"

LOCATION: Monmouth Park
Ocean Port, New Jersey

DATE: May 9, 2008
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Jim Whelan, Chair
Senator Robert M. Gordon, Vice Chair
Senator John A. Girgenti
Senator Jennifer Beck



ALSO PRESENT:

Gina Marie Winters
*Office of Legislative Services
Committee Aide*

Sonia Das
*Senate Majority
Committee Aide*

Christine Shipley
*Senate Republican
Committee Aide*

Hearing Recorded and Transcribed by
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Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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SENATOR JIM WHELAN (Chair): Good morning.

Thank you all for coming.

We're running a few minutes late, but that's not bad for Trenton time -- those of you who are familiar with the schedules there.

Unfortunately, we were trying to wait for Senator Beck, but she has an emergency that has come up. She will be here in a little bit. But rather than delay too much longer, we wanted to get started, in part because we know that Monmouth has a post time of 12:50. Is that right? (affirmative responses) We were hoping to end by noon, but again that may be Trenton time, so that may get pushed back to 12:15, or 12:30, or so -- but plenty of time to get your bets down for the first race.

This is, obviously, the Tourism Committee. And in a way, I guess, the members and myself have agreed to occasionally take the tourism group on the road. That seems appropriate. We did one of these at the Tourism Conference in Atlantic City. We're here. Maybe in the future we'll be-- I know the folks at Ellis Island have made a request for us to go up there.

SENATOR GORDON: I would suggest the Meadowlands Race Track.

SENATOR WHELAN: The Meadowlands. And I'm sure Dennis Robinson would be willing to host us.

And today's hearing-- Again, as most of you know, we don't really have specific legislation that is in front of us. We had made a commitment -- all of us on this Committee and, I think collectively, those concerned on this issue of the horse industry in New Jersey -- the racing industry in New Jersey -- that we would not just pass the bill on the \$90

million subsidy from the casinos, and then forget about it for three years and come back three years from now and have another crisis; but rather, we would come back and try to generate some ideas and see what we can do to be ready so that, three years from now, we don't have another sky-is-falling scenario.

So with that, we are here. And what we have done-- We had a huge number of folks who had asked to testify. And unfortunately, we apologize to those who we were not able to accommodate. We were just not able to get everybody on this list. We tried to make it a representative list of folks who are involved in this issue in various capacities.

With that, we will get started. And to lead us off will be Dennis Robinson, the Executive Director of the Sports and Exposition Authority; and Frank Zanzuccki, the Racing Commission.

If you gentlemen could come up and--

D E N N I S R. R O B I N S O N: Welcome Chairman Whelan and members of the Committee.

Welcome to Monmouth Park.

It seems like this is where we ended last year's racing season, kind of on a rainy day, unfortunately. But given the fact that even in this industry I'm a glass-half-full kind of guy, I kind of look at it as rain on your wedding day. Hopefully it will be good luck for this racing season.

Today is always an exciting day for racing sports and entertainment in New Jersey -- the opening of a new season at historic Monmouth Park.

When I came before the Committee before, I spoke mostly of the extraordinary renaissance underway at the Sports Complex. However,

today I want to focus on an industry in need of its own renaissance, and maybe in need of some revolutionary thinking at the industry and State levels.

Luckily for New Jersey, you can still enjoy the history and majesty of this great facility, the beauty and athleticism of thoroughbred race horses, the exceptional grounds, and the atmosphere of Monmouth Park -- combine to make perhaps a very unique and special experience unlike any other in New Jersey.

The awarding of the Breeders' Cup to Monmouth Park brought about a capital renaissance to this storied racetrack, as we made significant investments, from new racing surfaces to dramatically improved patron services. We know that the public has and will continue to enjoy the improvements we have made and will continue to make.

First and foremost, I want to thank the administration, and especially this Committee, for its efforts in bringing the purse supplement to pass. We are actively working to complete those negotiations and are grateful for the cooperation of the thoroughbred and standardbred horsemen.

But as we have discussed, Mr. Chairman, we know this is only a three-year window. Any industry needs continuing, long-term investment to survive and prosper, as you know from the significant investments that have been made in Atlantic City over a long period of time -- including my first foray at the Sports Authority, when we were part of helping bring the Atlantic City Convention Center and Boardwalk Hall to fruition. And actually, that long-term vision of actually connecting the Convention Center to the Boardwalk actually did, in fact, come true.

Horsemen and track operators both have substantial capital needs to stay competitive. We simply cannot expect, in this industry in New Jersey -- to invest in this industry in New Jersey when uncertainty waits a short three years away.

Honestly, what truly needs a transformation is our collective approach to the racing industry. As I said before, I'm a glass-half-full guy, so let's look at some of the positive things first. With the administration's commitment and your support, the purse supplement legislation passed, and we are hammering out that agreement virtually as we speak. That \$30 million annual purse subsidies is absolutely critical to keeping racing viable for the next three years. Additionally, off-track wagering facilities at Favorites, Toms River, are doing extremely well, and we have made substantial progress in siting our next facility. It is the highest priority of our racing management to get the Authority's OTWs up and running. The OTWs will certainly help the racing industry, but it cannot be expected to be the industry's silver bullet.

As everyone in this room already knows, racing in New Jersey is at a crossroads. It's certainly not alone among American industries today. We absolutely must be prepared to reach our existing customers in new and better ways, and reach out to potentially new customers on platforms that reflect marketing in today's age, such as comfortable off-site facilities, the Internet, and account wagering. It is our job to better distribute the product, and we are certainly committed to doing so.

If the Kentucky Derby is any indication, our distribution strategy is in fact working, as we set records for combined wagering at the Meadowlands; Monmouth; Favorites at Woodbridge; as well as through

4NJBETS, our Internet platform; as well as phone wagering. But we need the partnership between government and the industry to develop a long-term solution. No one can be expected to invest in an industry with a three-year time frame. And without additional investment, the industry will continue to decline. The racing industry must change and diversify its product mix if it is going to operate in an increasingly competitive gaming marketplace.

Of course I don't want to speak for Dennis Drazin, but he made a very interesting comment in a recent op/ed piece in the *Asbury Park Press*, as he said, "It's a four-year commitment from the time a mare is bred until the first opportunity that a horse has to race. Without assurances that racing in New Jersey has a solid future -- including breeding incentives -- those mares will foal in other states which have a more stable, more profitable, and more secure future."

And that goes equally for racetrack operators. You know, it seems at some times racetrack operators get lost in this discussion over purse supplements. Our facilities require significant investment: capital investment to maintain, investment for personnel, for customer service training, and to enhance the customer experience.

We're certainly thankful for the hard work of the Governor and the staff in the Committee to facilitate an agreement between the casinos and racetracks. However, I am more grateful about your commitment to help us start now -- and I mean now -- on a long-term industry plan. We can't wait until the expiration of this agreement to try to figure out what we're going to do. As soon as we get our agreements signed, the purse supplement put to bed, and agreements with the horsemen, we have to

begin now, planning for what we're going to do when the three-year deal expires.

It isn't falling on deaf ears that racing in New Jersey is a \$1 billion a year industry, and provides thousands of jobs, and has the potential to provide even more jobs as we build out our OTW network. Jobs mean more State revenue, and more State revenue means a better quality of life for all New Jerseyans. Of equal importance, racing and its agricultural support services provide green acres and open spaces, while preventing sprawl.

Racetracks in the nearby states of New York, Pennsylvania, and Delaware have been allowed to diversify their gaming product mix by adding VLTs. That in turn has allowed them to attract a wider audience, resulting in drastically improved purse programs and profitability. Profitability allows for continuing investment in the industry and improving physical plants. With increased purses, improved physical plants -- without increased purses and improved physical plants, competition for horses grows even stronger, leaving New Jersey at a distinct competitive disadvantage. Needless to say, the increased gaming competition from nearby states is not only impacting racing, but all forms of gaming in New Jersey.

My intent is not to stand up here and offer a doom and gloom. And it's not doom and gloom. I do believe that we control our future. While the introduction of VLTs may be one option, I believe it is one of many options that must be fully explored in the months ahead. We must all be committed to working together to ensure the future success of racing. And I can assure you that the Sports and Exposition Authority is ready to do its part.

While I'm confident that this season at Monmouth, under the leadership of Dennis Dowd and Bob Kulina, will be a great success, it's the long-term future that concerns us all. We must have a long-term solution to spur long-term investment.

I thank you for this opportunity. I hope you enjoy your day at Monmouth Park. And I hope you go home winners.

Thank you very much.

F R A N C E S C O Z A N Z U C C K I: Chairman Whelan and members of the Committee, thank you for this opportunity to provide an overview of the Racing Commission and its role in regulating horse racing in New Jersey.

By statute, the composition of the Racing Commission includes nine individuals who are appointed by the Governor, with the advice and consent of the Senate. The current commissioners are James Aaron, Anthony Abbatiello, Anthony Caputo, Peter Cofrancesco, Noel Gross, Francis Keegan, Edward McGlynn, Daniel Monaco, and Chairman John Tucker.

The day-to-day operation of the Racing Commission is the responsibility of an Executive Director and his staff. The Commission currently employs 69 full-time and 19 part-time employees.

The New Jersey Racing Commission is charged with regulating horse racing and pari-mutuel wagering in New Jersey. Pari-mutuel wagering is a system of wagering where patrons bet against themselves as opposed to the house or casino. Odds are determined by the amount of money bet on each horse. The race track deducts approximately 20 percent of the total

dollars wagered to pay purses and operating expenses, and the remaining 80 percent is returned to the patrons in the form of winnings.

The Commission collects and distributes industry-related revenues pursuant to law; supervises pari-mutuel operations of the four state racetracks and the Mount Holly data center; jointly regulates casino simulcasting along with the Casino Control Commission and the Division of Gaming Enforcement; grants permits to racetracks to conduct the running of thoroughbred and harness race meetings; approves in-state simulcasting, out-of-state commingled simulcasting, and casino simulcasting to pari-mutuel wagering facilities in New Jersey. The Commission also allots annual race dates to the state's four racetracks. It licenses, fingerprints, photographs, and screens all personnel working for or connected with track operations, including management, horsemen, owners, and prospective stockholders. It oversees the actual conduct of races, supervises the extraction of fluid and blood specimens from horses for chemical analysis, and conducts investigations and hearings into matters potentially affecting the integrity of the sport.

In 2001, legislation known as the Off-track and Account Wagering Act became effective. The Legislature determined that the New Jersey Racing Commission is best suited to oversee, license, and regulate off-track wagering and account wagering in the state, and that the New Jersey Sports and Exposition Authority, by virtue of its experience in the operation of pari-mutuel wagering facilities and other entertainment-related projects in this state, is particularly well-suited to coordinate with the other parties to promote uniformity and success of off-track wagering throughout the state, and to ensure the fiscal soundness and technical reliability of an

account wagering system. Account wagering actually began in January 2005, and the first off-track wagering facility opened in March of 2007 in Vineland, followed by Woodbridge in October 2007, and Toms River on April 29, 2008.

The Commission no longer operates with a State appropriation. It receives receipts from licensing fees and in-state, uncashed pari-mutuel tickets, which totaled approximately \$800,000 in fiscal 2008. The racing industry is assessed the remaining cost of regulation consistent with the provisions of the Act, and the Commission's overall operating budget in Fiscal Year 2008 was approximately \$9.5 million.

Standardbred and thoroughbred racing is conducted at four racetracks in New Jersey. They are: Atlantic City, Freehold Raceway, Monmouth Park, and the Meadowlands Racetrack. A number of races of national interest are conducted throughout the year, including the Hambletonian, held at the Meadowlands Racetrack; and the Haskell Invitational, at Monmouth Park.

In October of 2007, the Breeders' Cup was held at Monmouth Park. The Breeders' Cup is considered equivalent to the World Cup or the Super Bowl, in terms of the significance of the event. The best horses in the world competed in 11 races for purses totaling \$23 million. Hosting the Breeders' Cup was truly a monumental occasion for the State of New Jersey. The Meadowlands is recognized as the most prestigious standardbred racing facility in the nation, and Monmouth Park's seasonal meet ranks among the top venues for quality thoroughbred racing in North America.

The Racing Commission employs an in-house investigative unit, which is responsible for assisting in maintaining the integrity of the sport.

The group conducts inquiries on potential licensees, administers license checks or sweeps at racetracks, investigates racehorse abuse complaints, inspects licensed off-track farms where racehorses are situated, provides testimony in litigated matters, and assists other law enforcement authorities and the track security units in conducting their duties.

The Commission appoints racing officials to represent the Commission at the various tracks. In addition to issuing fines for ruling infractions, the stewards and judges monitor every horse race run in New Jersey, rule on matters affecting the integrity of racing and licensing matters by aggressively pursuing all violations of the Commission's rules and regulations.

Commission veterinarians inspect each and every competing horse prior to the race to ensure they are racing sound.

The Commission also engages engineers and fire inspectors to conduct safety checks at all licensed facilities prior to the opening of each race meet.

Pursuant to the 1992 Casino Simulcasting Act, the Commission allocates money accumulated in the Casino Simulcasting Special Fund. During 2007, the allocation totaled in excess of \$1.8 million. The Fund, administered and distributed by the Commission, was created to financially assist racetracks who have been negatively impacted by casino simulcasting, racetracks that are financially distressed, and to assist horsemen's organizations fund programs to benefit the industry. To date, a total in excess of \$21.4 million has been distributed for these purposes.

The New Jersey Racing Commission, pursuant to Chapter 19, Public Laws 1986, administers the Breeders' Award Program, developed for

the purpose of improving and promoting breeding for thoroughbred horses in New Jersey. A percentage of the pari-mutuel betting handle and 50 percent of the in-state unclaimed or expired winning tickets is used to support this program, which is also supplemented by contributions from the two New Jersey Sports and Exposition Authority tracks, namely Monmouth Park and the Meadowlands Racetrack.

The Commission also administers what is known as the Backstretch Improvement Fund. The Commission reviews and approves expenditures from this Fund to assist racetrack backstretch workers who are employed by trainers to care for the horses. All fine revenue generated by the Commission is directed to this Fund. The 2008 Backstretch Program budget totaled \$254,000.

As mandated by statute, the Racing Commission annually allocates racing dates where certain racing-related proceeds are dedicated to benefit New Jersey's developmentally disabled, the Horse Park of New Jersey, and the Backstretch Benevolence Program. A total of \$300,000 was generated in 2007 for these purposes.

Pursuant to statute, the Commission also collects funds to be distributed to qualified municipalities to offset increased expenses from the operation of racetracks located in their areas.

Mr. Chairman, thank you again for this opportunity.

Should you have any questions, I'd be glad to try to answer them at this time.

SENATOR WHELAN: Thank you.

Questions?

Senator Gordon.

SENATOR GORDON: Good morning, and thank you for your presentation.

Mr. Robinson, you alluded to VLTs as one possible avenue to try to expand the market. Are there other things, particularly things the Legislature can do, to try to support this industry?

MR. ROBINSON: Well, you know, I think -- I certainly think it can. I think it's really open to our creativity and imagination. Obviously, New Jersey is a very unique state when it comes to gaming, vis-à-vis say Pennsylvania, Delaware, or New York, in terms of the complexity of the gaming industry here in New Jersey.

I don't think there's any question the Legislature can be supportive. And, in fact, provided it wants the industry to survive long-term, it will have to be supportive. Because without some form of support, whether its VLTs or other options, there is no way this industry can survive with one game of chance. And that's what we're talking about here. We're talking about the lottery, the casinos having multiple opportunities to appeal to their gaming public. The racing industry is -- has one game of chance. And it's very difficult to compete in the gaming industry, the way it exists in New Jersey, on one game of chance. It's kind of like Coca-Cola being in the Coca-Cola business instead of being in the beverage business. If all they sold was Coke, they'd be bankrupt. Right? Instead of being in the water business, or the orange juice business, or what have you-- They're smack in the beverage business, and we're smack in the gaming business. And given one game of chance, it's very difficult to compete in the gaming market as it exists today.

So I think there just has to be that reality -- is that racing is at a competitive disadvantage to compete in the gaming industry as it exists today. Back when it was virtually -- had a monopoly on legalized gambling-- In the '50s, and '60s, and '70s really, it was thriving, because it really had a monopoly on legalized gambling.

Obviously, that's no longer the situation today. So I think the solution has to reflect, really, the competitive nature of the industry that we're dealing with.

SENATOR WHELAN: Senator.

SENATOR GIRGENTI: Just one question, Mr. Zanzuccki, from the Racing Commission.

I remember reading earlier this week in the paper about -- you banned six horses for testing positive for performance-enhancing substances, because of the expanded ability to test randomly at the farm instead of only at the track.

What other measures like this are needed to ensure the integrity of the sport?

MR. ZANZUCCKI: We just have to continue our commitment to ensure the integrity by developing regulations, such as the out-of-competition testing regulation aimed at trying to stop the illegal use of these substances. Trying to stay one step ahead of the people who would engage in that type of activity is a constant challenge, and we are committed to doing that.

SENATOR GIRGENTI: Thank you.

SENATOR WHELAN: Senator Gordon.

SENATOR GORDON: Another question for Mr. Robinson.

Could you briefly tell us what's being done in nearby states by competitors, to give us some idea of what we're facing in the marketplace?

MR. ROBINSON: Sure.

What's happening in Pennsylvania -- has a well-developed off-track wagering marketplace, some of which are virtually on the New Jersey border. I think that's certainly had an impact. The racinos, with VLTs and so forth in Pennsylvania, have obviously had an impact on the gaming industry in general in New Jersey, not simply the racing industry. I think--

Let me digress a little bit. I think this situation in racing probably bodes a look at the entire gaming industry as sort of a strategic -- on a strategic level, because I don't think you can really talk about racing, as a singular form of gaming, without really factoring the casino industry and the lottery in all of this. Because it really is-- They're all connected, and they're all competitive. And I think we need to look at that from a strategic point of view, long-term.

But from the racino and the VLTs in New York and Pennsylvania-- Obviously, they've been able to increase their purse program substantially to the point that they're now, in some cases, equal to our purse program. And certainly without the purse supplement, we'd have no chance of even being competitive. And, of course, if you've read the *New York Times*, or the New York papers recently, there are discussions with the New York Racing Association, adding 4,500 VLTs to create almost a casino-like environment at Aqueduct Racetrack. And you can be sure that's going to cause another -- put us at another competitive disadvantage.

And it really comes down to: Are we going to be able to get the flexibility to actually compete in this business or not? And that, I think, is the threshold question that needs to be answered once and for all.

SENATOR WHELAN: We're going to try to move along to our next panel, but I just have a couple questions for our Racing Commission.

Did I hear you say you're not getting any State appropriations at this point?

MR. ZANZUCCKI: That's correct.

SENATOR WHELAN: Okay. So God forbid, in the event that we had a State budget problem like we experienced two years ago, what would the impact-- Would you continue to function?

MR. ZANZUCCKI: We would not. We would be required to adhere to the Governor's order to shut down operations. That's the stance that was taken previously. And as a member of the Department of Law and Public Safety, we would be compelled to adhere to the Governor's order.

SENATOR WHELAN: Let me ask you this on that: We've had some conversations -- I've had some conversations with the Casino Control Commission in trying to see if there's a way to allow the industry, in the event of that emergency-- And we're not anticipating that there will be one. I don't want anybody to get panicked here -- but to see if there's a way where the Casino Control Commission could establish guidelines that would let them self-regulate during that time of an emergency. Is that something that is worth exploring with the Racing Commission?

MR. ZANZUCCKI: It is worth exploring. But there are some very technical responsibilities that we have, unlike, I think, the casino

regulators. For example, the officiating of the races itself requires experienced, qualified individuals to do that. We hire veterinarians who review the physical makeup of each horse on a daily basis. Again, that is an important part of our regulatory process. It goes directly to safety. So to have someone else step in and do those types of things would be very difficult, I think, in this industry.

SENATOR WHELAN: Thank you.

Thank you, gentlemen.

MR. ZANZUCCI: Thank you.

MR. ROBINSON: Thank you.

SENATOR WHELAN: We will continue to be in touch, both on that issue and a host of issues, with the Sports and Exposition Authority.

MR. ROBINSON: Thank you.

MR. ZANZUCCI: Thank you.

SENATOR WHELAN: Karyn Malinowski, from Rutgers, is our next speaker.

Dr. Malinowski.

KARYN MALINOWSKI, Ph.D.: Good morning, Senator.

SENATOR WHELAN: Good morning.

I don't want to pick on you, but I said prior, we are going to try to move this along as much as we can. We have a lot of folks who want to speak, and we do want to meet post time. So we're requesting brevity, if we can.

DR. MALINOWSKI: As quickly as I can.

Good morning, distinguished members of the Senate Wagering, Tourism, and Historic Preservation Committee.

As Senator Whelan has already introduced me, I'm Karyn Malinowski, the Director of the Rutgers Equine Science Center at the New Jersey Agricultural Experiment Station.

And thank you, Ms. Winters, for the opportunity to address this board.

The Equine Science Center's mission is to ensure the well-being and quality of life of the equine athlete, but equally as important, it is to ensure the viability and vitality of the horse industry.

Horse racing and the horse industry are essential to the well-being of New Jersey in many ways. In 2006, I published a white paper, which is in the packet at your places, describing the delicate balance between the future of horse racing, the preserving of the entire horse industry in New Jersey, and the importance of that industry to traditional agriculture.

It may not seem obvious at first glance, but the equine industry impacts virtually every resident of the State of New Jersey by stimulating our economy, by preserving open space, by providing outdoor sport and recreation, by building a solid foundation for youth through 4H and Pony Club programs, and by providing mental and physical therapy to adjudicated youth and handicapped persons.

Let me share a few examples. We, hopefully, will make post time here at Monmouth Park. It's a wonderful Spring opening -- see some of the finest thoroughbred racing on the East Coast. But you also can be at other venues today that are impacted by racing and that show the top level of caliber of equestrian sport.

In northwest New Jersey, in Sussex County, the Garden State Horse Show -- the largest outdoor show in the State of New Jersey -- is currently underway: 1,500 competitors over five days, eight rings going on simultaneously, offering a \$50,000 Grand Prix show jumping event tomorrow afternoon with Olympic riders. Today, in Monmouth County, at our own Horse Park of New Jersey, the Jersey Fresh Three-Day event is going on. And again, Olympic selection committees from Canada and the United States are there to pick the people who will go to the Olympics in 2008.

Ladies and gentlemen, on any given weekend, at any given time, equestrian sport of this caliber is going on.

Today you will hear, and have already heard, articulate advocates who will address the important reasons why the casino and racing industries must partner to ensure the continuation of horse racing. You have heard some, and I hope you will hear more, solid data describing the impact that video lottery terminals and slot machines at racing facilities in neighboring states have had on our gaming industries. You also have heard the impact -- \$60 million, approximately -- of having the 2007 Breeders' Cup races here at Monmouth Park last Fall on the local, regional, and State economy. You will, I hope, continue to hear why the Legislature must insist that racing be promoted and nurtured.

However, Ms. Winters asked me to give you a brief overview of the industry as a whole.

Last year, the Rutgers Equine Science Center released the report, "The New Jersey Equine Industry 2007," the results of 18 months of work with a variety of partnerships through government agencies, private

individuals, and private organizations. It was the first of its kind, ladies and gentlemen, in that it really was an economic impact analysis. It was not like the previous censuses, which were just enumerations. And not only did we take a look at the economics that horses generate in the State of New Jersey, but we also -- equally important in the most densely populated state in the country -- we looked at the land metrics as well.

Very briefly, Senator Whelan, the horse industry is valued at \$4 billion. This includes the value of the horses, the land and facilities on which and in which they are housed -- including the racetracks. It generates \$1.1 billion annually in positive impact on New Jersey's economy. Of that impact, \$647 million is generated by horse and horse farm owners, including almost \$477 million annually of direct expenditures. Beyond those direct expenditures, there's an additional \$170 million of the ripple effect produced by those expenditures. Of that \$647 million, 43 percent is generated annually by racing-related operations, not including the racetracks -- 40 percent by nonracing operations and 70 percent by equine owners who do not own any facilities. The four racing venues in this state generate over \$500 million annually, not including, of course, the pari-mutuel handle.

In terms of the big picture, the horse industry is comparable to such other widely recognized sectors such as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, just to name a few.

Regarding employment, almost 13,000 jobs are generated by our industry. Fifty-six hundred are direct jobs on equine farms and operations, 2,000 are direct jobs at our racetracks, and 5,000 reflect additional employment in related industries.

Those are the economic benefits of the horse industry to the State. But I think as we move, in a densely populated state, and we talk about quality of life -- and our residents have continued to talk about the importance of quality of life -- I'd like to move to the land metrics.

One hundred seventy-six acres (*sic*) of agricultural land are home to the 42,500 equine animals, nearly 30 percent of which are involved in racing-related activities. These animals are housed on 7,200 facilities in all 21 counties. Hunterdon County is our lead with 1,100 operations, followed by 906 equine facilities in Monmouth County. Those are our two leading counties, followed by Burlington, Salem, Sussex, and more.

In New Jersey, the total agricultural working landscape -- and what I mean by that are productive farms -- is estimated at 790,000 acres. That means, ladies and gentlemen, that one in five working agricultural acres are here because of the horse industry.

The horse industry continues to demonstrate that it is economically viable, because a number -- a remarkable number of today's farms, that were previously something else in agriculture, are still here because of the horse industry. For example, 24 percent were used for dairy or other types of livestock; and 13 percent were formerly in field crops, tree fruit, and vegetables.

Another important point is that, in addition to those 176,000 acres, 46,000 acres are still in traditional agriculture in hay, grain, and forage production, not because they have horses on them, but because they're here to feed the 42,000-plus horses we have in the State of New Jersey.

Horses and horse-related operations compare favorably to other types of open space in our state, such as Federal recreation acres, 109,000; Federal forest and wildlife acres, 112,000; State and local land trust acres, 213,000; and overall Green Acres land, 600,000. The best part is, these equine-related acres cost nothing to the New Jersey taxpayers. They, in fact, generate \$160 million annually in local, Federal, and State taxes. To me, this is a win-win for the State of New Jersey.

Far from an industry that some people feel is dying, these numbers verify that the New Jersey equine industry is alive and well. However, it also suggests two very important points: The racing subset is an economic driver for the entire industry. And since it is no secret that racing is facing tough competition from our neighboring states that have added gaming operations to their racing venues, any further erosion of racing in New Jersey will have disastrous consequences not only on racing, not only on our economy, but on the rest of the horse industry as well.

Let me give you some examples of that -- if racing does not get the shot in the arm that I hope this Committee will push forward in the next several years.

Sport competition and recreational horse owners stand to suffer as well, as will those traditional grain farmers who are still in business because horse owners are their primary customer. The New Jersey Equine Advisory Board's annual budget, which supports things like the Horse Park and the Jersey Fresh event that's going on today -- percent of their -- their budget is correlated to a percentage of the pari-mutuel handle from racing. In 1990, their budget approached \$500,000. It has declined to a new low in this fiscal year of \$322,000.

And as the State talks about economic growth and retention -- we do at Rutgers -- the retention of our best and brightest, the future of young people who might think about making a living in the horse industry in New Jersey might just say, "Why should I stay?"

The top-shelf level of services that New Jersey horse enthusiasts have come to expect, such as these wonderful equine veterinary clinics -- like the New Jersey Equine Clinic, Mid-Atlantic, Dr. Hogan's new clinic that she just opened two weeks ago in Cream Ridge -- and feed and supply stores -- all of these are at risk. Because while they are frequented and supported by sport-horse and pleasure-horse owners, a predominant economic cash flow to those businesses is from the racing industry. Personal communication with Mr. Rick Wills, who owns Rick's Saddle Shop, feed and grain store in Cream Ridge, a new store -- a very large store -- has estimated that 35 percent of his sales of feed go to the horse racing industry. The entire infrastructure supporting all segments of the industry is in jeopardy.

The Equine Science Center believes, in closing, that the State of New Jersey -- where there are still more horses per square mile than any other state -- has minimized the importance of the equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, tourism, ag and food industries, and health care; but not equine. We implore you, this needs to change.

Beyond, we hope, the discussion on this casino racing industry supplement for purses, again we hope that the contract finally comes to a final agreement.

And while this will help ensure that the best equine athletes continue to compete at New Jersey tracks, it does not address the major concerns regarding the fragile infrastructure of the industry or its critical need to substantially increase promotion, to do research and marketing analyses, and to increase the public awareness of the value and impact of the horse industry.

We strongly encourage that the Legislature take concerted action to address the long-term solutions for this vital New Jersey equine industry.

And the Equine Science Center, Senator Whelan, will be committed to assist this Committee in any other work that needs to be done to make sure the industry that I love continues to go on.

Thank you.

SENATOR WHELAN: Questions?

Senator Gordon.

SENATOR GORDON: Thank you, doctor, for your testimony.

I wondered if you could outline, briefly, what kinds of public policies are needed to support the industry, to reverse the decline? What can we do to find that long-term solution?

DR. MALINOWSKI: I think what has happened, Senator Gordon, is in times of less money I think the first thing to go is marketing and promotion. And I think marketing to the general public about the wonderful opportunities that they have at these venues is something that needs to be done.

I concur with what Mr. Robinson said, that the facilities certainly need a shot in the arm, capital improvements, so that people, once

they hear about this new opportunity, they will be interested and willing to come and return because the experience is so positive.

I certainly think that expanding the gaming opportunities for a husband and wife, for instance, is something that should be done. And I think the industry has not done a great a job at looking at other people. If we go to the racetrack, we certainly all know what the demographics of the attendees look like. I think we need to do a better job getting young people in, making it a date night again; getting women in; getting people of other ethnics groups as well.

An example to that point: About five or six years ago I was at the Meadowlands. And my favorite place to sit on a Summer night is Paddock Park on the turn as the horses come around. And there was a group of young women in their 20s, obviously having a wonderful time. And, of course being a little bit nosy, I went over and introduced myself, and asked them -- it didn't seem that they were betting that much -- what they were doing. And they said, "Well, I met my boyfriend here, and I'm getting married tomorrow. And we decided -- the girls -- to have a girls night out as the boys went to the bachelor party. And we were sitting on a blanket and having a good time." And so I started talking about the horses, and got a program and talked to them a little bit about handicapping, and they were there long after I left.

So I think we need to do a better job. But again, it takes a long-term commitment of dollars to be able to do that.

SENATOR GORDON: Thank you.

DR. MALINOWSKI: You're welcome.

SENATOR GIRGENTI: Just one question. How does your Center interact with the different industry associations and the horse owners themselves? Are you like a resource to them?

DR. MALINOWSKI: Yes, Senator Girgenti, we certainly are. We are, for the most part, a silent partner in a lot of these things. But again, our slogan of "better horse care through research and education"-- We have a very interactive Web site. A lot of our information is on that. We attend a very close relationship with the harness industry, with our racetracks, with the thoroughbred folks, with the New Jersey Equine Advisory Board. We sit on that Board with the Department of Ag. The Farm Bureau is a partner at the Equine Science Center. So it really is a wonderful--

If it wasn't for that partnership, Senator, we never would have been able to pull off that study.

SENATOR GIRGENTI: Thank you.

SENATOR WHELAN: Anything else? (no response)

Thank you, doctor.

DR. MALINOWSKI: Thank you.

SENATOR WHELAN: We appreciate you being here. We look forward to working with you.

Next we have a thoroughbred panel. I'd like to call Dennis Drazin, Michael Harrison, and Barbara DeMarco -- New Jersey Thoroughbred Horsemen's Association, Thoroughbred Breeders' Association.

Again, please don't take offense, but we're asking you to be as brief as possible.

BARBARA DeMARCO: I'm going to be very brief. I'm going to introduce my two presidents, say good morning to you, thank you for coming to Monmouth Park.

To my left is Dennis Drazin. He is the President of the New Jersey Thoroughbred Horsemen's Association, which represents the owners, trainers, and takes care of our backstretch personnel. And on my right is Michael Harrison. He is the President of the Thoroughbred Breeders' Association of New Jersey. And they represent our breeding segment of our industry.

And I'm going to turn the microphone over to Dennis first.

DENNIS A. DRAZIN, ESQ.: Good morning, Senator Whelan, honorable members of the Committee.

As Barbara told you, I'm President of the New Jersey Thoroughbred Horsemen's Association. I'm an attorney by profession. I'm also a thoroughbred owner and breeder, not only in New Jersey but in other states. My family's been active in the business since the late '50s, and I've been engaged in the business since 1981.

I would tell you that in order to adequately give you a recap of New Jersey racing, and it's past, and it's future would take me much longer than we have. So I will try to be brief. But I think any discussion on the future begins with the past.

And I've been actually doing the legal work, and working with the Legislature in this capacity, for the horsemen for 10 years now. And the industry has learned from mistakes in the past, and we're trying to go forward. And I think the most important thing that I can say, which I'm sure others will agree with, is that we've learned from the past that when

we're not on the same page, you cannot accomplish anything. You have to bring the industry together, and everybody has to take their individual interests, wants, and desires, and try and blend them into what's good for the industry.

When we come to you, as legislators, and ask you to help us, if we're all sending different messages you really can't help us. And we can spend a long time arguing about issues that don't matter in the long run, all trying to get to the same objective, but never quite getting there.

So, in 1998, 1999, and 2000, we came together, and we tried to develop a plan. And all of you helped us. We've had tremendous support, and I must thank you and others -- from the Senate, from the Assembly, and from the governors over the years. They've been very supportive of the industry.

And what happened is that we came together and we developed a plan. And that plan was to develop the off-track wagering system and the account wagering system in New Jersey. And you passed legislation in 2001, and you expected 15 OTBs to be built. You had representations from many parties as to the projections that that would generate in revenue -- the horsemen, in this year, would be receiving \$20 million from purses the owner-operators will be receiving \$40 million to go toward their capital improvement profits and anything else that they wanted. And they weren't built. And the Legislature, on various occasions, called the leaders down and said, "What's going on?" And they got answers, and they got promises, but they still weren't built. And when I listened to Mr. Corbo, of the Casino Association, I must tell you, when I see his articles, I disagree with most of what he says. But one thing I do agree with is that one of the

problems with the industry is that we came together with a plan, you supported us, and those charged to implement the plan did not do their job. And there are a lot of reasons why, and I won't get into all of them. But I will tell you right now, you have a leader at the Sports Authority named Dennis Robinson. And he knows that the plan is that he has to expedite this system. He recognizes that vision that we all created a long time ago that you supported. And he has made a commitment to fast-track these OTBs and get revenue coming into the industry.

Now, the Sports Authority end is only part of the problem. The Sports Authority, when this deal eventually shook out-- You authorized 15 of them, and you said this was supposed to be a partnership, and that the Sports Authority and the Pennsylvania companies that came in here -- they were owners of racetracks at the time in New Jersey. And so they had to develop what was called a *participation agreement*. They were supposed to be partners. Well, that agreement didn't come down the way you anticipated it. And instead, what they did in their contractual agreements is, they provided the plan. So they gave the Sports Authority nine of the OTB rights, and they gave the Pennsylvania companies -- which we're talking primarily Freehold, Atlantic City -- the companies are Pennwood, Greenwood, but I'm sure you know all that. But they got six of them. And one of the intentions was to draw back all of the money that went over to Pennsylvania. So that when Garden State closed, and Atlantic City started to decline in the length of the season that they had, you had a problem because \$100 million that came in every year in revenues that helped racing went right across the river to Pennsylvania.

So the concept was, they're going to build something across the river that would bring that money back into New Jersey, and no one wants to build there. Why would a Pennsylvania operator, who has these facilities right across the river, want to use their capital to build something -- by way of example, in Cherry Hill -- which would compete with their other business? So the problem is that you've given them the opportunity, you've given them the ability, and it has not been done.

So the first thing I would ask you to do is make sure that both sides of the aisle -- both the Sports Authority, which Mr. Robinson has committed to go forward with, and I certainly believe his intent-- And I'm sure we'll hear from Don Codey. And I hope he is equally committed to going forward with these OTBs. And fortunately, they just opened Toms River, and I wish them a lot of success there. But I think we need to not only fast-track the OTBs, but make sure they build them in locations that will bring this revenue back to New Jersey.

And the Legislature in the past-- Two years ago, there was an Assembly hearing. Assemblyman Van Drew was chairing the Committee at the time. And they were mad. They said, "Why haven't these been built?" And there were commitments made. "We'll build them. We're going to move forward." And, again, there's a lot of foot-dragging with the process. So we need that to be completed, and we need that revenue coming into the industry. And that will go a long way toward making us self-sufficient.

Now, that's what we learned from the past. We also learned from the past that -- whether I like to admit this or not -- New Jersey is very important in terms of racing for me, and probably everyone in this room, and probably most of the people in the industry; but on the big radar screen

of the State of New Jersey, we're a little blip over here. Because the State has so many important things that have to go on, racing kind of falls by the wayside to some extent. I'm certainly not blaming anyone. Because you, as legislators, have a lot more to think about than only racing.

What I seem to look at is a situation now where the racing industry is saying to you that, "We thank you very much for the supplements, we thank you for your efforts. But they're all Band-Aids. The answer is over here in slot machines." And that's really the only answer that's going to make us competitive with the other states.

And I hear the arguments on the other side speaking to the Governor and various legislators, all of whom make very good cases that Atlantic City is essential to the growth of New Jersey, and we need to encourage the building that's going on in Atlantic City now and not do anything to discourage that.

And when I talk to those of you that I've talked to -- and I've talked to the Governor about that issue -- I understand it. I'm not suggesting that we do anything to hurt the casinos. I'm not suggesting we do anything to impede their ability to grow. But what I'm suggesting is that we form a partnership with the casinos.

Years ago, the casinos were of the mind that if the Sports Authority would lease them the floor space, let's say for a dollar, and let them operate the slot machines, they would come in and they would figure out a fair division with the industry, with the casinos, with the State, and it would work for everybody. I think there has to be more effort along those lines that build for the future toward that. And maybe, in reality, it's not time to do that right now. And given the current purse supplement, and

given the fact that there's going to be a three-year hiatus, maybe in three years, maybe at some point thereafter, they'll be amenable. But those same casinos who oppose this in North Jersey are investing in Pennsylvania, and they're investing in New York, and they're investing their dollars in the competition that they object to.

And what does Pennsylvania have? Pennsylvania has 61,000 slot machines authorized by legislation. When we did our study here in New Jersey, the horsemen's groups, and the Sports Authority, and other groups that put this together had different ranges of what would be generated. But the horsemen believed and the Sports Authority believed that if you put 10,000 machines up at the Meadowlands you could generate between \$1.5 billion to \$2 billion a year. And the racing industry needs a small fraction of that. And the rest of it can go wherever you think it needs to go for help, whether it's property tax relief, seniors, charity care, you name it.

But I think we need to take a new look at that. If you're not inclined to do slot machines-- There have been so many other concepts that we've talked about over the years, but they have not come to fruition. And just to name some of them: We talked about dedicated slots in Atlantic City, where you take the race books out of the casinos, and you have one big venue. In the past, they talked about the Atlantic City Convention Hall, they talked about different venues that were down there. But they talked about putting together a conglomerate of the casinos to open one big slot parlor, to let them all divide it according to their percentage interest based upon voluntary participation, and for the racing industry to get a portion of those dedicated slots.

We talked about sports entertainment zones, where you could go out to different areas that you think would accommodate this. And you could build up the retail space around the area. And you could have the sales tax go into purses. That was another thing we talked about.

We talked about some concepts that maybe Mr. Dowd will address -- I think instant racing and things like that. There are other concepts out there that could bring revenues in.

There are legislators who say to me, "Gee, you know, the problem with the racetrack is, you go there, and the races go every half-hour--" and maybe they're not as familiar with simulcasting. But they say, "We need something to bring the crowds back in. Did you ever think of doing Texas Hold'em or something like that at racetracks -- not gambling, but setting up these tournaments, and prizes, and have something down at the end?" Maybe something like that works. But I think we need to be innovative. We have to find a way to bring fans back to the racetrack.

We need to educate our young. One of the concepts that maybe helps bring people out-- You know, racing is not a negative for young children. Maybe at some point in time, some people look and they say, "Well, why do we want to expose kids to gambling?"

I'm going to talk about thoroughbred racing. I'm sure others will talk about standardbred racing. But thoroughbred racing is beautiful. These animals are majestic. Whether it's the breeding or the racing end-- When I was a kid, driving out to Freehold, every road I drove down used to have these young foals running around in the fields and coming up to the fences, and you'd stop your car and go pet the horses. And you saw a lot of green space. And those people became racing fans.

I think one thing that we should do -- which I've been advocating for years, but we just don't seem to do it -- is, at the end of every year, I think we should write to every school in the state, and we should provide scholarships for children. And they should come out, not during racing hours when people are gambling, but come out in the morning when these horses are training, and watch the horses, paint the horses, get scholarships back; try and develop a younger generation that could come out.

Those are only a couple things that we might do short of the slot machines. But to be honest, I think the answer to all this is going with slot machines.

Now, what else can you do? I've heard Mr. Zanzuccki testify, and I've heard you ask him questions about whether the Commission is self-sufficient, I guess, at this point -- not taking money from the State. And I think that has to change. Maybe you were happy with his answer, but one of the problems we have is that, as Mr. Robinson said to you, the tracks need capital also. So because the Racing Commission now gets its funding in other ways-- As Mr. Zanzuccki explained to you, they get some of it through the sources he mentioned, but the rest of it gets charged back against the industry. And the tracks pick up the majority share of that. So the tracks are paying a significant amount of money, that they need to keep for their capital expenditures, to the Racing Commission for this operation. And it's a huge budget.

If we could find some way to shift that budget -- and I know you're in a budget crunch. But if we could find some way to shift that budget elsewhere, I think the tracks would have more money for their

capital improvements. And this is another thing that we've talked about for years, but nothing has been done about it.

Now, the other thing that seems to happen--

SENATOR WHELAN: Dennis, I want to ask -- have to ask you to speed it up a little bit, because we have a lot of folks behind you, and your partner there, and so on. I don't want to cut you off, but again, we have a lot of folks who want to speak.

MR. DRAZIN: Certainly.

We have a funding problem -- the breeding industry. When I was younger, we used to have a foal crop in New Jersey of about -- thoroughbreds -- 1,200 horses a year. We're down to about 300 horses a year now because the horses are going to other states. When you give a supplement that goes three years at a time, as Mr. Robinson quoted to you earlier, your horses aren't going to run for that money. If I breed a mare now, there's an 11-month gestation period. Then it's a suckling, then it's a weanling, then it becomes a yearling, then it becomes a 2-year-old. And hopefully I'm going to get it to the races four years down the road. But if I don't know what the future is-- I'm staying here because I'm loyal to New Jersey. But there are a lot of others who are going to other states.

So what did the Legislature do to help that situation? The Legislature passed legislation, like we asked you to, that provided for out-of-state awards where New Jersey does not have racing. They provided that the horses that are Jersey-bred that run out of state would receive money to help our farm owners, to help our breeders, to help the people who depend on the agriculture industry and the breeding industry. But there's no funding for it. So they never appropriated any money. And the breeders

have not been able to pay those awards because they have a shortfall. In fact, they can't even pay the awards that they're supposed to pay by laws that you enacted, and had to come to our organization for a loan last year just to be even. So there's such a shortage of money.

When we went through this process-- And I'll try and wrap this up. But when we went through the process this time of the purse supplement, Gary Rose from the Governor's Office was very, very dedicated to the project. He was very helpful. I'm sure he talked to everybody in the industry and had a number of meetings with all of us. And he asked us, in trying to learn, what all our needs were. And this wasn't something where we all came in together. He met with us all individually. And the Sports Authority, to whom you entrust racing in New Jersey, told him that to be competitive in this environment between the states, we need to pay \$400,000 a day in purses. What that equals, based upon the law in New Jersey, is \$56 million that we needed for the thoroughbred industry. The standardbred industry needed a similar amount. The racetracks -- all of them -- came into that room and said, "We need money for capital improvements. And yes, we're very thankful that \$30 million went into Monmouth Park for renovations for the Breeders' Cup. And that will serve us well for the future." But they all went in and explained their needs, and that they needed money. The breeding organizations went in and explained their need for money.

And when all this was shaken out, the supplement that we got was \$30 million to be divided by the industry. And that was very much appreciated. I don't want anyone to think I'm negative about this, because I truly appreciate it. But it was so far short of what we need to be

competitive and give us a future that it's ridiculous. And everybody now is in a position where they're not happy with the supplement. People are fighting over where the money is going to go. And ultimately, this hurts the racetrack. Because if they want to take money, for example, for the Jersey-bred program, and they don't have enough, then their State program suffers. And if they want to take money for the State program, their Jersey-bred program suffers. And if they can't take money for capital improvements to the tracks, they suffer. And if they need money for their OTB system to get it up and going, they suffer because they don't get that money. And I'm just telling you that we really appreciate your efforts, but it wasn't enough. And I know you have your own problems. You don't have enough to meet your own budgets.

But to try and respond to your question from before about -- if we have another budget crisis, the last time we had the budget crisis, the horsemen had to go to court to keep the racetrack open. Fortunately, we were permitted to. We can't afford -- none of us can afford, whether it's the tracks or the horsemen -- to suffer a shutdown again in the event of a budget problem. So if the answer is money-- Because I think what Mr. Zanzuccki was saying to you -- that as opposed to the Casino Control Commission, we have to have certain people that are State employees be paid to work the racetrack on those days. The Horsemen's Association will volunteer to pick up that bill if you will do something to permit us to continue racing in the event of a shutdown. So it doesn't have to come from the State, it can come from our funds. But we desperately need to stay open in the event that there is a problem.

SENATOR WHELAN: Well, hopefully we won't have a shutdown. Unfortunately, the casinos have made that same offer, and somehow that doesn't pass constitutional muster. You're the attorney here, not I.

Let me switch over.

MR. DRAZIN: Just let me cover one last point.

SENATOR WHELAN: Please make it quick because, again, we have a whole bunch of folks to come after the thoroughbreds, and we want to try to give them time.

MR. DRAZIN: I will make it very quick, but I'm sure it's something you're going to hear about today, so I think I should address it.

The Atlantic City racetrack: When Atlantic City testified in front of the Senate and Assembly during this process with the OTB system, they were clearly going to be shutting down at that point in time. When the laws were drafted, if Atlantic City was shutting down for live racing, they would receive the OTB at the site they operate at, plus two others. And there were percentages, that would have generated a substantial amount of money to Monmouth Park, that would have come for our purses that would have helped -- that we don't get, because Atlantic City runs this short, abbreviated meet.

But what we do support for Atlantic City is the revitalization of racing in South Jersey. In the year 2006, Hal Handel came before a public hearing and he told you that we brought Atlantic City back in 2001 or 2002. And to say it's been somewhat of a derelict property, at that point, would be very accurate. We've been surprised by the local response to the racetrack. The community of Hamilton Township supports the Atlantic

City racetrack and actually made it known to us that they'd like to see the racetrack survive in some fashion. That changed our thinking. And we're all along on a path now which would lead to the construction of a new grandstand that would conduct, say, an abbreviated 14- or 15-day meet, over a month, to complement the Monmouth Park meeting -- right before it -- which would extend the thoroughbred season in New Jersey for a month. It's a much-needed thing, and it would be part of a very exciting redevelopment of the whole property.

I strongly support trying to get Atlantic City to fulfill that commitment to reconstruct the racetrack down there and provide a racing opportunity for South Jersey that would include turf and dirt, as well as a place to train your horses. I think that would be very good for South Jersey to recapture racing.

SENATOR WHELAN: And we're going to hear from Atlantic City in a little bit. I think they're the next -- well, one of the later panels.

Mr. Harrison.

And by the way, we've been joined by Senator Beck.

Welcome.

SENATOR BECK: If I could--

You know, sometimes the personal, unexpected things happen at the times that you have planned appearances. And unfortunately this morning was one of those. So my apologies for being late. But it was a long morning, and it was unavoidable.

I'm happy to be here.

And, Dennis, I did have an opportunity to listen to you from the back. Excellent testimony.

Thank you.

MR. DRAZIN: Thank you.

Good morning.

MICHAEL HARRISON, ESQ.: Senator Whelan, Committee members, I want to thank you for the opportunity to address you this morning.

My name is Michael Harrison. I'm the President of the Thoroughbred Breeders' Association of New Jersey. And we're charged with running the breeding program in this state.

By profession, I'm an attorney. I am a breeder and owner of thoroughbred race horses.

Before, you heard Dennis Robinson indicate that he's a glass-half-full kind of guy, as am I. And I think in order to be in this business you have to be. Having said that though, I think I'm going to give you a doom and gloom assessment of where our industry is right now. And I will give you figures to support that.

Now, to me-- I'm going to try and-- I will be as brief as possible.

I'm going to try and outline, I think, the issues that we have here today, and then I'm going to address each of these issues. And the first one: Is the horse racing and breeding industry valuable to our state? I think Dr. Malinowski has done a wonderful job in addressing that question, and I don't -- that issue -- and I don't need to do that at this point. Certainly we wouldn't be here today if we didn't all think that the horse racing and breeding industries are valuable to our state.

Now, does a supplement provide a real solution to the problems of our industry? And if not, do we have an urgent need for a permanent solution? What are the solutions? And do we, as a state, have the political will to save the horse racing and breeding industries?

Now, as a breeder, you have to think about four years in advance of what you're doing. When you decide to breed a horse, you have to say to yourself, "Okay, I'm not going to have a horse that races for probably four years from the time I am looking at it." And this includes making a decision, breeding the horse, the gestation period, the birth of the horse, the growing up until he is at an age where he can actually -- he or she can actually race. So it takes a good four years. And you're saying to yourself, "Okay, what is our industry going to look like in New Jersey four years later? What is it going to look like in our neighboring state of Pennsylvania? What is it going to look like in our neighboring state of New York?" And one of the problems that we've had in New Jersey with our breeders is that they don't see any certainty in terms of funding.

We had the supplement. And while it certainly helped, at the end of the supplement people were coming to me and saying, "Well, Mike, what are we doing, in terms of a funding source going forward?" And I said to them, "I'm going to be honest with you. I don't know. We've heard that there is some consideration of slots. Don't think it's going to happen. We've heard that there is possibly going to be another supplement, but there's nothing that's been signed. We don't know what we're going to have." And quite honestly, until maybe a week or two ago, even I didn't know what we were going to have. And I'm not quite sure today that I know what we're going to have. So when people come up to me and say,

“What does it look like in four years?” I say, “I don’t really know.” And I think that’s as honest an answer as I can give to them. So the first thing you’re saying is, “Okay, we have an uncertain funding source.”

Now, I’m going to give you some figures that tell you where we’re going and what people think of our industry -- our breeding industry in New Jersey, as opposed to our neighboring states of Pennsylvania and New York. New York and Pennsylvania, as you’ve heard, have slot machines. They have reliable sources of funding, and they have significantly more funding than we do.

So let me tell you-- And one of the measuring sticks of our business is: How many foals do we have a year? As Dennis mentioned, at one point in time, we had about 1,200 foals a year in this state, and that’s a pretty good number. It decreased from that point to a point right before the supplement -- there was -- the first supplement that is -- we had about 454 horses -- foals that were born. In 2006, we had 312 foals that were born. That is a decrease of 31 percent.

I will give you New York’s figures. New York’s figures in that same period of time went from 1,200 foals to 1,800 foals, an increase of 47 percent. By the way, these figures come from the Jockey Club, which are charged with all the facts and figures in our industry. Pennsylvania: 846 foals to 1,207 foals, an increase of 42.7 percent.

Let me give you some anecdotal information. Joe Jennings, Walnford farm-- He has more stallions than anyone in the state, one of the very famous breeding operations in our state. In 2005, at his farm, 52 foals were born; 2006, 35 foals were born; 2007, 32 foals were born; 2008, 16 foals were born.

Now, the figures I just gave you in New York and Pennsylvania-- Obviously, our breeders are going to our neighboring states. It doesn't take a genius to figure that out. They have much more money than we do. They have certainty there. And, quite honestly, given the position of the casino industry, it will be a long time, if ever, we get slots.

Now, this year, what does our foal crop look like? Right now we're at 180.

Now, what happens when we lose these breeders? What happens to our farms? Our farms go away. Now, have you ever seen a housing development come back and be a farm? Have you ever seen a strip mall come back and be a farm? Well, it doesn't happen. And so we lose the opportunity to breed.

Now, let me give you some figures in terms of what the programs look like out-of-state, compared to what we do. Now, our awards -- okay? -- 2007 -- okay? -- the awards that we paid out to breeders: \$3.328 million. New York: over \$11 million; Pennsylvania, over \$11 million. Pennsylvania, at one point in time, was thought to be not a real good place to breed, not a real good place to race. Now it is the place to go. Everyone is looking at it.

In fact, in 2008 -- the first quarter -- \$5.2 million in breeders' awards. By the end of this year, it is supposed to be \$25 million. So you're a breeder now, and you're saying, "Do I breed in New Jersey, do I breed in Pennsylvania, do I breed in New York?" Well, New Jersey doesn't have a stable funding source. Pennsylvania gives awards eight times what New Jersey does; New York, four times what New Jersey does. They all-- They have racing dates that exceed 250 days a year. We have racing dates that

are, at best this year, 141 days. Which means the opportunities to get breeding awards are cut down. So where do I go if I'm a breeder? Well, I think the math is pretty clear. It's pretty easy.

Now, we have people like Dennis who stay in New Jersey; we have Joe Jennings who stays in New Jersey, because they're faithful to New Jersey and New Jersey racing. But not everyone is. In fact, what the figures tell you is, there are a whole lot of people who aren't. And so what we need-- I mean, we're dying here. We are on a respirator. There is no question about it. And it's not like-- In one sense, it's not like racing, because once we lose these farms, we don't get them back. So do we need a quick fix? The answer is, very definitely, yes.

Now, what's the solution to this?

So, do we need-- You know, are our needs urgent? Yes. Does the supplement provide what we need? No, it doesn't provide it in terms of the amounts and in terms of not having certainty.

What's our solution? Well, I spoke at a symposium at Monmouth racetrack two years ago, I believe it was. And quite a number of you were there. And I offered three solutions at that point to help our industry, and I'm going to give you those three solutions again: slots, slots, and slots. There are no other solutions.

Having said that, there are some transitional things that we need to do to assure us that we have enough money to compete with our neighboring states. I'm not sure what those solutions should be. I've thought about some of them. Maybe one of them could be a Green Acres lottery ticket. And I don't know the legal impediments -- a Green Acres lottery ticket dedicated to horse racing. I have one that I think would

probably very much annoy the casino industry, and that is: Until we get slots, let them pay a little higher tax than they're paying right now. Because as everyone knows -- I believe everyone knows that they pay the lowest tax rate of any jurisdiction in the nation.

Having said that, again, our focus is on, at some point, getting slots and having a transitional solution to our problem.

Quite honestly, we're dying. And if we don't get immediate help, we're dead. So I leave this in your hands to help us.

Thank you.

SENATOR WHELAN: Let me just thank you.

We're not the lowest, Nevada is. I think we're about the same as Mississippi. We're significantly lower than surrounding jurisdictions here, just to clarify.

Any questions?

Senator Beck.

SENATOR BECK: Thanks.

Thank you. That testimony was very good.

But I think what we need to note is that the industry is dying not because there isn't interest in the industry, and not because it doesn't have the ability to thrive in New Jersey, but because of the public policy that's been set in the state -- doesn't encourage horse racing and doesn't encourage breeding in New Jersey.

And while many of us have worked to push in that direction, we've only been so successful. And I am disappointed -- and found out the end of last week -- that, indeed, the three-year purse contract has not yet been signed. The original draft of that contract that we received from the

CRDA was not in keeping with the State statute that was signed into law on April 11. And, indeed, I put in a call to Tom Carver and Joe Corbo to let them know how disappointed I was. I think they got a great deal. They got a tax exemption on some of the promotional items, ad infinitum, in return for a three-year purse supplement for the horse racing industry. And the contract they've provided to us actually is not even reflective of what the statute says.

So I am very focused on it. I know many of us are. But I believe New Jersey is in this situation and on the edge of losing a billion dollar industry, not because we don't have interest in this state in it, but because the policy that has come out of Trenton isn't encouraging folks like you to stay here. So I'm certainly working on it, and I think many others are, as well.

MR. HARRISON: Thank you.

SENATOR WHELAN: Senator Gordon.

SENATOR GORDON: No questions.

SENATOR WHELAN: Thank you, gentlemen.

We'll move on to--

MR. HARRISON: We thank all of you for your efforts on our behalf.

SENATOR WHELAN: Thank you.

Leon Zimmerman and Thomas Luchento -- I hope I'm pronouncing that correctly -- from Standardbred; and Christopher Castens, who is part of Agriculture.

I don't seem to be having much success with this, but I'm going to repeat it. We are really-- We have nine other people who want to come behind you. So we'll try to encourage you to be as brief as possible.

L E O N J. Z I M M E R M A N, ESQ.: Well, thank you very much Mr. Chairman. And I will do that.

I will just say at the beginning that I submitted written testimony to you, and I promise you I will not read it.

SENATOR WHELAN: Thank you.

MR. ZIMMERMAN: I've been around Trenton long enough to know that it doesn't -- if you have it there already, you don't need it read to you.

I'm with Mr. Luchento to my right, who is the President of the Standardbred Breeders & Owners Association of New Jersey, and I am here to help you testify -- with Mr. Chris Castens, who is the Executive Director of the New Jersey Sire Stakes Program, which is our horse industry's breeding program. It's run out of the Department of Agriculture.

Again, we appreciate you having this hearing today.

One of the things I wanted to -- and it's explained in detail in the testimony submitted to you -- is that, to understand the future of the standardbred horse industry in New Jersey, you have to look at how we got to where we are. And I just would jump forward to the opening of the Meadowlands Racetrack in 1976, which exploded on the racing scene to the point that, immediately, it became the number one harness racing venue in North America, not just the United States. And on that opening night -- if anybody was around at that time, and I was -- there were 46,000 people at that racetrack that night, and thousands more never got in the door,

couldn't even get near the track. And for years thereafter, they averaged 20,000 people a night. And things were going very well until something came along, the lottery and the casinos.

And one thing that you have to be very clear about -- and I appreciate Senator Beck's reference. I want to echo what she said before. This industry-- The horse industry in New Jersey is not dying because there's no interest in it or nobody wants to participate in it. It is simply moving to other states where the public policy is such that it's making it more profitable and more conducive for them to operate. That's all it is.

We are, despite the fact that Pennsylvania, New York, and Delaware in particular are offering huge amounts of money to the point where-- They were always far behind New Jersey; now they're competing with us. And the Meadowlands is still the number one harness racetrack in the nation, still offering the highest purses because of the supplement that's helping us do that. But as you've heard from other witnesses -- and I won't repeat it -- there needs to be more done in the future.

One of the things that you heard reference to-- The Breeders' Cup was here last Fall. And that's, of course, one of the biggest events in thoroughbred racing. Well, in New Jersey, we have the Hambletonian, which is the largest race, the most prestigious race, at least in North America, if not other parts of the world. And the Hambletonian Society itself, which runs the Hambletonian race and the Breeders' Crown races -- which is the standardbred equivalent of the Breeders' Cup -- have been racing at the Meadowlands for years, longer than anywhere else. And it's resulted in average attendance on the Hambletonian day of 29,000, even though attendance is down below 5,000 some nights nowadays.

There have been 79 of the Breeders' Crown races out of 270 at the Meadowlands in New Jersey since 1984. And it's resulted in more than -- worth more than \$136 million -- just those races alone. And that's not every day. Those are once-a-year events. So we have a precious resource here in New Jersey that we can't afford to lose.

Other states, as you know, have slot machines or VLTs, which are producing revenue. And that's increasing purses. Several years ago there was an effort proposed to sell the Meadowlands and Monmouth racetracks. An RFP was put out, bids were accepted and never opened because there was a change in policy at the time. And it was decided not to do that. At that time, word around was that one of the bidders for the purchase of those tracks, with the idea -- I assume they knew what they were doing -- of putting slot machines there, was the largest casino company operating in New Jersey, and perhaps in the United States, Harrah's. And so they had an interest in it. When that fell through -- I'm not sure about the exact timing -- but Harrah's opened a racetrack on the Delaware River within 45 minutes of Atlantic City, and put slot machines in there. And if you go in there, it looks like a casino. And that definitely is hurting-- So it's not only hurting racing in New Jersey, it's resulted in a reduction in revenue for the casinos as well. So it seems to me that there ought to be a closer examination of that -- the VLT-slot machine issue at our racetracks.

Secondly, I want to thank you in particular, Mr. Chairman and members of the Committee, and your counterparts in the Assembly, for considering racing when you've talked about other issues, such as budgetary shutdowns. Should the racetracks be included? I know you favor that.

You're trying to find a way to do that. Because we were hurt seriously by that two years ago.

The other thing is something that is, of course, not a likely possibility but it could happen some day -- sports wagering. And I know that before this Committee and the Assembly Committee, I suggested that racetracks be considered for that. And there's been tremendous support for that. So that's another thing that you could look at. Certainly, if we could ever get sports wagering in New Jersey, it ought to be at the racetracks as well as the casinos. And I know, from a public policy standpoint, that you and other members of the Committee agree with that.

So that's basically some other points, that are not in the prepared testimony, that I wanted to point out to you.

And I'm going to ask Mr. Luchento to just share with you some of his personal thoughts.

T H O M A S F. L U C H E N T O: Senator Whelan and distinguished members of the Committee, I thank you for having us here today.

I'm going to be very brief. It would only be redundant of me to try and go over what has already been said today.

One of the things I'd like to say is, the horsemen's groups have spent a lot of money to try and push the casino subsidy along. We think we have arrived, but certainly there are no signatures. Nothing is done, as it stands right now.

One of the observations that I look at in the State of New Jersey is that a financial situation -- is that they have two choices -- tax, tolls; or alternative gambling. Obviously, gambling doesn't cost the people

anything. It can only help the State. And I often wonder when the light will go on in Trenton, and some of the powers that be there will understand that, and see that. It behooves (*sic*) me that it hasn't been done already.

I also wonder why all the surrounding states get it, understand it. What is it that they know that we don't know? What's holding it up here when we were at the forefront of this? I would just like to say that we're at the beginning of the end of a part of Americana in New Jersey. Racing has been part of the -- our whole thread.

So I would just say that, in the end, I hope that we all don't have to say, "What happened to racing, and why did we let it go?"

Thank you.

C H R I S T O P H E R C A S T E N S: Good morning, Chairman Whelan, members of the Committee.

My name is Chris Castens. I'm the Executive Director of the New Jersey Sire Stakes, an employee of the Department of Agriculture.

My intent, originally, was to speak about the economics of this, but I think Dr. Malinowski eloquently went through them. I need not say anything further.

As Secretary of Agriculture Charles Kuperus -- who is in attendance here today also -- often points out, this is the third largest segment -- the equine industry is the third largest segment in the Department of Agriculture right now. It is a critical fabric of the agricultural environment in this state.

By way of history, the Sire Stakes began in 1971. It was placed in the Department of Agriculture. As Mr. Zimmerman pointed out, when

the Meadowlands opened up, the Sire Stakes exploded exponentially also. We became *the* breeding state in the entire country.

At the height of the events, we had 130 stallions and we had mares bred in excess of 4,000 in the early 1980s. Within the last year, our mares bred dwindled to 1,518. And this year, we have 16 stallions standing in the state. And we've lost one of those recently due to an unfortunate death during the breeding season.

The quality of New Jersey's standardbred racing is unmatched. Mr. Zimmerman alluded to the Breeders' Crown races. Nearly half of the Breeders' Crown races have been won by horses who were sired by New Jersey stallions. It has been great. And we've had four out of the last five horses of the year in the standardbred industry be New Jersey breds also.

Our funding is basically achieved from two sources: fees paid by the horsemen to nominate and sustain the horse they own to our races, and also a legislative percentage of the amount wagered on the races conducted during harness meets at the Meadowlands and Freehold Raceway. It's approximately half of 1 percent. That handle figure has been dwindling, of course, in the last few years, and we've been getting less and less of that.

For the last four years, we've also been the recipient -- the grateful recipient, I might add -- of a portion of the subsidy from the casinos. This subsidy is increased through a period of time, topped out at a million dollars last year. We also receive some moneys from the racetracks, through the SBOA purse account. And those are our sole funding sources.

This year, the New Jersey Sire Stakes anticipates it will offer purses of approximately \$6 million for its races. With the addition of other races sponsored by the SBOA of New Jersey, and restricted solely to the

offspring of New Jersey sires, the total will be about \$7.5 million, the same as it was last year.

I offer this in contrast -- and this is going to echo what Mr. Harrison said on the thoroughbred side. The Pennsylvania Sire Stakes -- which, like New Jersey, is part of that state's department of agriculture -- has grown from a program that offered \$3 million in purses annually, prior to other forms of gaming being introduced at that state's tracks. This year, it's now offering -- advertising that it will offer \$10 million in purses. Last year, the Pennsylvania breeders' fund also provided \$5.28 million in breeders' awards to standardbred owners and breeders. This program did not even exist prior to 2000.

The situation is similar in New York. They're offering purses in the \$18 million range. And just from July 1, 2007 through the end of this April, New York's additional gaming options resulted in a contribution of \$8.2 million just to the New York Sire Stakes. That's over and above the amount they get that we normally receive from handle. It's incredible. We have gotten to the point where we are fighting, over the last four years, an uphill battle to remain competitive.

While we're very happy to hear of the supplement, it's not enough, as Mr. Harrison said. We're on the same time frame as the thoroughbred industry. We look at four years prospectively. Horses that are being bred this year will not even race for the money that's being offered in this purse supplement. It's a very, very difficult situation for us to remain competitive and keep the equine industry -- the racing equine industry in particular -- viable in this state right now.

I'd be happy to answer any questions.

SENATOR WHELAN: Any questions?

Senator Gordon? (negative response)

Senator Beck? (negative response)

MR. ZIMMERMAN: Mr. Chairman, can I just add one thing?

SENATOR WHELAN: You certainly may, Leon. Make it quick.

MR. ZIMMERMAN: I will. The Sire Stakes Program was created, as Mr. Castens reported, in the early '70s, and it's been in existence all this time. And it was quite successful, and led the nation, and it was the model for other states to do. As he said, Pennsylvania copied it and other states copied -- New York.

But the question is, the State of New Jersey has never, ever, through its budget, given a dime -- not 10 cents -- to the Sire Stakes Program in the Department of Agriculture. The Agriculture budget does not have any funding directive to run that program. It's paid for by the owners of the horses and the half of 1 percent of the handle of what they get of the live wager.

There are ways to help that. For some reason, the statute on simulcasting did not include the Sire Stakes to get any money out of it. So they only get money out of the live handle, which is declining while the simulcast handle is rising. And that's something that could be considered as a way of funding beyond the more obvious thing, the VLTs.

So I just wanted to add that as a thought.

SENATOR WHELAN: Thank you, gentlemen.

Don Codey, from Pennwood, which I think is Freehold; Maureen Bugdon, from Atlantic City Race Course; and Dennis Dowd.

Mr. Codey, maybe you want to lead us off here, please.

D O N A L D R. C O D E Y: Thank you, Senator Whelan and members of the Committee.

I certainly will understand your remarks about brevity.

It is indeed a pleasure to discuss the state of racing in New Jersey with you today. There have been some success stories.

Freehold opened New Jersey's third off-track wagering site, Freehold, at Toms River, on April 29. Projections indicate wagering could reach \$45 million annually at this location, generating over \$2.5 million for statewide purses. The total investment in Toms River will exceed \$7 million, not including a lengthy, costly lawsuit we continue to defend regarding the location of this OTW.

Freehold continues to be an active minority partner in the New Jersey account wagering, which will generate close to \$100 million in handle in just its fourth year of operation. So as previous speakers have said, there is a lot of interest in racing in New Jersey.

However, despite these positive notes, Freehold Raceway faces the same ominous challenges as the entire New Jersey horse racing industry, including a significant impact by slots-enhanced competition in New York and Pennsylvania, most notably Harrah's Chester Downs, Mohegan Sun at Pocono Downs, and Yonkers Raceway, all within two hours of Freehold Raceway. Slots-fueled purses at these tracks have siphoned horses and bettors from Freehold's once strong presence in the marketplace. Our presence in the marketplace for years was known as the *afternoon delight*, meaning we were the only daytime harness signal in the market. We now

share this market with the Meadows, Monticello, Yonkers, Chester, and Plainridge, which deeply cuts into our market share.

There is significant intrastate competition from the Woodbridge OTW, which has lowered wagering at Freehold by over 20 percent since its opening in 2007. Also, the crippling cost of funding a large share of the New Jersey Racing Commission costs become the largest single budget line item at our racetrack. The competition for in-state gambling, such as the lottery and the casinos, as well as slot operations an hour away at Philadelphia Park, Harrah's Chester, and casinos soon to be open in Bethlehem and Philadelphia-- Additionally, as a private operator in the State of New Jersey, our biggest competition is the State of New Jersey in the form of the Sports Authority and the lottery.

While Freehold is grateful to the Legislature and this administration's efforts in allocating part of Atlantic City casinos' future promotional credit funding for assisting the horse racing industry, we are troubled that details of this agreement, including any significant dialogue on allocations to the industry stakeholders, have not been shared in any substantive form, to date. Freehold is an important part of the New Jersey horse racing industry, and we welcome the opportunity to be part of this discussion.

Freehold is concerned that a subsidy that only increases purses and does nothing to spur reinvestment in existing facilities will leave New Jersey racetracks in a position of being purse-rich and facility-poor. Racetracks have been hurt by the same competition as horsemen, and we cannot easily move our capital investment to other jurisdictions in order to capitalize on these opportunities. Racetracks have real bricks, and mortar,

and employee investments in the State of New Jersey. We pay over \$50,000 to taxes in Toms River and over \$1 million to Freehold.

Like others, Freehold feels this supplement is just a Band-Aid and does not address the long-term needs of the New Jersey horse racing industry. States such as Pennsylvania, Delaware, Louisiana, New Mexico, West Virginia, Iowa, and Indiana have gaming at racetracks that provide a fair portion of the revenue to support purses, breeding funds, and capital reinvestment in facilities; as well as generating significant revenue for those states. A similar program is needed in New Jersey.

While Freehold is hoping to capitalize on the success of Toms River, we are identifying and pursuing additional opportunities related to off-track wagering, and we realize this is not a simple solution. Issues such as liquor license costs, local community acceptance, and significant construction and infrastructure costs impact these opportunities.

We also wish to draw your attention to another impediment to creating a desirable wagering product, and that is the statutory requirements, for OTWs and account wagering, for racing dates. Freehold is required to race 192 days annually, an amount that dates back to the presimulcast era, and has no economic justification for track or horsemen in today's environment. The ability to change this amount, with the mutual consent of the horsemen, without harming the continuation of OTWs and account wagering, is a key item that needs immediate attention.

Again, thanks for this opportunity. And I will be available for any questions.

SENATOR WHELAN: Before I ask a question, I want to acknowledge that Assemblyman Malone is wandering around the room. I

was remiss in not acknowledging him earlier. And we also have the Commissioner of Agriculture, Charles Kuperus, here as well. We appreciate both of their presences.

What do we need to do to lower the number of days?

MR. CODEY: Oh, it has to-- It would be a legislative requirement.

I mean, we've spoken to the horsemen on our end, and they understand that in order to operate in today's marketplace, we're racing too many days. But it's tied into the off-track wagering and the account wagering. And we understand that if some time, through the grace of this Legislature, we do get VLTs, then we could continue to race the number of days that are called for in the current statute. But without the VLTs, we're just racing way too many days for everybody's benefit.

SENATOR WHELAN: And that's applicable probably to the -- I know you don't speak for the thoroughbreds, but--

MR. CODEY: I don't. I think probably their amount of days could be correct, but I don't speak for them.

MR. DRAZIN: (speaking from audience) We're vehemently opposed to any reduction of days.

SENATOR WHELAN: Dennis Drazin says he's opposed to any reduction in thoroughbred days.

MR. DRAZIN: Correct.

SENATOR WHELAN: We got it.

Thank you.

All right, Maureen Bugdon, from Atlantic City Race Course.

MAUREEN GALLAGHER-BUGDON: Senators, industry representatives, thank you for including me today as a representative of Atlantic City Race Course in southern New Jersey.

I'd like to personally thank the Chairman, and my own district representative, Senator Jim Whelan, for the invitation to join in this important discussion on New Jersey horse racing.

My message today is a simple one. There are four racetracks in the State of New Jersey. And South Jersey's racetrack, since 1946, is indeed Atlantic City Race Course.

As President of Atlantic City, I am tremendously pleased. And I'd like to bring you up-to-date on the remarkable success of our race meeting that concluded a week ago today. Senator Beck referenced whether there is interest in racing. There certainly is, and we need to foster it. For the third straight year in a row, Atlantic City Race Course broke 10- and 15-year attendance records, concluding our last meet on this past Friday with over 6,600 fans on track for just six races. Not only was our attendance better than that of Belmont, Hollywood Park, Freehold, or the Meadowlands for these two weeks, but it was better than any other track in the country, with the exception of Churchill Downs running the Kentucky Derby.

I don't come before you today to tell you that Atlantic City Race Course is a smaller Saratoga. We have had our struggles over the course of my employment, which has spanned over 20 years. However, Atlantic City Race Course is a track with great spirit and a track very much on its way back.

Last year, Atlantic City Race Course was the track to open New Jersey's first off-track wagering site, in Vineland, New Jersey. And for 2008, we had this other first: We are the first New Jersey track to experience a three-year increase in attendance, despite enormous competition from Atlantic City casinos' simulcast parlors and the casinos themselves, just 12 miles from our doorstep.

And for these reasons, we come before you today with the message that there are indeed four racetracks in New Jersey, and we deserve consideration as a recipient in the purse supplement agreement for all the same reasons as every other track in the state. We are facing extreme competition from neighboring states with racetracks who have the benefit of slot machines to bolster their purses. And we directly compete with the Atlantic City casinos' simulcast parlors 10 minutes away on a daily basis.

In my opinion, not supporting Atlantic City Race Course as a recipient in this agreement would possibly be the final straw on the camel's back, and we would be forced to close our doors as a thoroughbred racetrack in this state, impacting the public interest in the way of tourism and recreational opportunities in South Jersey.

I believe the writers of the first and most recent casino purse supplement legislation meant for this purse supplement money to benefit the industry and benefit all of the racing entities, including the four racetracks that race here. It is an issue of fundamental fairness.

This panel and everyone assembled here today should indeed revisit how to save and protect the horse racing industry within the State of New Jersey. We are asking for a small percentage of the \$90 million purse supplement agreement money in the hopes that we will continue to have

increases in our attendance at South Jersey's only track and continue to have the highest percentage of horses in our fields in the country. We are the only gambling counterpart to Atlantic City's casinos in Atlantic County and South Jersey. We are asking for your support in awarding us a proportionate share of this money, based on the 20-day race mandate that Atlantic City intends to run in 2009 and 2010.

Our recipe for racing in South Jersey seems to be working these last few years, and 26,000 fans who attended our racing these past two weeks clearly recognize and demonstrate that Atlantic City Race Course is a valid, valued racetrack in the State of New Jersey. And with your continued support, we will do everything possible and reasonable to prove that this track is on its way back. And we would be more than happy to run these 20 days in 2009 and 2010.

Your support in our efforts to be a recipient in this purse supplement agreement will go a long way in showing our fans and the horsemen who support our race meeting that South Jersey matters, and that there are four racetracks in the State of New Jersey and all four deserve consideration.

Our staff, fans, and the horsemen who fill our fields in record number have convinced us of the desirability to continue offering live racing in South Jersey, and we hope that you will continue to demonstrate that, as well.

We are eager to be a part of the long-term plan to solve the problems facing New Jersey racing, and to be of assistance to all entities in this industry.

And we'd be more than happy to stick around today and answer any questions that you may have.

Thank you.

SENATOR WHELAN: Thank you.

Dennis Dowd, from the New Jersey Sports and Exposition Authority.

D E N N I S D O W D: Thank you, Mr. Chairman, Senator Beck.

I have about a 20-minute speech here that I'm not going to give. (laughter)

SENATOR WHELAN: Thank you.

MR. DOWD: You're quite welcome.

I'm the Senior Vice President in charge of racing for the Sports Authority, which puts both the Meadowlands Racetrack, and their harness meet and their thoroughbred meet; and Monmouth Park, Woodbridge -- the account wagering system -- under my guidance. We've done some good things. We've probably done some things we could do a little better if we work harder, and we intend to do that.

I'd like to say I agree with most of what was said before me by the individuals on this panel and every panel. I certainly don't agree with everything. I don't want to waste a lot of time today going through and nitpicking the areas of agreement or disagreement. I'm sure there will be other opportunities for greater dialogue.

As you know, we sent you a letter this month dealing with the progress in the OTW system and the account wagering system to try to keep your Committee and the Assembly Committee up-to-date on what we're doing in those areas. And sometimes it may seem slower than it

should, but I think the last letter shows some of the problems we've run into and some legislative changes that I would recommend in the OTW system. And quickly, they are: another look at the home rule -- not that there shouldn't be home rule, not that every community in the State of New Jersey shouldn't be able to make a decision as to what's appropriate for their community. But we would ask that standards be put in that, that it's not a blanket, "We don't want it, because we don't think we like it." And that's what happened to us in Green Brook, quite frankly. We had a totally different experience in Bayonne. And we believe that we will be moving forward with Bayonne, which will be an OTW, when completed, that will be more successful than Woodbridge. And that means over a hundred million dollars a year in handle in that facility.

Quickly on the OTW system-- And I think Mr. Drazin hit on something important. When they are all done, and when the account wagering system is full and mature, we would expect to see a number of things. One of them is, we would expect to see a net increase in the purses in New Jersey by approximately \$30 million to \$35 million, depending upon the cannibalization. How much does one OTB take away from Freehold, which we saw Woodbridge do? How much does Toms River take away from Monmouth Park, which, quite frankly, we saw occur? There is some distribution, but there's also new money. And so we have to look to the net.

One thing the Legislature did very, very well in the OTW legislation is leave the operations in the hands of the existing racetracks so that we can develop the system in a manner and a way that it doesn't destroy the assets we already have. We're very conscious of what's going on

at the Meadowlands, what's going on at our other racetracks. We've seen what happened to Atlantic City Race Course with the proximity of the casinos. So in developing our OTW system -- if it's developed by the existing racetracks, we think it's a healthier system.

Another topic I'd like to touch on very briefly is the subsidy -- and that was also mentioned by Mr. Drazin -- how it is not enough. And I think everybody in this room knows we obviously asked for more. We did want to see money for the tracks, we did want to see greater purse money.

But I'm going to let you guys get out of here, because I want you to go upstairs, or go into the next room, and bet a little bit. (laughter) And when you do that, I want you to look at two things: Belmont's program today and Monmouth Park's program today. And although our program is prettier, they give away \$100,000 more money. And they're doing that right now with us paying our purses as if we were distributing the subsidy. We did it at the Meadowlands, and we did that here. We're giving out slightly over \$300,000 today. They're giving out over \$400,000 today. They're paying over \$41,000 per race, on average, today. We're only paying \$34,000 per race, on average, today.

The point of the analysis is, they are generating enough money right now to be that much higher than us, and they don't have the VLTs that will be coming online within the next two years. We expect their purses to be well over \$500,000 a day. And with the subsidy, we're only \$300,000 a day. So our position in the marketplace will continue to erode, rather than improve, with the subsidy.

I grew up on a breeding farm in Monmouth County. I not only know the stats they say, I saw them. We don't breed horses in New Jersey

anymore for a lot of different reasons. I did have a baby born the other day who is a Jersey-bred. But that mother is in Pennsylvania now. I have partners who say, "What are you, crazy? We don't want to breed in New Jersey."

So I think addressing the whole industry is important. I think addressing the amount of money that is needed is important. Dennis Drazin again alluded to-- Because he spoke so long, he alluded to everything. (laughter) Dennis Drazin also alluded to different forms of gaming that might be available to us. And he did mention instant racing. I have discussed that with some legislators. We believe that it could be accomplished legislatively.

Just very quickly, instant racing walks and talks like a VLT, but it's not. What it is, is a bank of races that have been conducted, and you get the finish of those races on the machine screen where you would normally get the other. And it's very quick, and it's actual races that have been conducted. And they're randomly generated and decided. We believe that it is something that could be passed without the necessity of any constitutional change or legislative change. And it's not the video lottery. It is something that we will explore with the Legislature, among other alternatives: the moving of the Racing Commission budget, trying to get us some relief while we go through the next three years with this \$30 million. And again, the reminder that everyone else has said -- and I've said it already -- the \$30 million, quite frankly, isn't enough. But we'll get through it. We're tough. Racing is comprised of very tough people. And I think you've heard from some of them, and you'll hear from more.

And I'm going to see the races. And there's a party, and you're all invited. It's upstairs. (laughter)

SENATOR WHELAN: Thank you.

Senator.

SENATOR BECK: If I could just make a comment. The fact that Chairman Whelan held this hearing here today, I think, is an indication that he is committed to working, with the rest of the members of this Committee, to find a long-term answer to how we'll fund purses going forward after this three-year supplement. And I know he's been kind enough to say that publicly in the past. But when I asked him if we could host this meeting here on opening day, he jumped right on it. He said, "Absolutely. Let's do it."

So I think we have a Chairman who is thoughtful. And certainly we're all getting a good education today about the challenges we face.

I did just want to address something Maureen said. I have to tell you, when the purse negotiations happened, Atlantic City Race Course was not in mind. As a matter of fact, I have to admit I actually didn't even know it was still open. And I've been working on the issue of horse racing for years, not just my three years in the State Legislature, but I'd say for almost a decade. And frankly, I didn't actually know you guys were open. So maybe that's my bad, but this purse supplement negotiations that we held -- we didn't consider you. We didn't even know that you were around. You weren't part of the conversation. That doesn't mean that you shouldn't have been, but you weren't. And now, going forward, we obviously have to consider the fourth racetrack.

MS. GALLAGHER BUGDON: Thank you.

SENATOR BECK: But I mean, I don't know what we'll do about this purse supplement, because it was-- I don't know. We'll have to have that conversation off-line, because we actually didn't have you in mind when we structured that \$30 million deal.

But going forward, I know the casinos and Chairman Whelan have said, "Hey, before these three years expire, we need to come up with a long-term plan." I think we're all committed to doing that. I think Don, and Dennis, and Maureen all have some ideas. And I know Dennis Drazin has them, as well, to address that. And we will.

SENATOR WHELAN: Thank you.

Good luck today.

MR. DOWD: Thanks a lot.

SENATOR WHELAN: Now we have some local officials: Lillian Burry, Director of Monmouth County Freeholders.

UNIDENTIFIED SPEAKER FROM AUDIENCE: She's not here today.

SENATOR WHELAN: She's not here.

SENATOR BECK: Yes, I think the Freeholder is-- She is not here.

SENATOR WHELAN: Do we have someone representing the Freeholder Board then?

Nancy, you're a Mayor, right?

MAYOR NANCY A. GRBELJA: I'm a Mayor and--

SENATOR WHELAN: And a Freeholder.

MAYOR GRBELJA: --on the Save the Horse Committee that the Chosen Board of Freeholders has established.

SENATOR WHELAN: Okay. Well, come on up.

Bea Duffy, from Monmouth County Economic Development.

Is Bea with us? (affirmative response)

And we do have a Freeholder, or--

F R E E H O L D E R J O H N D ' A M I C O J R., E S Q.: John D'Amico.

SENATOR WHELAN: John, come on up.

I know this isn't protocol. I was never a freeholder, but I was a Mayor, so I'm going to start with the Mayor.

MAYOR GRBELJA: Oh, thank you very much.

I may be the only person here today that has been shoveling manure before I came. So I don't think I smell, and I don't think I'll offend anyone here.

I really appreciate the opportunity to speak before the Committee. And I am the Mayor of Millstone Township, in Monmouth County. And I've also been asked to Chair the Save a Horse Committee through the Board of Freeholders. And that's probably because of the fact that agriculture and the equine industry are extremely important in my community. We have over 6,000 saved acres. And in every avenue that you move down Millstone Township, you see rolling hills with horses. And it really is a very big component of my life. Going home to Millstone Township is like going home to paradise each and every day.

And I have to tell you, I grew up in Hudson County. There was one little barn on the cliffs of the Hudson River where we had a horse. And

I went down there and would ride on occasion. But never, ever in my life did I think that I was going to be in the position that I am in today.

Serving as Mayor, I went out and answered the complaints. I adopted my first retired race horse, and now I have eight horses, four of which I'm actively training for the racetrack.

But even listening today, I kind of realize the differences between the thoroughbreds and the standardbreds. And I have to tell you, we're talking about \$300,000 purses that are coming here today, which certainly is not a lot. But yesterday I sat at Freehold. And I'm going to tell you, I think the total purses were around \$30,000. So I guess when we talk about harness horses and we talk about the standardbreds, those are the horses that I'm involved in and that I can speak to. And I have to tell you that I sit and I work with the horsemen each and every day in training. I'm not an owner who pays somebody else -- although I do pay someone -- but I am there shoveling, caring, grooming, training, walk my horse on the trailer before she races, go to see her after she's done racing. And she races on hay, grain, and love, and that's it.

And I have to say, it was a dream of mine. I was turning 50. I saw this horse. It's something that I always wanted. And I said if it didn't happen then, I was -- it was never going to happen. And like I said, I'm up to eight horses.

But now that I kind of got into the mix, and I sit back and listen -- just as I do in my community -- I can't make decisions that are based on what I want and what's good for myself. But I have to say, "What is good for everyone? Who is involved?" And to tell you the truth, I sat back over the last four years that I've been involved with my horses, and I

sit, and I listen, and listen to some of the old-time horsemen, and listen to some of the breeders, and I listen to the people who are training and working each and every day. And what you do is, you kind of get a feel for what's happening within the racing industry.

And I'm going to tell you something: I feel panic-stricken. I'm not giving up my horses. But it's very difficult for me to say to people who have farms in Millstone, "Don't leave the state." Why wouldn't they leave the state? If we're taking a look at the purses and the breeding opportunities that are occurring in other states, I can't, in good conscience, tell them to stay. So the only thing we can do is stay in the state, and fight, and work together to make sure that we can keep the top horses, and make New Jersey the top entity in racing that it was at one particular point.

As I said, being a novice, I've worked with a lot of people, I've listened to a lot of things. Sometimes there's some division within the horse community. But what you have to do is sit back and say, "What's happening?" Horsemen and breeders are leaving the state because the opportunities in surrounding states are far more appealing and lucrative. Attractive purses, financial bonuses for horsemen and breeders, policies that are promoting the stability of racing are encouraging our horsemen to relocate.

At one of my farms, just about two months ago -- when we were meeting with Senator Beck -- we actually had six mares that had moved out of state. Three went to Pennsylvania and three went to New York. The exodus of our horsemen from our state is going to disrupt the state's economy. It's going to destroy our Open Space and Farmland Preservation programs. It's going to have a drastic, negative impact on our agricultural

community. And it's going to severely hamper all aspects of the equine industry, both competitive and noncompetitive.

In my town, we have 37 square miles. We have horse trails that connect every single part of the community. People ride: pleasure riding, handicap riding, riding for the mentally disabled, competition. We have more than 600 people who meet in my community that are involved in horses. It has nothing to do with horse racing. But all of us know--

SENATOR WHELAN: Mayor-- I hate to do this to a Mayor of all people, believe me, but--

MAYOR GRBELJA: You want me to go down to a little facts.

SENATOR WHELAN: If we could.

MAYOR GRBELJA: I'll go right to my facts.

SENATOR WHELAN: Just try to speed it up a little bit -- and the other speakers, as well -- because we do have one more panel.

MAYOR GRBELJA: I'll go down to my facts.

SENATOR WHELAN: And post time is not going to wait on us.

MAYOR GRBELJA: Okay.

SENATOR WHELAN: So thank you.

MAYOR GRBELJA: All right. We already talked about the decline of the stallions, which was taken care of.

But if we take a look at the financial success of the racinos in Pennsylvania and New York, it should serve as a lesson to us. Pennsylvania has 11 casinos that generate \$1.7 billion annually. The casinos pay a 55 percent tax on the gross terminal revenue. Of the 55 percent tax, 34 percent is used for property tax relief, 12 percent goes to the horse racing

industry, 5 percent goes to tourism and economic development, 4 percent goes to county and local areas where their licensing occurs. Next year, every property owner in Philadelphia will receive \$169 school tax deduction. And nonresidents who work in Philadelphia will receive a 5 percent reduction in their wage tax.

The moneys generated for the horse industry have enabled that industry to become lucrative for the horsemen. For example, purses at Hollywood increased from \$65,000 to \$110,000. At Harrah's, in 2006, purses went from \$3.4 million, to over \$21.7 million in 2007. On April 23, at Freehold Raceway, the total purses were \$36,550; in Chester, on the same day, \$202,000; at the Meadowlands, \$178,000. On the 24th of April, at Freehold, \$28,650; at Chester, \$221,000; at the Meadowlands, \$155,000. People have no reason to stay in New Jersey and to race.

If we take a look at what's happening, we also know that-- And we talked already about the \$1.5 million in additional money and money going to the breeders. Similar stories can be told for other states adjacent to New Jersey. The slots in those states are taxed at a rate ranging from 45 to 55 percent.

Now we come to the issue of fairness. The racing industry has had to beg, and is continuing to beg, for supplemental money from the casinos. Our casinos are only paying 9.25 percent tax to the State. Perhaps that rate was sufficient at the time legislation was passed, but not in today's economic times. The racing industry, at one time, was the only game in town. The horsemen who were around at the time told me that they were sure that they were assured that the lottery and the casinos would not affect

them. Now we have casinos that -- they can take their 6 percent profit and, what they can do is, they can put that into facilities.

Horsemen need far greater money, because the money doesn't go into building facilities. It goes into agricultural needs, and care, and people who are employed. That's where the difference comes.

I understand that there is a new, three-year supplement. But I also realize that there's a problem with that. And I do realize that contingent on that agreement is that the casinos will not have to pay taxes on comps forever. I find it extremely distressing that Harrah's Casino, in Atlantic City, will send my partners in my horse industry comps to attend Harrah's in Chester. I find that extremely unfair.

I think what we need to do is work with the horse industry. And I'm not saying-- You can keep your 9.25 percent tax on the casinos. Give us VLTs, give us sports betting. We can be completely independent of the casinos. Let us be self-sufficient and create moneys that will help our industry. If the casinos want part of it, and they want \$50 a machine, that's fine too. But there is some formula that we can use that will actually work and that will allow this industry to thrive and, once again, become the number one horse industry in the country.

I think it's extremely important. And what I did do today is, I did bring, for everybody on the Committee, a copy of an article that appeared in *Horsemen Magazine* called "Show Me the Money." And what it does is, it basically lists for everybody the slot revenues of every single track which is located in New York and Pennsylvania. And you will see the amounts of money that are being generated.

What we could do is, if we had some ability for this racing industry to be able to promote its own and to be able to collect money, the money could be used for property tax relief, it could be used for education, it could be used for open space. But without that, we are all going to lose out. If we lose our horse industry, we're going to lose our open space. And I'm going to tell you, it's going to cost New Jersey much more money than it's spending at this time to have open space.

Remember one thing: We are the Garden State. The animal is the horse. It clearly demonstrates the importance of agriculture and the equine industry in New Jersey.

Please work with us in saving our industry.

SENATOR WHELAN: Thank you.

Mr. Freeholder.

FREEHOLDER D'AMICO: Thank you very much.

I similarly welcome you to Monmouth County. Thank you for coming here.

I think the essence of what you've heard today is that the racing industry in the State of New Jersey is a treasure. And it is also an income generator; it's also important to our economy, our employment, our quality of life, our tax revenue. In every respect, it infuses the State of New Jersey with the quality of life that we all enjoy, particularly here in Monmouth County.

And so the way, it seems to me, that the Governor and the Legislature should be looking at this issue is as one of an investment. If the international racing community thought well enough of New Jersey and Monmouth Park to hold the Breeders' Cup here, the Governor and the

Legislature of New Jersey should think well enough to implement some of the ideas and suggestions that Mr. Drazin and others have presented to you.

And I will just leave you with that thought and that request.

SENATOR WHELAN: Thank you.

FREEHOLDER D'AMICO: Thank you.

B E A D U F F Y: Thank you and good morning.

Thank you for the opportunity to have me here today.

I had intended to speak about the economic impact on the State, but that has already been very well noted by Dr. Malinowski.

What I would like to say is that horse racing has been going on since the end of -- since the beginning of time. Our horses have worked and built this country. The horse racing industry is not only an integral part of the tourism in the State of New Jersey, but it's part of the economic engine that drives the State.

I will be very brief. I agree with everything that has been said today. I think there needs to be a change in policy, as referred to by Senator Beck. And I would beg you to please find a way to protect not only the horse racing industry in the State of New Jersey, but the entire equine industry.

Thank you.

SENATOR WHELAN: Thank you.

FREEHOLDER D'AMICO: Thank you.

SENATOR WHELAN: Any questions, Senator? (negative response)

SENATOR WHELAN: Thank you.

Thank you, all.

We have some local horse folks: John Ryan, from Colts Neck, thoroughbred breeder; Joe and Karen Jennings; and Stephen Dey, a veterinarian.

Again, we apologize to those who wanted to testify who weren't able to. We are pressing up against the--

Can I ask who we have? I'm not familiar. Sorry.

STEPHEN DEY II, DVM: Yes.

My name is Dr. Dey, veterinarian.

SENATOR WHELAN: Dr. Dey, and--

JOE JENNINGS: Joe Jennings.

SENATOR WHELAN: Joe, thank you.

You were alluded to by some of the prior testimony--

MR. JENNINGS: Yes, I was.

SENATOR WHELAN: --as a leading breeder in the state.

MR. JENNINGS: That's correct, sir.

SENATOR WHELAN: Dr. Dey, do you want to start us off?

DR. DEY: I will be passing out my testimony. And I'm not even going to cover any of the testimony. I'm going to just tell you, as a breeder--

I'm a veterinarian. I graduated in 1960 from Cornell; and taught at Pennsylvania for a couple of years; and then started the standardbred practice in the State of New Jersey, which I've been practicing for about 46 years. We have 504 acres located in Upper Freeholder Township, which incidentally is the capital of the world as far as the number of standardbred horses.

We stood four of the five leading stallions in 1990 in Upper Freehold Township. I sold the first yearling for the Sire Stakes. We raised four world champions on our farm. Today we are breeding only two stallions that we own shares in, in New Jersey. We are sending all the rest of our mares to be bred in states that have great sire stakes programs or breeding programs, which are Pennsylvania and New York. So that tells you what has happened to the standardbred race industry in the last 30 years.

If you have any questions, I'd be glad to try and field them.

Thank you.

MR. JENNINGS: Thank you very much.

Joe Jennings. I have a thoroughbred breeding farm in Allentown, New Jersey, 175 acres. At one time we had nine stallions. Now we're down to five.

I guess the point that I wanted to get across to you is that we're down this year about 40 percent in the amount of mares that we're breeding. And if this next month is off, we might be down 50 percent.

Now, that really-- Whether I survive or not really doesn't matter to the whole picture. But the point I wanted to get across is, the people-- The reason we're down-- These people aren't getting out of the business. They've all gone across the river. They're still friends, but they've gone elsewhere. They're chasing the money.

And Tom Luchento said we might be at the beginning of the end. I think we might be past the beginning of the end. I think if we keep on sitting on our hands and don't look for an alternative supplement here,

it's going to be too late. Because we can't wait another three years to get something done.

And that's-- I don't want to keep on beating a dead horse here and saying how bad things are. But things are pretty critical out there. And I'm just telling you this from the trenches.

SENATOR WHELAN: We appreciate it. And your survival is important, because you're a leader in this industry and also emblematic of the trend that we see.

Senator Beck.

SENATOR BECK: I'm really happy that you both took the time to come. I know that you both have busy lives. And I see Mr. Pinotti (phonetic spelling) is here too.

We are at a crisis point. But I want to tell you that it's not that we're not aware. And we certainly have a commitment from the members of this Committee to try to find that answer. The State of New Jersey forgoes anywhere from \$400 million to \$800 million a year by not implementing video lottery terminals at the Meadowlands. And that is the reason that the casinos are asked each and every time to provide a purse supplement. Because as a policy decision--

You know, everyone asks me, "What does horse racing have to do with the casinos?" And that's the tie-in. The State is not reaping those revenues, because we haven't done VLTs. So instead, the casinos have to step up to the plate and provide purses.

In this last round of negotiations, the casinos admit that this process is not a good one and that we need to find a better answer so we don't have to go through these negotiations each and every year. And they

have said that once the contract is signed -- though it's not signed right now -- once it is signed, they will sit with us again over the course of the next couple of months and begin working on a long-term answer.

Whether or not you-- I assume all the people in this room support horse racing. But if you don't, the ancillary benefit to the citizens of the State of New Jersey is 178,000 acres of open space that's preserved in horse farms every year, and the \$1 billion industry that thrives here and supports our economy. So, to me, the answer is a long-term purse supplement that is competitive with other states. There are a number of ways we can get there. And I know our Chairman is committed to working with me and the other members of the Committee to find that.

Thank you for taking the time to come out today.

And I think the first race goes off at 12:50.

DR. DEY: Thank you for letting us testify.

SENATOR WHELAN: Senator, do you want to say anything as we close our session here?

SENATOR GIRGENTI: I just want to apologize, Mr. Chairman. I got called out by the Governor on a discussion on something within my district.

SENATOR WHELAN: We all understand.

SENATOR GIRGENTI: All right.

But we are very interested in this. I know that you've taken great strides. It's good that you came here today. I have a lot of data and information that I will be able to digest. And hopefully we can do something to help the horse racing industry.

SENATOR WHELAN: Thank you.

As we've heard today, we have a short-term problem. We've got to get this agreement signed. I'm going to get involved in that a little bit. Hopefully we will be able to include Atlantic City Race Course. As Senator Beck has said, unfortunately they weren't in the last cycle, which is why they weren't part of the conversation on this cycle. And then we have the longer-term problem that we hear.

The only word of caution -- and I don't want to end this on a down note, because we are committed to making this work. And I just had to bring today's *Atlantic City Press*. One of the headlines is, "Trump Property Losses Mount in the First Quarter." And then yesterday's newspaper, "Pinnacle--" which is a casino project in Atlantic City -- "Delays Atlantic City Start." I mention those things--

Some of the frustration that is felt in the casino industry is, things are not as rosy there as some people assume. Pinnacle bought the Sands site. The first thing they did was, they looked at the books. They shut it down. Two thousand people were put out of work, tremendous job loss. We don't need to have a pity party for Donald Trump, believe me, but his properties are not doing well, which leads to a reduction in the workforce. They're on the block. The article goes on to say, "We'd love to sell one. There's no buyers."

And the casinos clearly have to be a part of this solution. But I don't know that it's realistic that they're going to be the only solution. And we need to look-- We need to weigh VLTs and the impact they have back on Atlantic City. We don't want to see Pinnacle-- Pinnacle is a \$2 billion project, 3,000 permanent jobs if it were to get built. We don't want to do

something that's going to jeopardize that kind of project. So that's kind of where we are.

And it has been alluded to before -- Dennis said this. One of the big frustrations that folks involved with the casino industry -- and I include myself here, and I'm not involved in the industry, per se -- is the delays in the off-track betting. And we've got to get that ramped up. And, again, we know that's not the total solution, but nor can the total solution be, "Let's just look to the casino industry."

We are committed -- all of us here, and those -- Senator Gordon had to leave, Senator Pennacchio, as well -- and others in the Legislature, including the Senate President, who encouraged us to have this meeting here today. We are committed to trying to find a permanent solution to keep the horse industry, both thoroughbreds and standardbreds, viable and healthy, keep the breeding aspects viable and healthy. And we know we have a lot of work to do, and we look forward to working with you in the future.

So we thank you all.

And with that, we'll adjourn the meeting.

Go place your bets.

(HEARING CONCLUDED)

APPENDIX

**DENNIS R. ROBINSON
TESTIOMONY
SENATE WAGERING & TOURISM
MAY 9, 2008**

STATE OF RACING

**Chairman Whelan and members of the committee, including
Monmouth's own Senator Beck...**

**Thank you all for being here on what is always an exciting day
for racing sports, and entertainment in New Jersey...the
opening of a new season at historic Monmouth Park...**

**When I came before the committee before I spoke mostly of the
extraordinary renaissance underway at the Meadowlands
Sports Complex....**

**Billions of dollars of private investment are bringing the new
Giants/Jets Stadium, the spectacular Meadowlands Xanadu
family entertainment complex to life and the construction of
rail link will make the Complex easily accessible to the entire
State and region by heavy rail. By the fall of 2010, the Sports
Complex will be well positioned to compete in the sports and
entertainment marketplace for decades to come.**

**Today I want to focus on an industry in need of its own
renaissance...and maybe in need of some revolutionary
thinking at the State level.**

Luckily for New Jersey you can still enjoy the history and majesty of this great facility. The beauty and athleticism of thoroughbred racehorses, the exceptional grounds and family atmosphere of Monmouth Park, combine to make this summer time experience unlike any other in the State.

The awarding of the Breeder's Cup to Monmouth Park brought about a capital renaissance to this storied racetrack as we made a profound investment from new racing surfaces to dramatically improved patron services....we know the public will continue to enjoy the improvements we have made.

First and foremost I want to thank the Administration but especially this Committee for its efforts in bringing the purse supplement to pass. We are actively working with to complete those negotiations and are grateful for the cooperation of the thoroughbred and standardbred horsemen to date.

But as we have discussed Chairman, we all know this is a three year window. Any industry needs continuing long-term investment to survive and prosper.as you know from Atlantic City. Horsemen and track operators both have substantial capital needs to stay competitive. We simply cannot expect investment in this industry in New Jersey when uncertainty waits a short four years away.

Honestly, what truly needs a transformation is the State's approach to the racing industry. I am a glass half full guy so let's look at the positive...with the Administration's commitment and your support the purse supplement legislation passed and we are hammering out that agreement virtually as we speak. That \$30 million in annual purse subsidies is absolutely critical to keeping racing viable for the next three years.

Additionally, the Off Track Wagering facility, Favorites at Woodbridge, is doing extremely well and we have made substantial progress in siting our next facility. It is a highest priority of racing management to get the Authority OTW's up and running. The OTW's will certainly help the racing industry but it cannot be expected to be the industry's silver bullet.

As everyone in this room already knows, racing in New Jersey is at a crossroads...it certainly is not alone among American industries. We absolutely must be prepared to reach our existing customers in new and better ways and reach out to potentially new customers on platforms that reflect marketing in 2008...comfortable off-site facilities, the internet, account wagering. It is our job to better distribute our product.

If the Kentucky Derby is any indication, our distribution strategy is working, as we set records at the Meadowlands, Monmouth, Favorites at Woodbridge, as well as via 4NJBETS, our internet platform and phone wagering.

But we need the partnership of government to develop a long-term solution. No one can be expected to invest in an industry with a three-year time frame, and without additional investment the industry will continue to decline. The racing industry must change and diversify its product mix if it is going to operate in an increasingly competitive gaming marketplace.

As Dennis Drazin of the thoroughbred horsemen's association wrote in an op/ed piece recently, it's a four-year commitment from the time a mare is bred until the first opportunity that a horse has to race.

Without assurances that racing in New Jersey has a solid future – including breeding incentives - those mares will foal in other states which have a more stable, more profitable and more secure future.

And that goes at least equally for the racetrack operators.

We are thankful for the hard work by the governor and this committee to facilitate an agreement between the casinos and racetracks – I am more grateful about your commitment to help us start now on a long-term industry plan.

It isn't falling on deaf ears that racing in New Jersey is a \$1 billion a year industry and provides thousands of jobs and has the potential to provide even more jobs as we build out the OTW network. Jobs mean more state revenue and more state revenue means a better quality of life for New Jerseyans.

And of equal importance, racing and its agricultural support services, provide green acres and open spaces while preventing sprawl.

Racetracks in the nearby states of New York, Pennsylvania and Delaware have been allowed to diversify their gaming product mix by adding VLT's. That in turn has allowed them to attract a wider audience, resulting in drastically improved purse programs and profitability. Profitability allows for continuing investment in improving physical plants. With increased purses and improved plants. Competition for horse grows even stronger leaving New Jersey at a distinct competitive disadvantage. Needless to say the increased gaming competition from nearby states is not only impacting racing but also all forms of gaming in New Jersey.

My intent is not to stand up here and offer a future of “doom and gloom” – it’s not doom and gloom. I do believe that we control our future. While the introduction of VLT’s may be one option, I believe it is one of many options that must be fully explored in the months ahead. We must all be committed to working together to insure the future success of racing...I can assure you that the Sports and Exposition Authority is ready to do its part.

While I’m confident that this season at Monmouth Park under the leadership of Dennis Dowd and Bob Kulina will be a great success, it’s the long-term future that concerns us all.

We must have a long-term solution to spur long-term investment.

MONMOUTH PARK ENVIRONMENTAL TALKING POINTS

The Monmouth Park opening press conference is Tuesday May 6. There will certainly be reporter questions regarding environmental matters. We will not discuss the ACO negotiations but there are certain steps we have taken that have been part of press covered open meetings of the NJSEA Board that we would like Dennis Robinson to be prepared to reiterate. These items are not part of the on-going negotiations:

As of May 7 the Elkwood barn area run-off mitigation project is complete. We have installed gutters and drains in this barn area.

In March approximately two acres of impervious pavement was removed and replaced by pervious coverage that will reduce runoff.

Silt sacks have been installed at all existing storm drains within the feedlot area in order to reduce sediment runoff in the feedlot area

A road-sweeping program will be implemented and the silt sacks regularly inspected.

Total costs of our investments so far are approximately \$700,000 for design, engineering and construction not including additional legal fees.

New Jersey Senate Wagering, Tourism and Historic Preservation Committee

Testimony of Dr. Karyn Malinowski, Rutgers University

May 9, 2008

Good morning Senator Whelan and distinguished members of the Senate Wagering, Tourism and Historic Preservation Committee. I am Dr. Karyn Malinowski, and am Director of Rutgers Equine Science Center at the New Jersey Agricultural Experiment Station, and I thank you for providing me the opportunity to address this body.

The Equine Science Center's mission is, first, to ensure the well-being and quality of life of equine athletes, but equally important, to support the viability and vitality of the New Jersey horse industry.

Horse racing and the horse industry are essential to the well-being of New Jersey in many ways. In January, 2006 I published a whitepaper describing the delicate balance between the future of horse racing, the preservation of the equine industry and the importance of the equine industry to traditional agriculture. It may not seem obvious at first glance, but the equine industry impacts virtually every New Jersey resident by stimulating the economy, preserving open space, providing outdoor sport and recreation, by building a solid foundation for youth development, and by providing mental and physical therapy to adjudicated youth and handicapped persons. Let me share a few examples. Today we are here in Long Branch celebrating the spring opening of the newly renovated Monmouth Park and some of the finest Thoroughbred racing on the east coast. But this is not the only opportunity that residents of our state have to enjoy equestrian sport at its best. In Sussex County, the Garden State Horse Show is currently underway with 1500 entries competing in 8 rings over 5 days featuring Olympic level riders competing in a \$50,000 Grand Prix show jumping class. Today at our own Horse Park of New Jersey the Jersey Fresh Three-Day event is underway with Olympic committee members from both the United States and Canada in attendance with the aim of selecting 2008 Olympic team members. Equestrian sport of this caliber is standard for every weekend from April through October in the Garden State.

Today you will hear from many articulate advocates who will address the important reasons why the casino industry and the racing industry must be partners to ensure the continuation of horse racing. You will hear solid data describing the impact that video lottery terminals and slot machines at racing facilities in neighboring states have had on our gaming industries. You also will hear about the impact the 2007 Breeders Cup races at Monmouth Park last fall had on the local, regional and state economy. You will also hear why the legislature must insist that racing be promoted and nurtured.

Importance of the Horse Industry to New Jersey Economy, Tourism, Traditional Agriculture and Quality of Life

However I am here to talk about the horse industry as a whole and its beneficial impact on tourism, traditional agriculture and the quality of life for the people of New Jersey.

Last year, the Rutgers Equine Science Center released the report – “The New Jersey Equine Industry, 2007” – the result of eighteen months of work led by the center, involving a true partnership of government agencies on the federal and state level and several equine-related organizations and private individuals. It was the first of its kind for New Jersey’s equine industry in that unlike previous censuses which were simply enumerations, this was a comprehensive analysis which included direct and indirect economic impacts, and an analysis of land metrics as well. It came at a time when policy decision makers needed new data since the last enumeration took place in 1996.

The NJ equine industry is valued at \$4 billion and includes the value of the horses and the land and buildings on and in which they are housed (including the racetracks). It generates \$1.1 billion annually in positive impact on New Jersey’s economy. Of that total annual impact, \$647 million is generated by horse and horse farm owners, including almost \$477 million of direct expenditures on items such as feed, forage, services, supplies, fees, and equipment, and an additional \$170 million “ripple effect” that is produced by those expenditures. Of that \$647 million, \$278.2 million (43%) is generated annually by racing-related operations, not including racetracks; \$262.4 million (40%) by non-racing operations; and \$117.8 million (17%) by equine owners who do not own facilities. The four racing venues in New Jersey generate over \$500 million annually and that does not including the pari-mutuel handle. In terms of the big picture, the horse industry is comparable to such other widely recognized sectors as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, to name a few.

Regarding employment, almost 13,000 jobs are generated by the horse industry in the state: 5,670 are direct jobs on equine farms and operations, 2,080 are direct jobs at our racetracks, and 5,220 reflect additional employment in related industries.

176,000 acres of agricultural land are home to 42,500 equine animals (nearly 30 % are involved in racing-related activities). These animals are housed on 7,200 facilities located in all 21 counties. Hunterdon County, with 1,100 operations, and Monmouth County, with 960, are the leading horse counties, followed by Burlington, Sussex, Salem and Warren counties. In New Jersey the total agricultural working landscape (actively productive farms) is estimated at 790,000 acres. This means that the horse industry occupies more than one-fifth of the farmland in the state. The horse industry continues to demonstrate that it is an economically viable commodity of agriculture because a remarkable number of today’s horse farms previously were other types of agricultural operation. For example, 24 percent were used for other types of livestock; 13 percent were in field crops, fruits or vegetables; and 18 percent were used for other traditional agricultural activities. In addition, another 46,000 acres of non-equine related acres

remain in the traditional agricultural production of hay and grain because of New Jersey equine animals which rely on these acres for food.

Horse and horse-related operations, referred to as “working agricultural landscape,” compare favorably to other types of open space, such as federal recreation areas (109,700 acres), federal forest and wildlife acres (112,400), state and local land trust acres (213,000) and overall Green Acres land (600,000). The best part is that these equine-related acres cost taxpayers **nothing** to support, but their activities actually generate an estimated \$160 million annually in federal, state and local taxes. This is a win-win for the people of New Jersey.

Far from an industry that some people feel is dying, these numbers verify that the New Jersey equine industry is alive and well! However, it also suggests two very important points: the racing subset is an economic driver for the entire industry and, since it is no secret that racing is facing tough competition from neighboring states that have added gaming operations to their racing venues, any further erosion of racing in New Jersey will have disastrous consequences for the state’s economy and the rest of the equine industry.

Effect on Recreational and Non-Racing Horse Industry

Racing is not the only equine discipline that will be harmed if New Jersey racing does not receive the “shot in the arm” it so desperately needs. Sport competition and recreational horse users stand to suffer, as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space due to the fact that their major customers are horse owners. The New Jersey Equine Advisory Board’s (EAB) annual budget to support the Horse Park of New Jersey and the sport and recreation segments of the horse industry, predominantly, is correlated to a percentage of the pari-mutuel handle from racing. The EAB annual budget which was \$498,000 in 1990, declined to a new low of \$322,750 in fiscal year 2008.

As the state speaks about economic growth and the retention of our best and brightest, the future of young people who would like to make a living in the horse industry in New Jersey is in jeopardy. They might ask “Why stay”?

The “top shelf” level of services New Jersey horse enthusiasts have come to expect such as equine veterinary clinics and feed and supply stores are at risk, because, while they are frequented and supported by sport horse competition and recreational users, a predominant economic flow to these entities is from the racing industry.

The entire infrastructure supporting ALL segments of the horse industry is in jeopardy.

The Equine Science Center believes that the state of New Jersey, where there are still more horses per square mile than in any other state, has minimized the importance of the equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, tourism, agriculture and food industries, and health care, but not for equine. That needs to change. Still under discussion is another agreement

between the Atlantic City hotel-casino and horse-racing industries that commits casinos to an annual subsidy to supplement purses at racetracks in the Garden State. While this will help ensure that the best equine athletes continue to compete at New Jersey tracks, it does not address the major concerns regarding the fragile infrastructure of the industry or its critical need to substantially increase promotion, research and analysis, and public awareness of the value and impact of the horse industry.

We strongly encourage that the legislature take concerted action to address long-term solutions for this vital New Jersey industry.

Thank you for the opportunity to address this committee.

RUTGERS

New Jersey Agricultural
Experiment Station

THE NEW JERSEY EQUINE INDUSTRY 2007

Economic Impact

Published by Rutgers Equine Science Center

New Jersey Equine Industry, 2007

Introduction

There is a reason the state animal of New Jersey is the horse.

The residents of New Jersey recognize the long and meaningful relationship they have had with horses for more than two centuries and the impact the equine industry has had on the economy of the state, on traditional agriculture, and on the preservation and maintenance of open space. They are aware of the role of the horse in sport, recreation, youth development, therapy for the handicapped, and rehabilitation of adults and children who are troubled or in trouble.

Acknowledging the complexity of the industry and the need for an updated assessment of its value, the Rutgers Equine Science Center led an effort beginning in July 2006 to analyze the economic impact of the horse industry in New Jersey. The Center partnered with several government agencies, industry groups, and private individuals to accomplish this task – the result of which is the “New Jersey Equine Industry - 2007.”

Much more than providing a census of animals and facilities, the research team employed economic modeling to determine the direct and indirect impacts of the horse industry on the state’s economy, on traditional agricultural enterprises, and on the maintenance of the working agricultural landscape – that is, open space that is cared for by the private sector rather than taxpayer dollars.

The result of more than 12 months of work is reported in this document. The numbers show that the horse industry – which generates \$1.1 billion in economic impact annually – is comparable to such widely recognized sectors as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, and many others. In terms of impact on working agriculture, the horse industry accounts for one in five agricultural acres, more than any other segment of agriculture.

In addition to the impressive numbers, the impact on the quality of life in New Jersey is, undoubtedly, the most important contribution the horse industry makes. Horses are in every county in New Jersey and, by all accounts, are one of the top attractions for residents from the cities and suburbs when they tour the state. Clearly New Jersey is horse country, and this report provides the numbers to show why this is true.

Sponsors of this study included the New Jersey Department of Agriculture and its Equine Advisory Board and Sire Stakes units; The New Jersey Sports and Exposition Authority; the Standardbred Breeders and Owners Association of New Jersey; the Thoroughbred Breeders Association of New Jersey; and several private individuals.

New Jersey Equine Industry, 2007

Executive Summary

Economic impact of the equine industry

- Total economic impact of \$1.1 billion annually
 - \$278.2 million annually for racing-related operations, not including racetracks
 - \$262.4 million annually for non-racing operations
 - \$117.8 million annually for equine owners without operations
 - \$647 million annually for the three preceding categories combined
 - \$502.3 million annually for New Jersey racetracks

Employment

- Nearly 13,000 jobs generated
 - 9,150 jobs generated by equine operations, not including racetracks
 - 3,820 jobs generated by racetracks

Taxes generated

- An estimated \$160 million annually paid in federal, state, and local taxes
 - \$85 million generated by equine operations and owners
 - \$75 million generated by New Jersey racetracks

Acres to support equine facilities

- 176,000 total acres reported by equine operations
 - 96,000 of these acres are directly related to equine activities
 - 78,000 of these acres are devoted to pasture and hay production
- 46,000 additional acres in New Jersey produce hay and grain for horses
- New Jersey equine-related acres represent about one-fifth of the state's 790,000 acres in agriculture

Animals and operations

- 42,500 equine animals housed in New Jersey
 - 30,000 in non-racing activities
 - 12,500 in racing-related activities
 - 8,200 racing-related Standardbreds
 - 4,300 racing-related Thoroughbreds
- 7,200 equine operations in New Jersey
- \$4 billion in equine-related assets
 - \$582 million in equine animals
 - \$2.9 billion in land and buildings (not including racetracks)
 - \$476 million in racetrack assets (land and buildings)



Annual economic impact of New Jersey equine operations and owners
Of the \$1.1 billion annual economic impact of the horse industry in New Jersey, \$647 million or 59 percent is generated by equine operations (farms and stables that house equine animals) and by horse owners who board their animals on equine operations. Racing-related operations – although fewer in number than non-racing entities – produce \$278.2 million in impact, and non-racing operations account for \$262.4 million in impact. The total economic impact is composed of two parts: (1) direct dollars spent by the equine industry, and (2) the “ripple effect” of those expenditures on other related industries.

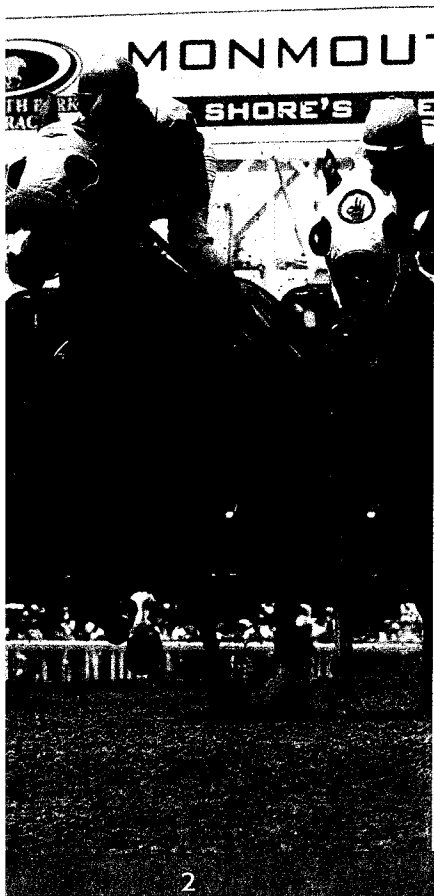
Type of Operation	Direct Annual Impact	Indirect/Induced Impact	Total Economic Impact
	(\$ Millions)	(\$ Millions)	(\$ Millions)
Racing-Related Operations	200.0	78.2	278.2
Non-Racing Operations	187.9	74.5	262.4
Horse Owners	88.9	28.9	117.8
Total Operations & Owners*	476.8	170.2	647.0

* Total economic impact has been adjusted downward to eliminate double counting impacts between operations and horse owners.

Annual economic impact of New Jersey racetracks

Racetracks located at the Meadowlands, Monmouth Park, Freehold Raceway and the Atlantic City Race Course represent an important economic engine in New Jersey. Together, they produce an annual economic impact of \$502.3 million. This does not include wagering (the “pari-mutuel handle”) at racetracks or the effects of travel and tourism-related contributions to the economy. Other reports have shown that a major one-time event at a racetrack, such as the Breeders Cup, can generate upwards of \$50 million in incremental impact for the surrounding communities and the state.

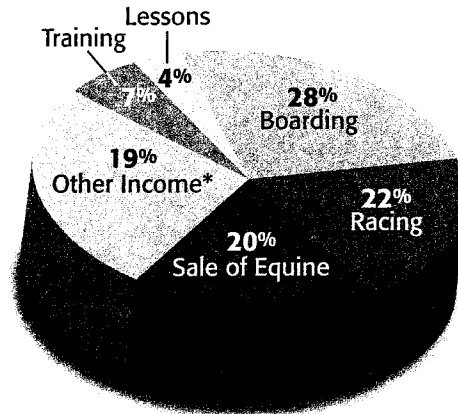
	Annual Impact (\$ Millions)
Direct Annual Impact	282.4
Indirect/Induced Impact	219.9
Total Racetrack Industry Impact	502.3





Top sources of income for equine operations and owners

Although a large number of equine operations are not businesses pursuing income, other sectors – especially the racing-related and professional boarding and show horse operations – do generate revenues. The main income sources are boarding, racing purses, sale of horses, training, and lessons.



* Other Income category includes income from breeding, sale of hay & forage, leasing, non-racing competition, shows, trail riding, and other.

Top 10 annual expense categories for equine operations and owners

Expenditures affect all segments of the horse community, with nearly \$377 million paid out annually, excluding labor costs. The top expenditure categories are equipment purchases and depreciation (\$40 million), capital improvements (\$34 million), horse health costs (\$32 million), training fees (\$31 million), boarding (\$30 million), feed and supplements (\$23 million), hay and forage (\$22 million), and taxes (\$21 million).

Expense Type	Annual Expenses*	
	(\$ Millions)	%
Equipment Purchase & Depreciation	40.0	10.6%
Capital Improvements	33.6	8.9%
Health	32.2	8.5%
Training Fees	30.8	8.2%
Boarding	30.1	8.0%
Grain and Supplements	23.2	6.2%
Hay/Forage	22.2	5.9%
Taxes	21.4	5.7%
Equipment Maintenance	15.7	4.2%
Farrier	13.6	3.6%
All Other Expenses**	114.1	30.3%
Total Expenses	376.8	100.0%

* Excludes labor expenses. ** Other category includes expenses for insurance, breeding, bedding, competitive events, travel, utilities, grazing and cropland maintenance, tack and clothing, supplies, rent, professional fees, contract services, advertising, and other.



Employment impact of the New Jersey equine industry

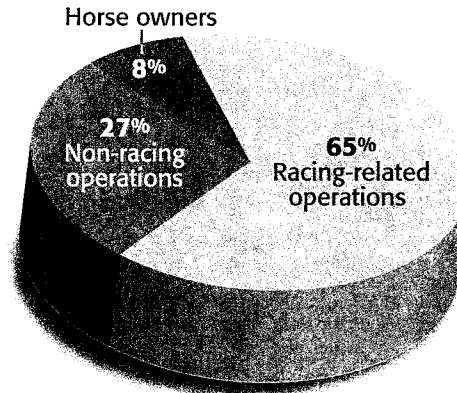
An estimated 13,000 jobs are generated by the equine industry in New Jersey, including a total of 5,670 directly employed by equine operations and horse owners and another 2,048 by the racetracks. In addition, 5,252 jobs are generated by the equine industry through the ripple effect on other industries.

Type of Operation	Directly Employed	Indirect/Induced # Jobs Generated	Total #Jobs Generated
Racing-Related Operations	1,480	1,711	3,191
Non-Racing Operations	3,805	1,359	5,164
Horse Owners	386	764	1,150
All Operations & Owners*	5,670	3,480	9,150
New Jersey Racetracks	2,048	1,772	3,820

* Total employment impact has been adjusted downward to eliminate double counting impacts between operations and horse owners.

Proportion of labor expenses by type of operation and horse owners

Racing-related operations accounted for almost two-thirds of labor expenditures in the horse industry. Twenty-seven percent of labor expenses are generated by non-racing operations, and horse owners accounted for another eight percent.



Annual tax impact of the New Jersey equine industry*

The equine industry generates an estimated \$160 million in tax revenues for the federal government, the state, and municipalities. More than \$60 million goes to state and local authorities in the form of corporate, personal, and property taxes.

Type of Operation	Federal Tax Impact (\$ Millions)	State and Local Tax Impact (\$ Millions)	Total Tax Impact (\$ Millions)
All Equine Operations and Owners	53.4	31.9	85.3
New Jersey Racetracks	44.2	31.2	75.4

*Estimated tax impacts include federal, state, and local taxes generated from the direct, indirect, and induced impacts of the equine industry. Included are estimates of corporate profits tax, personal taxes, Social Security taxes, and property taxes. Estimate may include a small percentage of overlap.

Estimates are adjusted for the fact that the New Jersey Sports and Exposition Authority (operating Meadowlands and Monmouth Park) is exempt from taxation, but does make payments in lieu of taxes to local municipalities.



Asset value of the New Jersey equine industry

The 7,200 equine operations in New Jersey hold assets valued at nearly \$4 billion, including \$582 million in horses and other equine animals and \$2.9 billion in land and buildings. New Jersey's racetracks account for an additional \$476 million in land and building assets.

Type of Operation	Land and Capital (\$ Millions)	Equine Animals (\$ Millions)	Total Value (\$ Millions)
Racing-Related Operations	833	316	1,149
Non-Racing Operations	2,076	175	2,251
All Equine Operations	2,909	491	3,400
New Jersey Racetracks	476	91	567

Agricultural land in New Jersey supporting New Jersey's equine animals
Including land in New Jersey that is used to grow forage and grain for the state's horses, approximately 142,000 acres are used to support the equine industry. This is almost one-fifth of the state's estimated 790,000 acres in farms.

Type of Operation	Number of Operations	Total Facility Acres	Acres that are Equine-Related	Acres Used for Pasture, Hay, and Grain
Racing-Related Operations	700	34,000	24,000	22,000
Non-Racing Operations	6,500	142,000	72,000	56,000
All Equine Operations	7,200	176,000	96,000	78,000
Farms Without Any Equine**	nc*	nc*	46,000	46,000
All New Jersey Operations Supporting Equine Animals	nc*	nc*	142,000	124,000

*nc = not collected as part of this study

** i.e., farms that produce forage, straw, and grain for equine animals



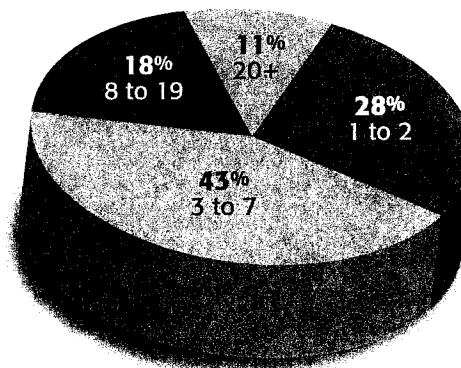
Equine operations and associated land, by county

The top three counties in both acres and number of operations are Hunterdon, Monmouth, and Burlington. The industry appears to be growing in the state's northwestern counties.

County	Number of Operations	Total Facility Acres	Acres that are Equine-Related	Acres Used for Pasture, Hay, and Grain
Atlantic	270	3,100	2,100	1,500
Burlington	850	20,700	12,100	10,100
Camden	160	1,600	1,100	1,000
Cape May	230	2,500	1,700	1,300
Cumberland	270	8,200	3,300	2,800
Gloucester	490	6,200	3,600	2,800
Hunterdon	1,110	29,400	16,600	14,000
Mercer	110	3,500	2,300	2,100
Middlesex	160	4,200	2,400	1,900
Monmouth	960	27,300	19,900	15,700
Morris	260	3,700	2,100	1,600
Ocean	290	4,000	1,500	1,100
Salem	500	12,900	5,600	4,700
Somerset	250	7,600	3,500	2,900
Sussex	640	20,000	10,300	7,800
Warren	500	18,800	6,800	5,300
All other NJ counties	150	2,100	1,100	900
Statewide Total	7,200	176,000	96,000	78,000

Operations by number of head

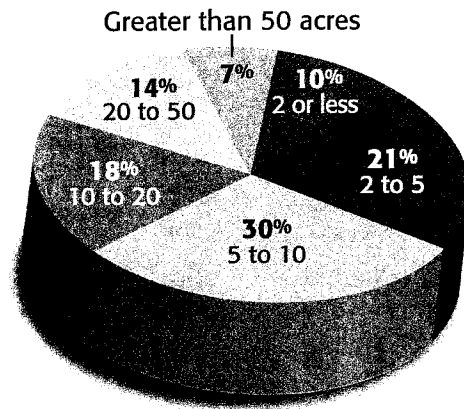
This is largely an industry of smaller farms. More than 70 percent of the state's 7,200 equine operations had fewer than eight equine animals in 2006. These operations include not only small commercial facilities, but also horses kept in "backyards" and commodity farms that happen to keep a few horses. Although they make up only 29 percent of all operations, those having eight or more animals account for three-quarters of New Jersey's equine inventory of 42,500, while operations with 20 or more animals account for a third.





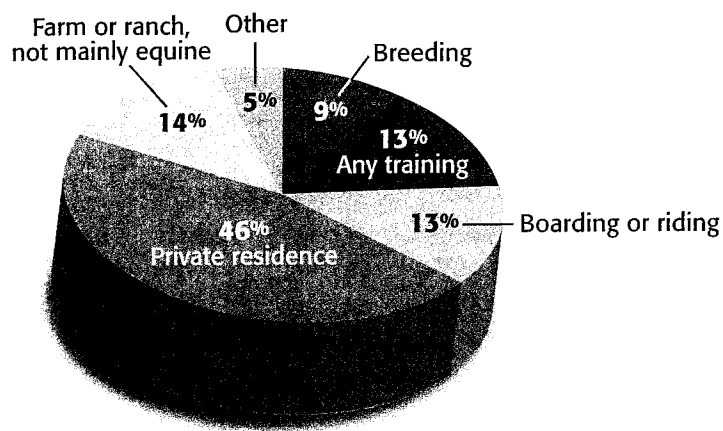
Operations by number of equine-related acres

The distribution of operations by size follows the distribution by number of head. More than half of all operations have fewer than 10 acres that can be characterized as equine-related. Although constituting a minority of all operations, those with more than 10 acres nevertheless account for 86 percent of the 96,000 equine-related acres on operations, while operations with more than 20 acres account for 71 percent of this total. Racing-related operations are, on average, about three times the size of non-racing operations, and account for one-quarter of operation acres devoted to equine activities.



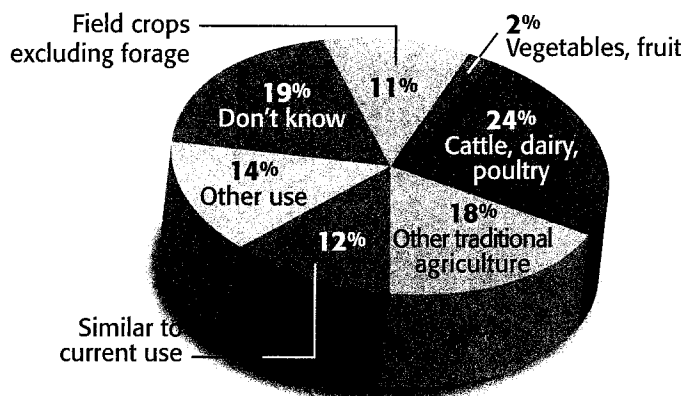
Equine operations by primary function

The chart below highlights the importance of the pleasure portion of the equine industry, with 46 percent of facilities with horses reporting that they are private residences, not commercial operations. The breeding and training categories, making up 22 percent of all operations, are the ones most likely to be racing-related.



Acres by prior use of equine operation*

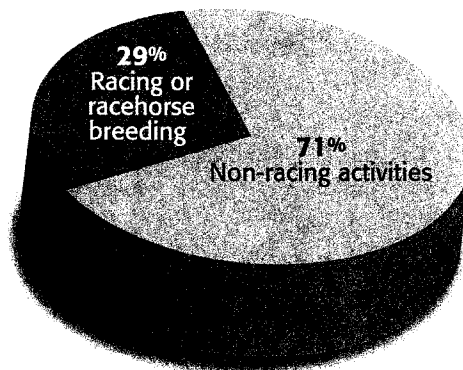
As urbanization continues, horses may prove to be a more profitable use of open land than more traditional agricultural commodities. More than a third of the land currently in equine operations was in field crops, livestock, or fruits and vegetables before becoming a horse farm.



*Current primary use must be equine. Figure includes acres on entire operation.

Equine operations involved in racing-related activities

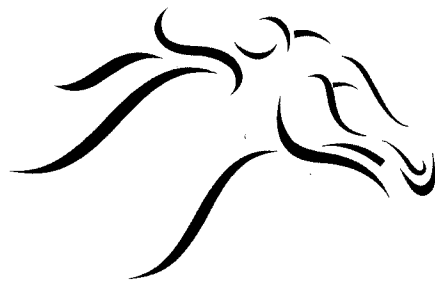
Racing represents a significant portion of the New Jersey equine industry, even far from the track. The racing-related operations shown below — 29% of the total — have more than half of their inventory in Standardbreds or Thoroughbreds that are foals, breeding stock, or active racehorses.



Demographic profile of the equine industry

New Jersey's horse people are a seasoned and committed group. Only a fifth, however, list the equine industry as a full-time occupation. This reflects not only the industry's pleasure component, but also the need for virtually all farm families to supplement their earnings with off-farm income.

Demographic Profile of the Equine Industry	
Male	40%
Female	60%
Average age	52
Own at least one equine animal	76%
Average years owning equine	23
Own an operation	52%
Primary occupation is in equine industry	20%



Study Authors

This study is a joint effort of an inter-disciplinary research team of the New Jersey Agricultural Experiment Station (NJAES) of Rutgers University. Paul Gottlieb of the Department of Agricultural, Food, and Resource Economics served as principal investigator. Brian Schilling and Kevin Sullivan of the Rutgers Food Policy Institute had primary responsibility for the economic impact portion of the analysis. Drawing on their detailed knowledge of the equine industry in New Jersey, Karyn Malinowski and Diana Orban Brown of the Rutgers Equine Science Center contributed significantly to the execution of the study and communication of the findings.

Methodology

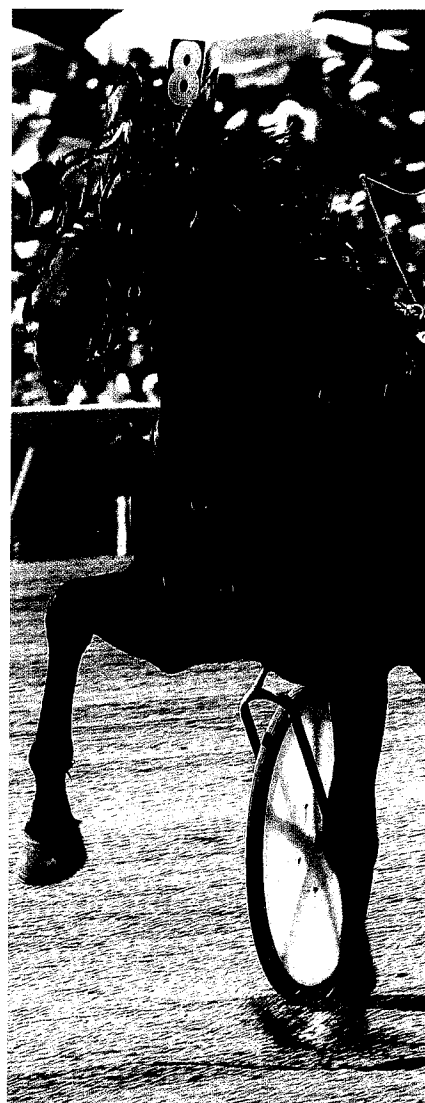
The study is based on an extensive survey of the equine industry conducted by the National Agricultural Statistics Service (NASS), a statistical agency of the United States Department of Agriculture. NASS mailed the survey to a list of nearly 10,000 potential horse owners and operations, and had staff visit 103 segments or parcels of land representative of New Jersey's agricultural and urban geography. The data collected from horse owners and operations in the geographical portion of the study was combined with the mail response to provide indications on equine inventory and the impact of the equine industry on the state's economy. This list-segment procedure is a highly recognized statistical methodology.

Expenditure information from the 2006 NASS survey was fed into IMPLAN, a highly-regarded computer model of the New Jersey economy. This enabled the research team to estimate the "multiplier" portion of the equine industry's impact on the New Jersey economy. Expenditure data was also combined with 2006 feed prices and 2002 agricultural yield figures to estimate the number of acres on non-equine farms used to feed New Jersey's horses. (A survey of the local hay industry, conducted by NJAES in 2004, was helpful for estimating prices, product mix, and interstate trade; see "NJAES Extension Bulletin E305.") Finally, telephone interviews were conducted with the state's racetracks and with a number of industry participants, both customers and suppliers.

Acknowledgements

The authors would like to thank Troy Joshua and his team of statisticians at the New Jersey office of the National Agricultural Statistics Service for their thorough data-gathering efforts. We would also like to thank Sarah Ralston and David Tulloch of Rutgers' School of Environmental and Biological Sciences; Ed Wengryn of the New Jersey Farm Bureau; and S. P. Dey II, Jane Gilbert, and David Meirs II, active equine industry participants, for providing suggestions on methodology. Several members of Rutgers Cooperative Extension gave technical advice, including Donna Foulk, Dan Kluchinski, Carey Williams, Joe Heckman, and Bob Mickel. Any errors or omissions are the authors' alone.

Further information related to the study is available on the Equine Science Center website at www.esc.rutgers.edu

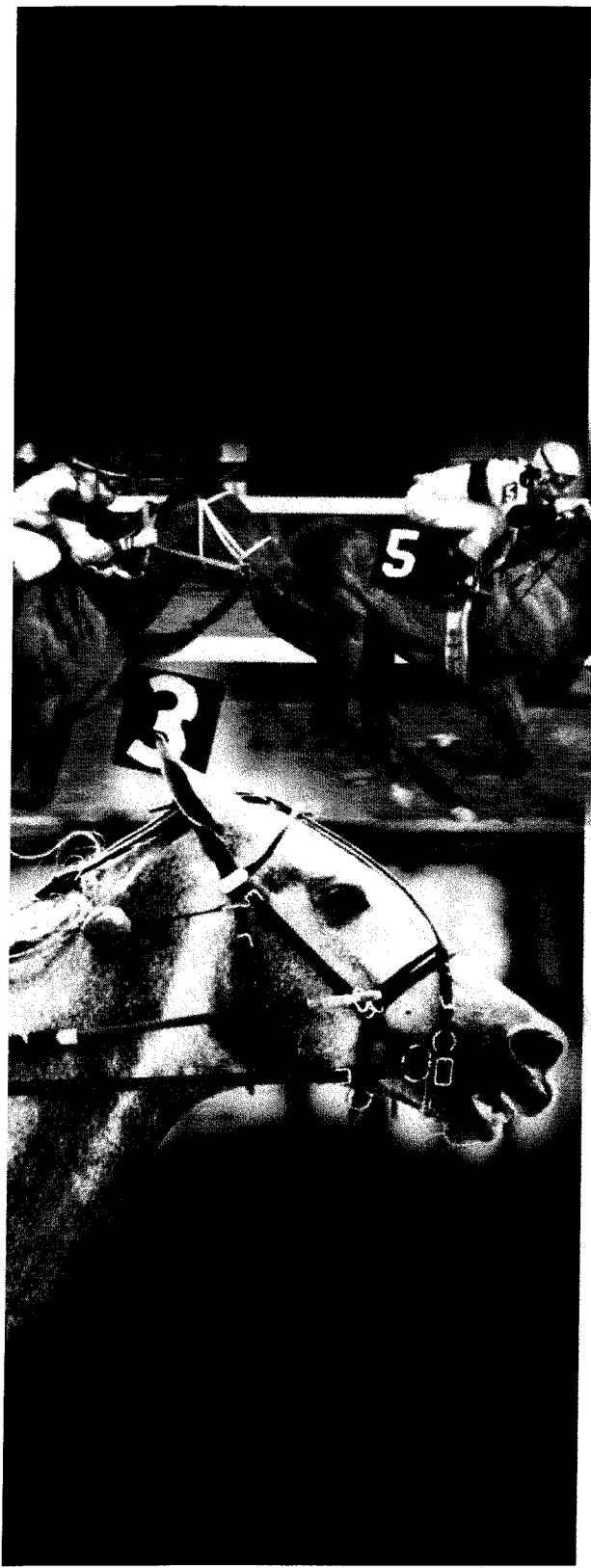


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For further information, contact:

Rutgers Equine Science Center
57 U.S. Highway 1
New Brunswick, NJ 08901-8525
732-932-9419
esc@aesop.rutgers.edu
www.esc.rutgers.edu

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Rutgers Equine Science Center

Better Horse Care Through
Research and Education

**A Delicate Balance:
The Future of Horse Racing
and the Preservation
of the Equine Industry,
Agriculture and Open Space
in the Garden State**

January 2006

Karyn Malinowski, Ph.D.



www.esc.rutgers.edu

A Delicate Balance: The Future of Horse Racing and the Preservation of the Equine Industry, Agriculture and Open Space in the Garden State¹

Karyn Malinowski, Ph.D.

**Dean of Outreach and Extension Programs, Rutgers Cooperative Research and Extension
Director of the Equine Science Center, New Jersey Agricultural Experiment Station**

Forward

One of the largest industries in the United States revolves around horses, which make a daily impact on the lives of one in every 60 American citizens. The "Force of the Horse" as stated by the American Horse Council (1996) means more than the economic importance and the \$102 billion value of the United States horse industry (American Horse Council Foundation, 2005). Horses and the industries that surround the animal are an integral part of the history and development of human kind, and millions of people world-wide actively participate in equine-related activities through occupations, recreation and sport. Horses have a vast societal impact and are responsible for improving the quality of life for millions of Americans by preserving open space, providing outdoor sport and recreation, building a solid foundation for youth development, and providing mental and physical therapy to adjudicated youth and handicapped persons (Malinowski, 1999). Today the horse's role in American society is different than it was in the 18th, 19th and early 20th centuries. Because of the American horse owners dedicated commitment to their animals, horses today enjoy a higher standard of living, increased longevity, productivity, and quality of life.

More than 4.6 million Americans are involved in the horse industry. The industry is vast and highly diverse, combining the rural activities of breeding, training, and housing horses with more urban activities such as racing, horse shows and competition stadiums and grounds, and public stables. The United States horse industry is a \$39.2 billion business associated with 9.2 million horses. The horse industry's contribution to the U.S. gross domestic product (GDP) is \$102 billion, and it generates over 1.4 million full-time equivalent (FTE) jobs across the country (AHCF, 2005). More recently, economic impact studies of the horse industry in New Jersey, New York, and Pennsylvania have demonstrated the importance of the equine industry in one of the smallest and most densely populated and two of the most diverse states in the country; (New Jersey, New York, and Pennsylvania, respectively; NJDA, 1996; NYASS, 2001; Penn State University, 2003).

In New Jersey, where the horse is the state animal, the equine industry is invaluable as a major factor in retaining agricultural acreage as open space. Although horse owners do not market their product by the bushel, pound, or cubic foot, horses are bred, raised, bought and sold in the Garden State like any other agricultural commodity. The horse industry in New Jersey is represented on the State Board of Agriculture, where policymaking decisions affecting agriculture are made.

¹ Correspondence: 88 Lipman Drive, New Brunswick, NJ 08901-8525 (phone: 732-932-5000 x581, fax: 732-932-6633, email: malinowski@rcrc.rutgers.edu)

The New Jersey equine industry, valued at \$3.2 billion (B), produces a direct economic impact of approximately \$698 million (M) comprised of the \$407M spent by New Jersey equine owners and operators of equine facilities, \$224 M from racetracks, and \$67M by out-of-state equine owners and operators. The industry employs approximately 6,000 persons directly with the largest percentage of them affiliated with racing (NJDA, 1996). Equine is the third largest agricultural product in New Jersey (behind nursery and vegetable production) and the number one livestock commodity. Horses are found on 7,600 facilities in every county statewide (NJDA, 1996). Besides the economic importance of the industry, these 7,600 horse facilities maintain open space of 81,000 acres, which in turn provides an enhanced quality of life for New Jersey residents. Horse operations tend to be more sustainable than other types of agricultural businesses, making the horse industry critical to the growth and land-use strategy of the state.

The horse industry in New Jersey is not without its challenges, however. The Rutgers University Equine Science Center (ESC) helped identify those challenges and topics of importance to industry leaders in March of 2003 when it hosted its Horse Industry Summit, the first of its kind at a land-grant, state university.

Challenges identified were:

- health and wellness of the equine athlete
- integrity of equestrian sport
- land use and zoning
- environmental concerns
- future of horse racing and industry economic development

The Equine Science Center and its faculty and staff are charged with addressing these five most pressing concerns and have developed programs aimed at solving problems in these areas and delivering the solutions to the public.

At the request of the Hall Institute of Public Policy, the author was invited to address the future of horse racing in New Jersey and economic development for the equine industry in this white paper.

The State of New Jersey Racing

The New Jersey race horse industry has been severely impacted by the state lotteries and casino gaming. Thalheimer and Ali (1992) estimated that following the introduction of casino gaming in Atlantic City, there was a 34% decline in pari-mutuel wagering at racetracks in New Jersey. In addition to the casino gaming industry and state lotteries there is now the introduction of video lottery terminals (VLTs or slots) in three neighboring states at racetracks in direct competition with New Jersey's three racetracks.

Regarding the issue of the future of horse racing in New Jersey, on July 24, 2003, the Equine Science Center hosted a blue-ribbon panel of horse racing industry leaders, legislators and government officials interested in the preservation of the horse industry and horse-racing industry in New Jersey. The meeting was chaired by Assemblymen Jeff Van Drew and Ronald Dancer, Jack Gallagher (representing the New Jersey Department of Agriculture; NJDA) and ESC Director Karyn Malinowski.

Participants included representatives from the New Jersey Racing Commission, the New Jersey Sports and Exposition Authority, the Thoroughbred Breeders' Association, the Thoroughbred Horsemen's Association, the Standardbred Breeders and Owners Association, the New Jersey Sire Stakes, Pennwood Racing Corporation, Harness Tracks of America, the New Jersey State Board of Agriculture, the Rutgers University Board for Equine Advancement, and Cook College's Department of Animal Sciences.

The 2003 roundtable discussion focused its discussion on three essential areas:

- policy and regulation of racing
- marketing and growth of racing
- operations and management of racing

Once the group identified issues of concern in each of the three areas, it pinpointed the ten most critical issues needed to be addressed if racing in the Garden State is to survive. Discussion resulted in a series of strategies developed as part of a three-pronged approach designed to simultaneously stabilize and reinvigorate New Jersey's horse racing industry through methods that will augment purse values, increase racetrack attendance, and improve the infrastructure that supports the equine industry. No one strategy alone will make a lasting difference. Just as the industry is a network of relationships, so must be the strategies that support and encourage it. Details of these are found in Appendix I.

The racing industry can be broken down to three tiers of production: racetrack operation and OTB facilities; training and maintaining competitive and potentially competitive horses; breeding of such horses to support the industry (AHCF, 2005). The breeding of horses plays a significant role in both the racing and showing aspects of the horse industry and certainly is an aspect of the industry which utilizes larger parcels of land for its operation which helps preserve agriculture and open space.

Racetracks and OTB facilities, surveyed by Deloitte for the American Horse Council Foundation (2005) provided information on their revenue items which included wagering revenue, total handle, revenue from admissions, concessions, parking and programs and other revenue including electronic gaming, electronic wagering and internet wagering. Of the seven race tracks offering electronic gaming machines (including a track in Delaware in close proximity to New Jersey), average revenues derived from electronic gaming machines approximated 58% of total revenues. Four tracks indicated that they received 70% or more of total revenue from this form of wagering (AHCF, 2005). Since 2003, when the Deloitte survey was conducted, two other states contiguous to New Jersey have or are planning electronic gaming in their states.

Value of Racing

New Jersey cannot afford to lose its horse racing industry. Too many jobs and precious farmland and open space acres, which enhance the quality of life for New Jersey residents, depend upon the breeding, raising and training of thoroughbreds and standardbreds. The downward trend racetracks have experienced in recent years must be halted and reversed. For the five-year period of 2000-2004 the parameters of a successful racetrack gaming operation have declined, e.g. on-track attendance, on-track handle and simulcast handle due to the impact of alternative gaming as depicted in Figures 1-5 (New Jersey Racing Commission, 2004).

Pennsylvania has just authorized the installation of slot machines at seven racetracks, five casinos and two resorts which will be overseen by the Pennsylvania Gaming Board. It is anticipated that when fully operational the revenue generated annually by slots will be \$30B. The net portion from this revenue is estimated at \$3B annually. These monies will be divided as follows: 48% to the facility operators; 34% to the state of Pennsylvania; 5% towards economic development; 4% to local communities; and 9% for race purses. Of the estimated \$270M allocated for horse-related interests, half will be distributed each to thoroughbreds and standardbreds. For harness racing alone, the \$135M will be distributed as follows: \$108M for overnight purses at 4 tracks; \$10.8M for Sire Stakes Programs; \$10.8M for a new Breeders Fund and \$5.4M for Horsemen's Welfare Fund (personal communication, Jerry Connors, 2005).

A study conducted by the Institute of State and Regional Affairs, Penn State Harrisburg (2001) estimated that the installation of slot machines at Pennsylvania's four racetracks (1,500/track) would result in an increase of 17,700 jobs (24,500 total); a contribution to the value of goods and services of \$3.2B (an increase of \$2.5B); a contribution to income by racetracks of \$1.3B (increase of \$1B); a generation of \$416M in government revenues (an increase of \$332M). The revenue from slot machines to Pennsylvania's economy will provide direct benefits to the state, the racetracks, horse owners, breeders and trainers, and track attendees. The state will have a revenue source for property tax relief, will achieve growth of agribusiness and travel and tourism, and will experience a ripple effect to consumer economy. The tracks will be able to make capital improvements that are long overdue and will have the opportunity to partner with established gaming companies which are highly successful at marketing their product. Horsemen and women will earn more dollars from enhanced purse structures, and owners and breeders will benefit from an enhanced Sire Stakes Program and new Breeders Fund.

One can only imagine the effect that Pennsylvania's installation of slot machines will have on the quality of racing, the increase in horses bred and the number of acres devoted to breeding race horses. Not to mention the impact that these slots will have on the Atlantic City casino industry which will feel tremendous competition for the gaming dollar from neighboring venues!

In 2004, a study commissioned by the Ontario Harness Horse Association and conducted by the Department of Agricultural Economics and Business at the University of Guelph measured the impact of slot machine revenue on the harness horse industry and on Ontario agriculture. Slot machines in 2002 contributed over \$100M of the total of \$190M in harness racing purses. The Guelph study found that the enhanced purse revenue was utilized to create:

\$58-62M in new employment income; 7,300-8,100 new jobs; an increase of between \$375 and 400M in direct purchases; and an increase of between \$859-\$942M in direct and indirect impact on the economy. The racing industry itself grew: racing related revenue increased 143%, the number of harness horses increased by 30% with an increased value of 203%. Horse purchases and operating costs increased by 106%.

Harness racing is also thriving in New York where Saratoga Gaming and Raceway, in the first year that Video Lottery Terminals were introduced, saw a 160% increase in purses, 50% increase in total wagering and an increase of 27 racing days. According to John Manzi (2005) harness racing at Monticello Gaming and Raceway has seen a banner year unlike any other in its 48-year history since the addition of VLTs in 2004. Local horse owners, breeders and trainers, and management have all benefited with an increase in number of racing days, a new state-of-the-art paddock facility and a purse structure which increased in 2005 by 111.6%. As always, larger purses attracted horses of higher quality and fuller racing fields which resulted in a 26% increase in total betting handle at the Mighty M.

Effect on Recreational and Non-Racing Horse Industry

Racing is not the only equine discipline that will lose if New Jersey racing does not receive the "shot in the arm" it so desperately needs. Sport competition and recreational horse users stand to suffer, as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space due to the fact that their major customers are horse owners. The New Jersey Equine Advisory Board's (EAB) annual budget to support the Horse Park of New Jersey and the sport and recreation segments of the horse industry, predominantly, is correlated to a percentage of the pari-mutuel handle from racing. Displayed in Figure 6 is the result of the continued erosion of racing revenue generation on the EAB annual budget. The EAB annual budget which was \$498,000 in 1990 declined to a new low of \$350,000 in 2005. While equine veterinary clinics and feed and supply stores are frequented and supported by sport horse competition and recreational users, a predominant economic flow to these entities is from the racing industry.

The future of the New Jersey racing industry and the work of the Rutgers University Equine Science Center go hand in hand. The Center's work is critical in the economic development, integrity, quality control and sustainability of the racing industry in New Jersey. The ESC believes that the state of New Jersey, where there are more horses per square mile than in any other state, has minimized the importance of the equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, tourism, agriculture and food industries, and health care, but not for equine. That needs to change. Other states are devoting substantial portions of racing revenues in the support of research and outreach for their equine industries. This is true in California, New York and Michigan to name a few. Presently there exists an unprecedented agreement between the Atlantic City hotel-casino and horse-racing industries that committed casinos to an annual subsidy of approximately \$20-25 million to supplement purses at racetracks in the Garden State. While this initially has helped insure that the best equine athletes would continue to compete at New Jersey tracks, it does not address the major concerns regarding the fragile infrastructure of the industry itself. In addition to purse supplementation and breeding incentives, the New Jersey horse-racing industry needs to direct

funding to such activities as propriety research to enhance the economic competitiveness of New Jersey racing in relation to other states and to other leisure pursuits.

The reality is that the equine “industry” is not perceived to be an industry at all. Because of its diversity, the horse industry has many factions which do little to communicate and unify their voices. Hence, key agency leaders and the New Jersey legislature find it hard to respond to an industry which sends so many mixed messages. The biggest challenge faced by the entire horse industry is to support all aspects of this diverse industry in one common, unified voice. Of critical importance to the future of the horse industry in New Jersey, identified at the 2003 ESC Summit, is the issue of farmland preservation. New Jersey is now at a stage in its need to preserve open space and the quality of life for its residents. The horse racing, breeding and training industry, which is a critical component of open space preservation, needs assistance from the state of New Jersey in order to survive and flourish. Between 1983 and 1996, New Jersey lost 40,000 acres of open space, primarily because of the demise of racehorse breeding farms (NJDA, 1996). Underlying causes for the loss of breeding farms were changes in federal tax laws and reduction in the racing purse structure due to the competition for gaming dollars resulting from the arrival of casinos.

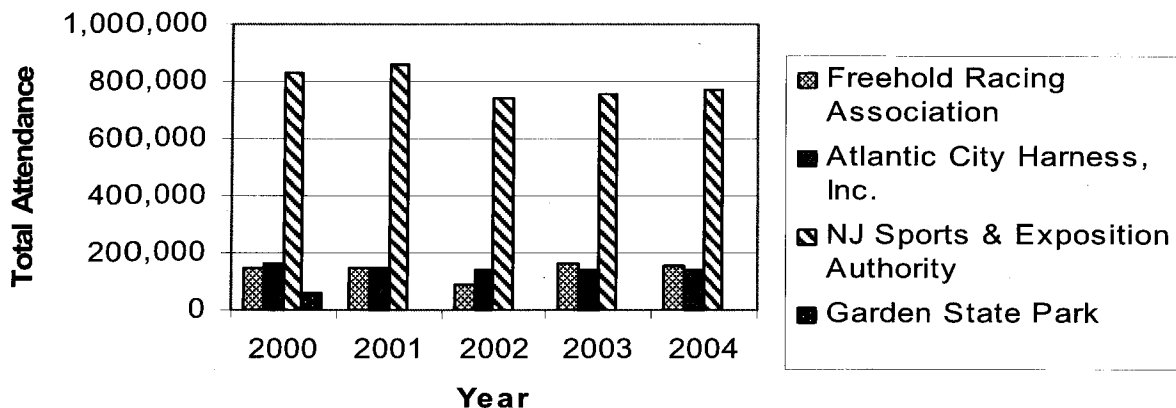
New Jersey stands to lose a similar amount of open space unless it develops mechanism(s) for increasing purse structures and finding dollars for marketing and promotion for both thoroughbred and standardbred racing. The New Jersey Farmland Preservation Program is extremely proud of the number of acres of preserved farmland (equine-related and otherwise). However it is not enough to just preserve farms (including horse farms) in the state. If industries utilizing the preserved farmland are not viable, they will seek locations elsewhere, taking with them their financial contributions and leaving in their wake joblessness and a scenic vista of preserved but unproductive land, a fiscal burden to the community that helped preserve it.

In 2006, the Equine Science Center will be leading the effort for an economic impact analysis of the horse industry in New Jersey, in partnership with other state agencies and industry breed groups. More than producing just a census, the ESC team will conduct analyses which will determine the impact of the racing segment on the overall horse industry and collectively the impact of the entire horse industry on traditional agriculture and open space. This is what makes the New Jersey horse industry so important to keeping the Garden State green. The number of dollars and jobs generated by an industry are critical to a state’s economy, but equally important to the most densely populated state in the nation is the preservation of open space and quality of life that the equine industry provides to New Jersey residents. It is time for the entire industry to rally around once and for all to let the public and the legislature know that a horse industry in New Jersey does really exist. Racing and non-racing interests working together and speaking in one voice are the only way that horse enthusiasts can garner the respect from the state of New Jersey that the equine industry deserves.

Acknowledgements

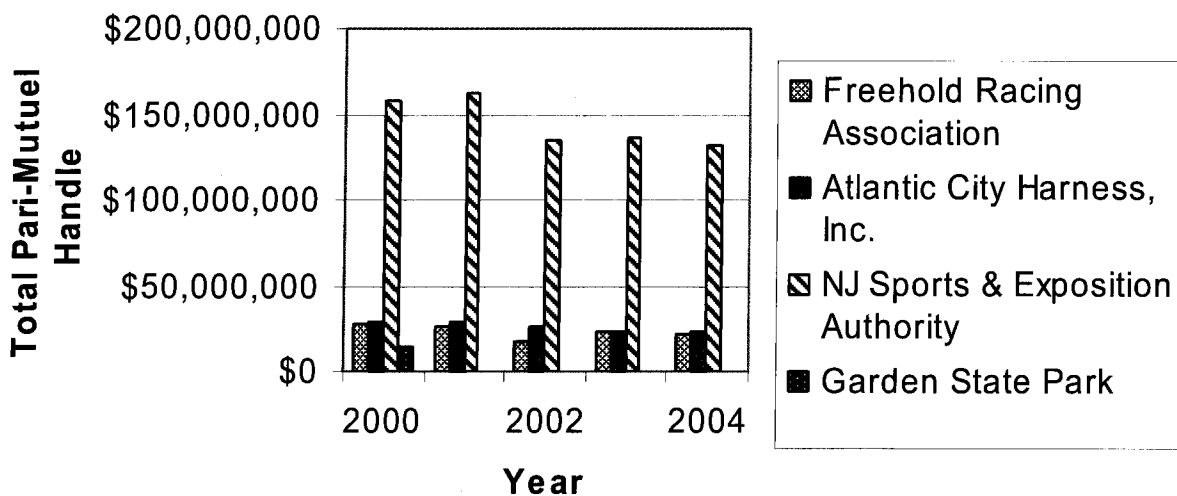
The author would like to recognize and thank Diana Orban Brown, Tom Mannos, Sarah Kozak, Anastasia Miklojcik and BethAnn Parise for their assistance in the preparation of this manuscript.

Figure 1. Five Year Comparison at New Jersey Harness Tracks for the Period of 2000 to 2004¹



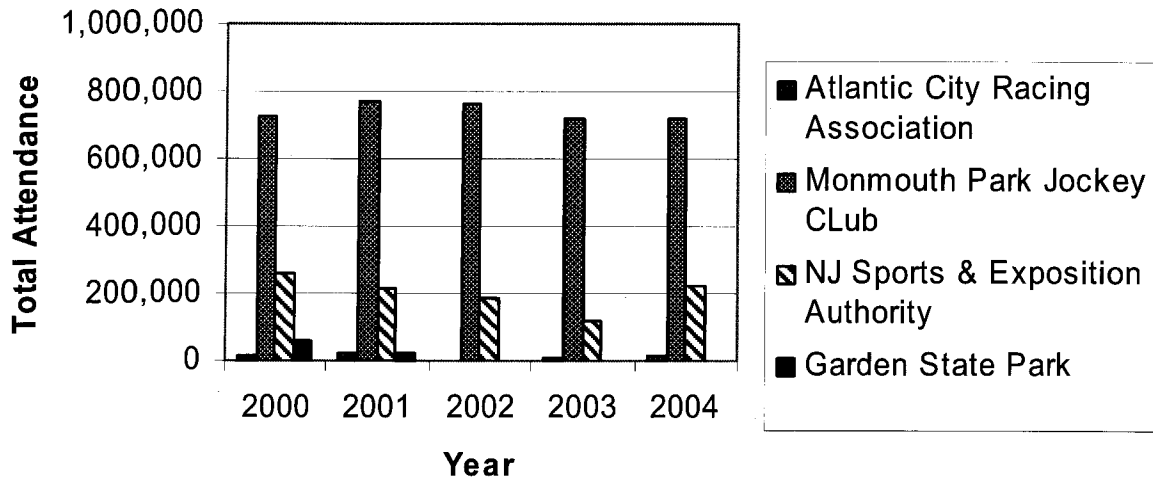
¹The last year of harness racing at Garden State Park was 2000.

Figure 2. Five Year Comparison at New Jersey Harness Tracks for the Period of 2000 to 2004¹



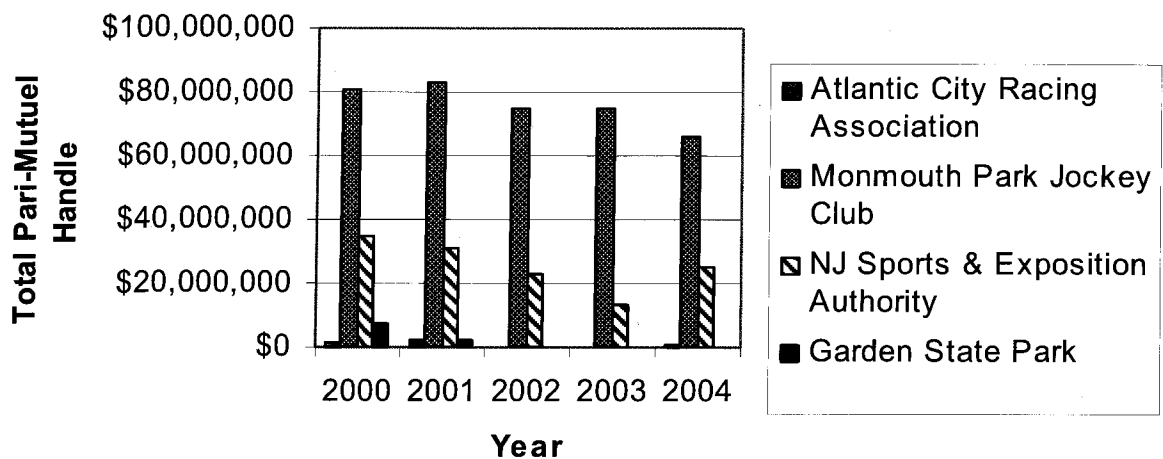
¹The last year of harness racing at Garden State Park was 2000.

Figure 3. Five Year Comparison at New Jersey Thoroughbred Tracks for the Period 2000 to 2004¹



¹The last year of thoroughbred racing at Garden State Park was 2001.

Figure 4. Five Year Comparison at New Jersey Thoroughbred Tracks for the Period 2000 to 2004¹



¹The last year of thoroughbred racing at Garden State Park was 2001.

**Figure 5. Five Year Comparison
of Intrastate and Interstate Simulcasting Handle
for the Period of 2000 to 2004**

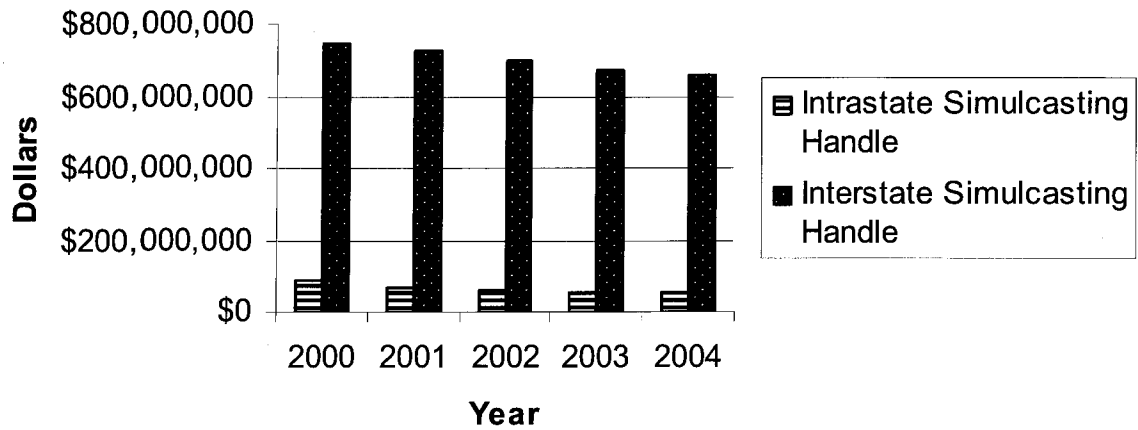
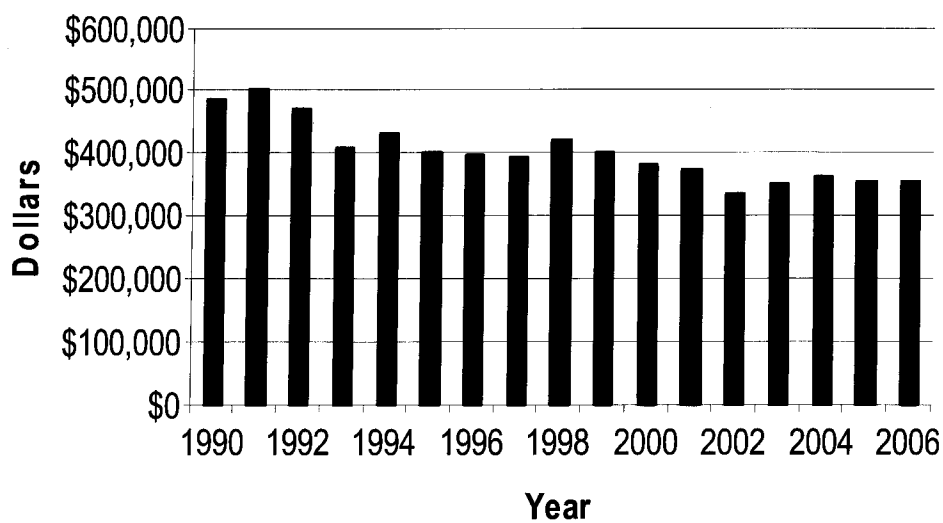


Figure 6. New Jersey Equine Advisory Board Budget



APPENDIX I

Following are the key issues identified and prioritized at the July 24, 2003 Roundtable hosted by the Rutgers University Equine Science Center, as well as points addressed in the three focus areas of discussion.

Key Issues Affecting the Future of Racing in New Jersey

- 1) Identify additional funding sources for racing programs and promotion. Suggestions were:
 - a. Progressive slot machine program at Atlantic City casinos
 - b. Tapping into parking fees
 - c. Allocating a portion of the Internet sales tax, if such a tax becomes law
- 2) Promote cooperation and reduce competition between the racing industry and the Atlantic City casinos and the New Jersey lottery. Recognize that the real competition is the gaming industry of New Jersey vs. those of surrounding states.
- 3) Move to implement the legislation that would allow off-track wagering at racetracks, in view of the reduction in racing days
- 4) Increase the fan base through marketing programs (i.e., increased marketing funding) and tourism promotion devoted to racing
- 5) Dedicate funding to increased purses and breeding incentives
- 6) Examine the cost to the industry (track managements, owner, breeders and trainers) of state-mandated regulations
- 7) Emphasize the strong connection between land preservation and a viable racing industry; address Right To Farm and environmental issues
- 8) Find funding for a state-supported training center for the horse industry workforce
- 9) Examine the means of ensuring the integrity of the product
- 10) Educate legislators and the public regarding the value of a healthy racing industry

I. Issues Regarding Policy and Regulation of Racing

Major impediments:

- Shortage of funding for tracks
- The industry is highly regulated, and cost of regulation is high
- Limited understanding that racing is an agribusiness in addition to being a sport
- State allows cross-competition in gaming: casinos and lottery games
- State has resisted policy changes (e.g., horse industry representatives on Racing Commission; additional funding to tracks; regulations affecting horse ownership)
- Policing of racing industry has had a negative effect on public perception
- State has not drawn the connection between racing and land preservation
- Conflicts with municipalities on Right To Farm issues discourages horse operations

Needs and challenges:

- Identify additional funding sources; make sure additional funds are directed to horse industry
- Legislature should fund breeders' awards to encourage breeding
- Rules regarding breeding should be eased: allow stallions from other states; reduce the amount of time mares must spend in NJ
- State needs to evaluate competition from other states; NJ is surrounded by competition from NY, PA, MD and DE
- Install off-track wagering facilities
- Install video lottery terminals (dedicated slots), which the casinos could operate
- Tie casino industry to racing industry -- both are gaming enterprises

Horse industry solutions:

- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the "added value" of racing; its broad and significant economic impact beyond the track
 - Tax revenues generated and what they're used for
 - Generation of jobs
 - Support of supplier businesses
 - Open space preservation
 - Recreational opportunities
- Work with the Department of Agriculture to address breeding issues
- Increase funding for Sire Stakes program
- Support the Rutgers Equine Science Center

II. Issues Regarding Marketing and Growth of Racing**Major impediments:**

- Shortage of funding
- Inadequate, unappealing facilities, and not enough money to upgrade them
- Waning consumer interest in racing/product
- Racing is a fan-driven business rather than a dollar-driven business

Needs and challenges:

- Identify additional funding sources
- Increase total racing revenues
- Revive consumer interest in racing
- Make sure track-goers have a clean, pleasant experience with good food
- Use publicity to tap into younger, more female market
- Expand the promotion of "Month of the Horse"

Horse industry solutions:

- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the “added value” of racing; its broad and significant economic impact beyond the track
 - Tax revenues generated and what they’re used for
 - Generation of jobs
 - Open space preservation
 - Recreational opportunities

III. Issues Regarding Operations and Management of Racing**Major impediments:**

- Shortage of funding for breeding programs
- Shortage of funding for purses; can’t finish racing days. URGENT action needed.
- Funds for breeders are decreasing each year
- Number of stallions standing in NJ is decreasing – down to 22
- Illegal medications are a major problem, particularly the perception that they are widely used
- Tracks cannot operate year-round
- Lack of cooperation between thoroughbred and standardbred segments

Needs and challenges:

- Identify additional funding sources
- Increase total racing revenues; do not divert purse money (which attracts horses) to subsidize breeding programs
- Develop account wagering program
- Install off-track wagering facilities
- Install video lottery terminals, which the casinos could operate
- Create a year-round use for tracks – perhaps training center
- Sustain the Meadowlands – it’s one of the finest racetrack facilities in the country; retain NJSEA as operator

Horse industry solutions:

- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the “added value” of racing; its broad and significant economic impact beyond the track
 - Tax revenues generated and what they’re used for
 - Generation of jobs
 - Support of supplier businesses
 - Open space preservation
 - Recreational opportunities
- Work with the Department of Agriculture to address breeding issues

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Leon J. Zimmerman
Public Relations Counsel
28 West State Street, Suite 702
Trenton, New Jersey 08608-1602

Telephone: 609-394-8303 Fax: 609-396-8187

May 9, 2008

TO: Senate Wagering, Tourism & Historic Preservation Committee

RE: Horse Racing in New Jersey

My name is Leon Zimmerman, and I am here today today on behalf of the Standardbred Breeders & Owners Association of New Jersey, with Thomas Luchento, who is president of the statewide association which represents thousands of people participating in the standardbred horse industry in New Jersey - - breeders, owners, trainers, drivers and all their employees, not only at the two racetracks we have left, but at numerous training centers and breeding farms throughout the state.

In order to appreciate and understand the future of the standardbred industry in New Jersey, we should probably take a look at how it got to be the number one harness racing state in the nation.

For decades until the 1970s, New Jersey harness racing people had only one place to compete, afternoons at Freehold Raceway, where purses were very low. A second venue was added in the late 1960s, when night harness racing was brought to the Atlantic City thoroughbred track.

The Meadowlands Racetrack became a reality in September 1976 with the first pari-mutuel harness race meet ever in North Jersey. More than 46,000 people jammed into the track on opening night and for many years thereafter, crowds of 20,000 or more were commonplace.

With significant financial help from the racetrack, the N. J. Sports Complex was put on the nation's sports map in an even bigger way with the advent of NFL football, followed by NBA basketball and NHL hockey.

It was clear to all that New Jersey, with the Meadowlands racetrack, had become the number one harness track in the nation.

The best horses in the country and in Canada were brought to the Meadowlands. The top harness drivers and trainers in the sport came to New Jersey and established residences here.

Numerous new breeding and training farms were established on the New Jersey landscape, preserving thousands of acres of open space.

The state's standardbred breeding program, known as the New Jersey Sire Stakes in the Department of Agriculture, was created in the early 1970s. It also grew to be the richest in the nation, as result of the growth of breeding farms in this state.

The most recent statistics show that there are 10,000 standardbred horses valued at \$272.7 million in New Jersey.

Most of the N. J. Sports & Exposition Authority's profit over the years has come from harness racing. **And** standardbreds raced for more purse money in New Jersey than in other states.

Standardbred racing in New Jersey is year-round. As a result, the standardbred racing industry is home grown to New Jersey.

The quality of harness racing is better in New Jersey than other states, with more races of higher purse value at The Meadowlands and the sport's leading harness drivers and trainers who compete at The Meadowlands consider it their home track.

After retiring, most of the top standardbred racehorses come to New Jersey farms to stand at stud as stallions for breeding future racehorses.

The value of the New Jersey equine industry, its impact on the state's economy and the preservation of open spaces that it fosters, is estimated at more than \$2 billion. There are 81,000 equine acres valued at \$2.5 billion alone and equine labor of nearly 5,900 earning \$111 million.

If New Jersey's tracks had those same forms of gambling, there would be millions of dollars of revenue annually, not only to help racing, but to help all the citizens of our state by resolving the State's budgetary woes. And the casinos would benefit, too, if they were to run the VLT slots, as they do in our neighboring states, cutting the losses they are experiencing from those neighboring states.

It is important to remember that horse racing goes far beyond the racetracks, which are only the tip of the proverbial iceberg that represents this industry in New Jersey.

There are the thousands of acres of open farmland being preserved by horse farms and millions of dollars of tax revenue to the state from the purchase of supplies and feed, not to mention the horses themselves, veterinary fees and construction of farm buildings and fences.

Non-racing breeds also benefit from the revenue produced by the racing breeds. A small portion of the pari-mutuel handle is allocated by statute to those organizations representing other breeds.

Thank you very much for the opportunity to share these thoughts with the Committee. It is our hope that you, the Legislature, will join us to help make a brighter future for racing in New Jersey.

#

Good morning, Chairman Whelan and members of the Committee. My name is Christopher Castens, and I am the Executive Director of the Sire Stakes Board. Thank you for this opportunity to speak to you today about the horseracing industry in New Jersey, and in particular, the New Jersey Sire Stakes.

In short, New Jersey's horseracing industry is one which contributes much to our State's economy. The New Jersey equine industry in total - valued at more than \$3.5 billion - generates \$1.1 billion annually in positive impact on the New Jersey economy, according to a study released in 2007 by the Rutgers Equine Science Center.

Of the State's 42,500 equine animals, 12,500 (nearly 30 percent) are in racing-related activities. These include 8,200 Standardbreds and 4,300 Thoroughbreds that are either actively racing or are racing breeding stock and current foals and yearlings. In addition, the economic impact of New Jersey's racing venues (The Meadowlands, Freehold Raceway, Monmouth Park Racetrack and Atlantic City Race Course) is pegged at an additional \$502 million annually.



In all, 176,000 acres of agricultural land are occupied by the 7,200 equine operations in the state. In comparison, estimates put the total "agricultural working landscape" (actively productive farms) in New Jersey at 800,000 acres.

With the opening of the Meadowlands Racetrack in 1976, New Jersey quickly vaulted to the top of the harness racing hierarchy. The state's breeding industry was robust, with more than 100 stallions residing in the state and nearly 4,000 foals being born annually. This year we have 16 stallions registered to stand in New Jersey (one has unfortunately passed away during breeding). Since we are in the middle of the foaling season, numbers are not yet complete for this year, but last year slightly over 1,500 New Jersey-sired standardbred foals were born.

This year, the New Jersey Sire Stakes anticipates it will offer purses of approximately \$6 million for its races. With the addition of other races sponsored by the Standardbred Breeders and Owners Association and restricted solely to the offspring of New Jersey sires, the total will be about \$7.5 million—the same as it was last year.

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The New Jersey Sire Stakes receives its basic funding from two sources:

a) fees paid by horsemen to nominate and sustain the horses they own to the program; and b) a legislated percentage of the amount wagered on races conducted during harness meets at the Meadowlands and Freehold Raceway (roughly $\frac{1}{2}$ of one percent of the handle). The latter source has been dwindling significantly during the last decade. For the last four years, the Sire Stakes has been the recipient of a portion of the casino subsidy. This subsidy increased incrementally during the course of the agreement and topped out at \$1 million last year.

While New Jersey's Sire Stakes benefits from a direct subsidy funded by the casinos in Atlantic City, surrounding states have taken a different approach by adding other gambling options at the racetracks. The programs in New York and Pennsylvania do not receive an ongoing direct payment from casinos not located at racetracks in those states, although a short-lived but substantial direct payment was made by the operator of Chester Downs between the time casino gaming started there and racing was able to commence on a refurbished track surface.



The Pennsylvania Sire Stakes, which, like New Jersey, is part of that state's Department of Agriculture, is advertising purses in excess of \$10 million in 2008. Last year Pennsylvania provided an additional \$5.28 million in Breeders' Awards to standardbred breeders.

The situation is similar in New York. From July 1, 2007 through the end of this April, New York's additional gaming options at racetracks resulted in \$8.2 million to the New York Sire Stakes. Recently, New York has announced that it will commence a breeders' award program, too.

Like racing fans, racehorse owners and breeders go where the money is. The increased purses in these nearby states are convincing some New Jersey breeders to move their operations into the states offering the higher purses. This has serious implications for the future of our breeding operations. New Jersey's standardbred breeders have long been considered on par with the thoroughbred breeders of Kentucky. Losing even a few of our excellent breeders could damage that reputation further.

We in the horseracing industry were relieved to hear of the three-year agreement struck with the Atlantic City casinos to enhance purses at New

Jersey racetracks. The agreement for \$90 million over three years strikes a balance between the racing and casino industries while also avoiding the use of taxpayer dollars for the purse supplement and does not reduce casino funds flowing to the state.

However, the agreement is too short to have any long-lasting implications. Breeders make a three-year commitment on any one horse, from the time it is bred to the time it matures into racing. They want to know what the purse and breeding award picture will look like beyond that window in order to make sound business about where to breed horses.

During the duration of this new agreement with the casinos, all segments of New Jersey's equine community must come together to implement bold, long-term steps to reinvent horseracing and reposition it for a brighter future. Only then can we be sure our breeders will stay here and not be lured away to greener pastures.

At the Department of Agriculture, working with industry leaders like the SBOA, we have already begun that repositioning process by bringing leaders in the industry together to discuss a comprehensive way to reinvent the

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industry while maintaining the elements that currently are successful. One of those successful elements is the relationship between our racing professionals like breeders and the publicly managed racetracks, which give New Jersey the financial engine to help sustain the industry.

To that, we must add a three-pronged approach to reinventing horseracing, which includes:

- Augmenting purses – This starts with the new casino agreement, but must expand beyond that limited three-year window.
- Enhancing the supportive infrastructure – Providing the kind of environment that will encourage breeders to stay in New Jersey.
- Bolstering a marketing effort – Through use of “Jersey Bred” branding and promotion, as well as other marketing techniques, we can inspire new interest in horseracing among the public.

Just as other spectator sports have done, horseracing must find ways to attract a new fan base, including younger and more affluent people, while still maintaining the core patrons who currently sustain us. The Department cannot dictate to those running the racetracks what steps they should take to attract additional patrons. However, we can work, and have been working,

with them on efforts such as refurbishing tracks and upgrading amenities, or the efforts that brought the Breeders Cup, and the worldwide attention and excitement surrounding it, to Monmouth Park last year.

In order to continue competing with horseracing in surrounding states, New Jersey must make every effort to expand the fan base, infuse new excitement into the racing component itself, and examine all other options that will help our racing industry continue to be a major contributor to the State's economy and a driving force in maintaining our working agricultural landscape.

I'd be happy to answer any questions the members of the Committee might have.



SHOW ME THE MONEY

17 Racinos Drive \$159 Million Purse Increase

By Joseph Kyle

Trainer George Teague Jr. has experienced first-hand the difference slot machines at racetracks have made in harness racing.

On Jan. 30, 1994, the Teague-trained Uncle Buddy won a non-winners conditioned pace at Dover Downs that had a purse of \$700. On Jan. 30, 2008, Al-lamerican Karnak, also trained by Teague, captured another non-winners conditioned pace at Dover, but this time the purse was \$10,500.

Less than two years after Uncle Buddy won that \$700 race, slot machines went into operation at Dover Downs and harness racing in Delaware was changed.

Prairie Meadows was the first racetrack with harness racing to install slot machines on April 1, 1995. The track in Altoona, Iowa, which conducts Thoroughbred and Quarter Horse racing as well as a 20-day harness meet in the fall, now has 51 table games and 1,796 slot machines in its casino. Last year the slots generated \$188.7 million in total revenue.

Dover Downs was the first harness track on the East Coast to install slots when patrons first sat down in front of the machines on Dec. 29, 1995. Since then the number of harness tracks that have come to be known as racinos has grown to 15 in the United States and 15 in Ontario. The two harness tracks in Indiana, Hoosier Park and Indiana Downs, will join the list beginning this year when they each put 2,000 slots into operation.

During Dover Downs' 1994-95 season, a meet of only 36 days, gross purses totaled only \$376,847. By the end of last year's 133-day meeting, purses had increased by more than 7,168 percent to \$27,390,708.

At Dover's sister track, Harrington Raceway, gross purses jumped from \$271,732 for its 29-day meet in 1995 to \$16,992,700 for last year's 107-day meet, an increase of more than 6,153 percent.

Gross purses at the 17 racinos studied for this report totaled \$135.3 million the year before slots went into operation at each of those tracks. Last year those tracks had gross purses of \$295.2 million, a 118-percent increase.

By contrast, gross purses at Balmoral Park, Hazel Park, Maywood Park, Northfield Park, Rosecroft Raceway and Scioto Downs, where they are not enhanced by slots revenue, have declined by 36 percent since 2000.

Hoosier Park purses have also declined, but that was because the riverboat subsidy, which began in 1995, has been shared with Indiana Downs since that track became operational in December of 2002.

Indiana horsemen will continue to benefit from the riverboat admissions tax, as well as the slots, until the slots revenue reaches the amount previously provided by the admissions tax. Then the benefit will come solely from slots.

At the Isle Casino and Racing at Pompano Park, purses have been boosted because of revenue from the track's card room, which opened in 2003. Slots were added to the casino in April of last year. While the revenue from the first year of slots amounted to \$127,359,261, the money that will go to the horsemen has not yet been determined. Florida's legislation enabling slots set a percentage for Thoroughbred horsemen (approximately eight percent), but not for the

Standardbreds at Pompano Park, nor the state's dogs tracks. The Florida Standardbred Breeders & Owners Association and the Isle Casino at Pompano Park are now negotiating the amount horsemen will receive.

Among the prominent harness racing states without a racino are Maryland, Illinois, Kentucky, Michigan and Ohio.

In November, voters in Maryland will decide whether they want 15,000 slot machines at five locations across the state, including Ocean Downs but not at Rosecroft Raceway, whose local state representatives asked to be excluded.

In Illinois, Gov. Rod Blagojevich is still considering gaming expansion to help pay for a statewide capital construction program. But for now, the bill sits in the General Assembly awaiting action.

In Kentucky, a bill to establish casinos as part of Gov. Steve Beshear's plan to raise revenue for the state never made it to a floor vote in either chamber of the state legislature.

The Michigan equine industry was receiving a subsidy from three Detroit casinos while they were in temporary facilities. With two of the casinos now in permanent locations and the third about to open its permanent site, horse racing is losing the racing subsidy.

Both Ohio and California remain without slots at their racetracks, and there is no indication of legislation in the near future to provide for slots. In California, there are 91 card rooms and 56 Native-American tribal casinos. Recent legislation will allow the number of tribal casinos to increase, but horse rac-

ing still won't benefit from any of the gambling establishments.

Last year \$38.4 billion was played on slot machines at 15 Standardbred racetracks in the U.S. After payoffs to the slot players, revenues amounted to \$1.9 billion. From that amount, \$154,599,534 went to horsemen for overnight purses, Sire Stakes purses, breeders' awards, health and insurance, and other programs.

Different jurisdictions have different formulas for determining how much of the slots revenue goes to purses. In Delaware, \$750,000 of the slots revenue for purses at both Dover Downs and Harrington Raceway is taken off the top for the Delaware Standardbred Breeders Fund (DSBF). The state matches the \$1.5 million, giving the DSBF a \$3 million account for its purses.

In Pennsylvania, the horsemen's share of the slot revenue (the Pennsylvania Race Horse Development Fund—PRHDF) is 12 percent. But that amount is divided with 80 percent going to purses, 16 percent split equally for the following year's Sire Stakes and breeders awards, and four percent to the horsemen's health and pension program.

The Pennsylvania Sire Stakes money is deposited in a statewide pool and distributed evenly for the Sire Stakes at each of the state's three harness tracks.

In New York, 1.25 percent of VLT revenue goes to Sire Stakes and accounts for 75 percent of the Sire Stakes purses at each track. Money earned for the Sire Stakes at each New York track stays at the track for its individual Sire Stakes events, which explains why Sire Stakes purses at Buffalo Raceway and Batavia Downs are substantially lower than those paid at Yonkers Raceway.

In Ontario, 10 percent of the slots revenue goes to purse accounts and in the case of Mohawk and Woodbine, that figure is split 50-50 between Standardbreds and Thoroughbreds.

In Maine, 14 percent of the revenue from the slots facility at Bangor Raceway is sliced up between Bangor, Scarborough

Downs, and nine county fairs—based on the number of races at each facility—and the Sire Stakes.

Recent legislation in New York has breathed life back into racetracks which were struggling. Before the new legislation, the racetracks' share ranged from 29 to 32 percent and were on a sliding scale that decreased the percentage as VLT revenue surpassed the \$50 million plateau. Now the only tracks on a sliding scale are Vernon Downs (starting at 42 percent), Tioga Downs (40 percent), Batavia Downs (36 percent) and Buffalo Raceway (36 percent). But it is doubtful that those scales will slide since none of those tracks has ever surpassed \$50 million in VLT revenue during a fiscal year.

Due to other new provisions in the law, Monticello Raceway and Saratoga Gaming and Raceway will receive a flat 32 percent and Yonkers will get 34 percent until its debt service is paid off. Then the per-

centage will drop to 31 percent for twice the time it took to settle the debt service, and finally settle at a flat 32 percent.

The New York legislation sets the percentage of VLT net win for purses at 8.75, but leaves the door open for horsemen and tracks to negotiate that percentage up or down. All tracks will receive 10 percent of the net win specifically for marketing, except for Yonkers which will receive eight percent. The New York Lottery receives 10 percent for administration fees.

The law went into effect with the beginning of the new fiscal year in New York on April 1. The purse percentages, however, will not take effect until the respective contracts between the horsemen and the tracks expire.

One can argue whether the implementation of slots at racetracks is a band-aid or the savior for the harness racing industry. It's probably both. But for now, racinos are reviving the sport.

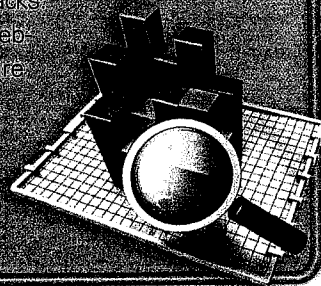
DIGGING FOR DATA

The statistics for this story came from several sources. Executives of the horsemen's associations and administrative personnel from the individual racetracks supplied figures on handle, race dates and the splits between the racetracks and horsemen. Gross purses were obtained from the Trotting And Pacing Guides of the U.S. Trotting Association, which generated them from their database of races. The website of the New York State Racing and Wagering Board provided handle figures for New York tracks through 2006 while track officials supplied the 2007 figures.

Casino figures were gleaned from officials or the websites of the individual state gaming authorities. They include: the Delaware Lottery, Iowa Racing And Gaming Commission, Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering, New York Lottery, Pennsylvania Gaming Control Board, Maine Gambling Control Board, and Ontario Lottery Gaming (OLG). Additional information was obtained from the California Gambling Control Commission and the American Gaming Association.

Most of the regulatory organizations listed above compile their statistics on a fiscal year basis. For this story the statistics were recalculated on a yearly basis, except for the two Ontario tracks. The OLG does not provide a monthly breakdown on its website and thus, the figures for Mohawk and Woodbine are based on OLG's April to March fiscal year.

The combined Mohawk and Woodbine purse figures from the USA are in American dollars, but the handles and casino figures from the OLG are in Canadian funds.

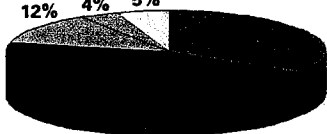


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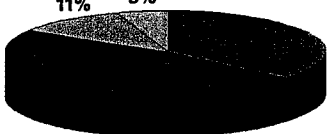
12% 4% 5%



PENNSYLVANIA

■ State ■ Operator ■ Purses ■ LSA ■ EDTF

11% 5%



DELAWARE

■ State ■ Operator ■ Purses ■ Vendor

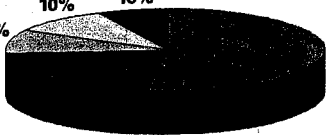
10% 10% 10%



NEW YORK—new percentages (average for all tracks)

■ State ■ Operator ■ Purses ■ Lottery ■ Marketing

9% 10% 10%



NEW YORK—old percentages (average for all tracks)

■ State ■ Operator ■ Purses ■ Lottery ■ Marketing

LSA — Local Share Assessment

EDTF — Pennsylvania Gaming Economic Development and Tourism Fund

SLICING THE PIE — THE PERCENTAGES

Track	Purses	Operator	State/Others
Bangor—Scarborough	13 ¹	61	26 ²
Batavia Downs ³	9.75 ⁴	40	60 ⁵
Buffalo Raceway ³	9.75 ⁴	40	60 ⁵
Dover Downs	11	48	41 ⁶
Harrah's Chester	12 ⁷	45	43 ⁸
Harrington Raceway	11	48	41 ⁶
Mohawk Raceway ⁹	5	71	—
Monticello Raceway ³	9.5 ⁴	40	60 ⁵
Pocono Downs	12 ⁷	45	43 ⁸
Pompano Park	NA ¹⁰	NA ¹⁰	50 ¹²
Saratoga ³	9.5 ⁴	38.5	61.5 ⁵
The Meadows	12 ⁷	45	43 ⁸
Tioga Downs ³	9.5 ⁴	40	60 ⁵
Vernon Downs ³	9.75 ⁴	40	60 ⁵
Woodbine Racetrack ⁹	5	71	—
Yonkers Raceway ³	9.5 ⁴	32 ¹¹	68 ⁵

¹10 percent split between Bangor Raceway, Scarborough Downs and nine county fairs based on number of dashes raced; 3 percent for Sire Stakes. ²Split between eight funds, including the state's General Fund. ³Figures for old law and contracts, not new legislation. ⁴Comes from operator's share and includes 1.25 percent for MYSS. ⁵10 percent to the Lottery Commission, the rest to the state's education fund. ⁶5 percent for central computer and terminal equipment. ⁷Purse money split 80 percent for overnights, 8 percent for Sire Stakes, 8 percent for Breeders Program, 4 percent to Health and Pension Fund. ⁸4 percent to the Local Share Assessment, 5 percent to the Pennsylvania Gaming Economic Development and Tourism Fund. ⁹10 percent to each track, 10 percent split between Standardbred and Thoroughbred purses, 7 percent to local municipality, the rest to Ontario government. ¹⁰Horsemen and track negotiating split. It is not legislated. ¹¹Yonkers share on sliding scale based on revenue over \$50 million. ¹²For education. State charges track \$3 million/year for license.

SLOTS REVENUE HISTORY

Track/Date Slots Began	No. Slots	% Purses Amount to Purses	% to operator Amount to Operator	Total Slots Revenue
BATAVIA DOWNS/APRIL 2005		8.5 ¹	32	
2005	586	\$1,247,781	\$4,697,532	\$14,679,788
2006		2,040,775	7,682,948	24,009,119
2007	592	2,401,144	9,039,604	28,248,761
BUFFALO RACEWAY/MARCH 2004		8.5 ¹	29/32 ²	
2004	990	\$2,337,131	\$7,973,745	\$27,495,665
2005		3,200,670	11,738,500	37,654,947
2006		3,560,544	13,394,804	41,858,757
2007	959	3,812,482	14,352,874	44,822,733
DOVER DOWNS/DEC. 1995		12	48	
1996	500	\$7,497,600	\$29,990,000	\$58,485,800
1997		11,120,600	44,482,400	90,133,000
1998		13,756,500	55,025,200	113,115,400
1999		16,993,500	67,973,400	141,300,000
2000		18,808,700	75,234,700	156,999,600
2001		19,188,100	80,406,400	168,373,700
2002		22,228,400	88,913,400	186,893,500
2003		19,991,400	79,438,900	167,411,100
2004		22,110,300	87,336,100	185,866,100
2005		23,106,800	91,272,200	194,544,900
2006		25,882,200	102,265,000	218,586,800
2007	2,717	24,672,800	101,407,600	216,892,300

Track/Date Slots Began	No. Slots	% Purses Amount to Purses	% to operator Amount to Operator	Total Slots Revenue
HARRAH'S CHESTER/JAN. 2007		12	45	
2007	2,781	\$27,453,949	\$128,690,397	\$285,978,661
HARRINGTON RACEWAY/AUG. 1996		12	48	
1996	498	\$1,974,500	\$7,898,100	\$14,456,900
1997		7,490,700	29,962,500	58,211,200
1998		8,367,000	33,468,500	65,803,600
1999		8,556,100	34,224,500	67,442,100
2000		10,332,900	41,281,500	82,633,900
2001		11,754,600	47,018,800	95,144,900
2002		13,563,000	54,252,200	112,646,500
2003		12,396,000	49,262,000	100,699,100
2004		12,991,400	51,316,100	105,856,600
2005		13,801,800	54,487,100	112,874,900
2006		15,387,400	60,810,100	126,478,900
2007	1,584	14,959,200	59,088,700	122,898,900
MOHAWK RACETRACK/AUG. 1999³		5	71	
2001	750	\$7,440,000	\$105,648,000	\$148,800,000
2002		7,570,000	107,494,000	151,400,000
2003		8,183,688	116,208,375	163,673,768
2004		8,300,800	117,871,367	166,016,011
2005		7,505,522	106,578,413	150,110,442
2006		7,851,238	111,487,581	157,024,762
2007	861	7,856,483	111,156,057	157,129,658

PURSES & HANDLE

Racetrack/Date Slots Began	Year/No. Race Days	Gross Purses	Total Handle
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BATAVIA DOWNS/APRIL 2005			
2003/68		\$1,848,540	\$10,291,457
2005/58		3,214,799	8,822,082
2006/57		4,055,433	7,708,163
2007/60		3,904,192	7,162,930

BUFFALO RACEWAY/MARCH 2004			
2003/66		\$1,673,888	\$12,920,173
2004/87		3,172,795	13,081,519
2005/84		4,490,338	12,473,830
2006/84		5,523,969	12,262,514
2007/82		5,535,675	12,303,347

DOVER DOWNS/DEC. 1995			
1994-95/36		\$376,847	\$2,909,360
1995-96/42		502,114	4,908,167
1996-97/72		5,672,037	25,758,184
1997-98/105		12,436,262	28,660,030
1998-99/120		15,246,180	40,928,639
1999-00/132		17,042,816	55,626,013
2000-01/143		21,766,616	67,574,117
2001-02/143		20,807,758	74,319,875
2002-03/142		23,071,612	79,138,334
2003-04/133		24,486,840	88,000,000
2004-05/133		24,266,710	86,000,000
2005-06/133		27,080,867	93,307,520
2006-07/133		27,390,708	116,173,674

HARRAH'S CHESTER/JAN. 2007			
2006/45		\$3,457,893	\$13,841,164
2007/95		21,808,705	46,627,705

¹ Mohawk-Woodbine handle is in Canadian dollars.

Racetrack/Date Slots Began	Year/No. Race Days	Gross Purses	Total Handle
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HARRINGTON RACEWAY/AUG. 1996			
1995/29		\$271,732	\$1,863,760
1996/43		1,320,584	1,380,323
1997/68		6,931,321	16,625,266
1998/90		10,024,105	33,115,255
1999/90		8,755,333	37,047,493
2000/90		10,664,959	30,923,308
2001/90		11,639,561	43,863,495
2002/94		14,135,727	50,428,252
2003/103		13,274,437	52,418,050
2004/104		14,498,269	56,600,081
2005/104		15,331,843	60,575,490
2006/107		15,480,492	66,535,587
2007/107		16,937,695	52,473,154

MOHAWK—WOODBINE/MARCH 2000¹			
1999/316		\$52,910,562	NA
2000/260		73,782,173	NA
2001/257		83,469,483	\$423,070,784
2002/260		58,912,473	457,164,068
2003/256		61,160,116	424,477,367
2004/258		66,505,551	395,637,580
2005/257		69,617,292	404,219,462
2006/259		73,627,882	373,233,425
2007/223		75,693,172	328,284,760

MONTICELLO RACEWAY/JUNE 2004			
2004/230		\$7,264,116	\$14,872,537
2005/235		14,181,289	16,296,276
2006/246		18,770,325	16,359,753
2007/219		17,501,235	12,633,515

Racetrack/Date Slots Began	Year/No. Race Days	Gross Purses	Total Handle
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POCONO DOWNS/NOV. 2006			
2006/133		\$12,094,220	\$24,686,957
2007/133		17,509,869	34,441,955

POMPANO PARK/APRIL 2007			
2006/163		\$10,261,300	\$141,230,805
2007/175		12,890,434	138,977,154

SARATOGA RACEWAY/JAN. 2004			
2003/129		\$3,968,068	\$31,644,865
2004/165		9,040,713	39,092,822
2005/173		12,310,431	37,044,965
2006/171		16,339,853	40,631,280
2007/170		14,478,520	39,910,530

THE MEADOWS/JUNE 2007			
2006/208		\$15,234,348	\$222,002,721
2007/206		19,643,947	198,260,122

TIOGA DOWNS/JULY 2006			
2006/48		\$5,316,047	\$4,727,065
2007/58		7,232,195	7,607,871

VERNON DOWNS/OCT. 2006			
2003/93		\$2,645,284	\$19,289,465
2006/30		1,683,841	4,601,536
2007/80		5,503,209	8,666,962

YONKERS RACEWAY/OCT. 2006			
2004/207		\$15,379,321	\$99,522,397
2005/105		4,975,780	45,782,377
2006/32		4,382,185	7,314,408
2007/306		43,535,582	192,983,374

Track/Date Slots Began	Year	No. Slots	% Purses Amount to Purses	% to operator Amount to Operator	Total Slots Revenue
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MONTICELLO RACEWAY/JUNE 2004					
2004	1,743	\$2,663,493	\$9,362,583	\$32,284,767	
2005		5,615,691	21,237,106	68,068,989	
2006		6,312,103	23,688,001	76,510,346	
2007	1,587	5,303,945	20,119,359	64,290,240	

POCONO DOWNS/NOV. 2006					
2006	1,204	\$2,078,883	\$9,744,764	\$21,655,033	
2007	1,204	16,848,352	78,976,616	175,503,592	

POMPANO PARK/APRIL 2007					
2007	1,500	NA ⁴	NA ⁴	\$81,834,478	

SARATOGA RACEWAY/JAN. 2004					
2004	1,331	\$6,374,730	\$22,408,146	\$77,269,462	
2005		8,544,490	31,533,177	103,569,578	
2006		9,843,798	36,102,445	119,318,771	
2007	1,762	10,731,985	39,137,555	130,084,671	

THE MEADOWS/JUNE 2007					
2007	1,738	\$11,960,436	\$56,064,559	\$124,587,911	

TIOGA DOWNS/JULY 2006					
2006	750	\$1,774,202	\$6,678,165	\$20,869,261	
2007	750	3,521,911	13,258,872	41,433,974	

Track/Date Slots Began	Year	No. Slots	% Purses Amount to Purses	% to operator Amount to Operator	Total Slots Revenue
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VERNON DOWNS/OCT. 2006					
2006	777	\$593,638	\$1,139,233	\$7,193,457	
2007	761	2,644,519	10,257,531	32,054,815	

WOODBINE/MARCH 2000²					
2001	1,700	\$18,910,000	\$268,522,000	\$378,200,000	
2002		22,280,000	316,376,000	445,600,000	
2003		26,640,409	378,293,809	532,808,182	
2004		28,786,387	408,766,699	575,727,745	
2005		27,072,660	384,431,782	541,453,215	
2006		26,685,260	378,930,688	533,705,195	
2007	1,947	27,731,448	393,786,573	554,628,977	

YONKERS RACEWAY/OCT. 2006					
2006	1,870	\$4,119,483	\$15,978,602	\$49,933,132	
2007	5,500	25,079,732	110,931,946	394,326,303	

¹ New law changes percentage to 8.75 when current contract is renewed.

² Racetrack Commission increased from 29% to 32% on April 13, 2005.

³ Figures for Mohawk and Woodbine are for the fiscal year April to March and are in Canadian dollars.

⁴ Split between horsemen and Pompano Park is being negotiated. It is not legislated for Standardbreds.

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SENATE WAGERING, TOURISM, AND HISTORIC SITE COMMITTEE

Good Morning Chairman Whelan and members of the Senate Wagering, Tourism, and Historic Site Committee.

My name is Stephen Dey II. I am a lifelong resident of Upper Freehold Township, the standardbred horse capital of the United States of America in Monmouth County. I have been a practicing equine veterinarian for forty six (46) years and the Dey Family has a standardbred nursery consisting of 504 farmland preserved acres.

I will be covering the issue of open space in New Jersey as a result of major decreases in race funding since 1990. I have been heavily involved in promoting the equine industry since the mid sixties starting with the New Jersey Breeder Awards program and then the creation of the Sire Stakes Program in the early 70's

New Jersey became the pinnacle of standardbred racing in the late 70's and 80's because of the Meadowlands Race Track and the New Jersey Sire Stakes Program. As a result of these innovative programs four of the top stallions in the standardbred industry stood in New Jersey in 1990.

The best way to explain the loss of open space in New Jersey is by showing the loss of racing days and purses by the following examples:

1. Stallions standing in New Jersey in 1984 = 130
Stallions standing in New Jersey in 2007 = 17

2. Foals born in New Jersey in 1984 = 3800+
Foals born in New Jersey in 2007 = 1518
3. There were 28,500 acres devoted to equine activities before 1966
1967-1976 – 24,500 acres converted
1977-1981 – 23,000 acres converted
1982-1984 – 21,500 acres converted
1985-1987 – 22,500 acres converted

This is a total of 128,000 acres – Today we have 175,000 acres of which 96,000 are equine related acreage.

4. 60,000 Equine – 1986
42,500 Equine – 2006
5. Total acreage of equine operations in 1996 = 166,000 acres
Total acreage of equine operations in 2006 = 176,000 acres
6. Total value of Sire Stakes & Breeding program – 1984 – 1987 - \$14 million
Total value of Sire Stakes Breeding program – 2007 - \$6 million
7. In Upper Freehold Township alone there are 3,190 acres devoted to the breeding nurseries.

Breeder Awards, Sire Stakes money, New Jersey Bred Races, and large purses are the impetus for purchasing New Jersey Bred yearlings and without a strong yearling market the breeding industry is seriously suffering from this scenario now.

The bottom line is without a steady revenue stream for racing in New Jersey there will be significant equine acreage lost in the near future which will result in significant loss of open space.

5/10/07



The Council on Compulsive Gambling of New Jersey, Inc.

Senate Wagering, Tourism and Historic Preservation Committee
May 9, 2008 Public Hearing on the Horse Racing Industry

Statement of Donald F. Weinbaum, Executive Director,
Council on Compulsive Gambling of New Jersey, Inc.

Executive Director

Donald F. Weinbaum
MBA, LCADC, CJC

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Good Morning Chairman Whelan, Vice Chairman Gordon and Committee Members:

On behalf of The Council on Compulsive Gambling of New Jersey, Inc., I would like to extend our appreciation for the opportunity to share information with the Committee regarding horse racing and gambling in our state. The Council is a not-for-profit (501c3) corporation, created in 1982 at the behest of the New Jersey Department of Health. The Council conducts education, prevention, outreach and referral services for people affected by compulsive gambling and has been actively involved in serving New Jersey's citizens for more than 25 years.

The Council on Compulsive Gambling of New Jersey, Inc. is neutral on gambling: we do not oppose it or support it. Rather, our mandate is to advocate for compulsive gamblers in New Jersey and for those who are affected by their gambling. The Council owns and operates the 1-800-GAMBLER© HelpLine, which is available 24 hours a day/7 days a week to gamblers, their families and persons seeking information on treatment and other resources. The Council also created and maintains the www.800gambler.org website, which received almost 1 Million hits last year.

Additionally, the Council manages and oversees a limited network of compulsive gambling treatment services that includes 12 providers at locations across the state. Only \$301,000 in State funding is currently allocated for support of treatment services. In this regard New Jersey lags behind most large states, some of which have committed \$3 Million to \$10 Million to address compulsive gambling.

The Council is concerned that the number of gamblers seeking treatment has increased significantly in recent years. Total treatment sessions provided have also increased, from 2236 in Fiscal Year 2006 to 2686 in Fiscal Year 2007. In the first 10 months of Fiscal Year 2008, there have already been 2509 therapy sessions provided to compulsive gamblers and their families.

At present, demand for services exceeds available funding, resulting in some gamblers receiving less care than necessary or being unable to access treatment. We have estimated that there are 350,000 problem and compulsive gamblers throughout New Jersey.

Horse Racing and Compulsive Gambling

It is noted that by statute the racetracks (in their role as Off-Track Wagering operators) contribute \$200,000 towards prevention, education and treatment for compulsive gambling, which helps to support Council activities in these areas. The Legislature is to be commended on its efforts to establish this funding stream, but it is not sufficient for servicing the growing number of problem and compulsive gamblers. As gambling opportunities increase it will be necessary to increase the monies available for treatment of compulsive gambling.

At one point, racetracks in New Jersey included Monmouth Park, The Meadowlands, Garden State Park, Freehold Raceway and Atlantic City Racetrack. Today this number has essentially dropped to three, as Garden State is longer in existence and Atlantic City has greatly reduced its operations. Recently, the advent of Off Track Wagering (OTW) outlets has increased the availability of betting on horse races. Vineland and Woodbridge have been in operation since 2007, and Toms River OTW has recently opened.

The Council is concerned that these added opportunities to gamble may entice new horseplayers, which may lead to a growth in the number of compulsive gamblers. In addition, the accessibility and availability of these Off Track Wagering sites may be a relapse trigger for recovering compulsive gamblers, especially those who are in early recovery. Of note, there are three Gamblers Anonymous meetings a week in Toms River; the new off track sites in that area could constitute a real temptation for recovering gamblers.

Research has demonstrated that expansion of legalized gambling in the 1980s and 1990s was followed by significant increases in problem gambling in the United States (National Research Council 1999; Shaffer, Hall and Vanderbilt, 1997). Studies also have shown that living within 50 miles of a gambling venue is associated with a 50% higher rate of pathological gambling (National Gambling Impact Study Commission 1999). A positive relationship was observed between prevalence of problem gambling and the existence of a casino within 10 miles of the gambler's home (Welte 2004). These studies looked specifically at casinos, but the findings suggest that similar changes could occur with expansion of off-track wagering.

Responsible Gaming

The NJ Racing Commission implemented a self-exclusion program for compulsive gamblers in 2005. This program, which is not well known, currently includes 34 gamblers and allows listed individuals to bar themselves from racetracks and off-track wagering facilities for a minimum of one year. A similar program implemented by the casino industry includes about 700 gamblers. The Racing Commission and Council on Compulsive Gambling of NJ are currently working together to increase awareness of the racing self-exclusion program among problem and compulsive gamblers.

The Social Costs of Compulsive Gambling

The social costs of compulsive gambling are not always easy to recognize, but ever present nonetheless. Illegal activity committed by the gambler can include bad checks, embezzlement, credit card theft, etc. Compulsive gambling also has a significant impact upon employers due to missed work, tardiness, decreases in productivity, forced terminations and unemployment compensation. Compulsive gamblers sometimes find themselves filing for bankruptcy. As with other addictions, compulsive gambling can lead to the break down of families, affecting children, spouses, parents and others close to the gambler.

Beyond the personal impacts, acts of compulsive gamblers behavior have a larger and less visible cost to our State. Many of these consequences can result in compulsive gamblers and their families becoming involved with the justice and correctional systems. Civil courts need to deal with the effects of divorce and bankruptcy. Law enforcement, criminal courts and the correctional system must respond to illegal acts of the compulsive gambler, which can vary in severity from theft by deception to violent crimes. It is estimated that 20-25% of current residents in correctional facilities committed crimes that were directly related to a gambling problem or addiction.

Future Directions:

The following recommendations should be considered as the State reviews the status of the horse racing industry, other forms of gambling or gaming, and any proposals for changes in types of wagering:

- Language providing for compulsive gambling prevention, education and treatment should be included in any legislation furthering the expansion of gambling or gaming within New Jersey.
- A portion of gaming revenue from new outlets should be dedicated to gambling prevention, education and treatment services.

There is a critical need for increased monies for treatment, intervention and referral services for gambling addiction, which will only get worse as the amount of gambling increases throughout the state. Simply put, more opportunities to gamble mean more persons will develop gambling problems.

In summary, compulsive gambling in New Jersey cuts across all sectors of the population and all forms of gambling. It is a hidden cost and has a significant impact on individuals, families and communities. Addressing it will be a challenge, but one that can be met with adequate resources and the support of the Legislature.

The Council on Compulsive Gambling of New Jersey is committed to serving our state's residents and will be pleased to help in any way needed.

Donald Weinbaum
Executive Director
Council on Compulsive Gambling of New Jersey, Inc.

New Jersey Senate Committee Hearing at Monmouth Park, May 9, 2008

My name is Tom Charters and I am President and CEO of the Hambletonian Society. I thank you for allowing me to address this committee.

The Hambletonian Society was formed in 1924 to encourage and support the breeding of Standardbred racehorses by sponsoring stake races and other special events. Our primary responsibilities today include the management of 118 of harness racing's most important events at 16 North American tracks, including the 46 races which the Society owns. From an administrative standpoint this includes the collection and distribution of over \$15 million dollars last year, as well as overseeing the payout of more than \$29 million in purses; two-thirds of that money provided by Standardbred horse owners themselves.

\$5.2 million of that includes the 22 stakes we conduct in New Jersey.

25 years ago, when the Hambletonian Society created the multi-million dollar Breeders Crown championship series, they opened an office in New Jersey. New Jersey was then the nexus of the harness racing world, with a flagship track of the Meadowlands, and satellite racetracks in Freehold and Cherry Hill, as well as one of the most powerful equine economies in North America. About ten years later, the Society moved its entire operation to NJ from Lexington, Ky., and currently has an office and seven employees in Cranbury.

The cornerstone events owned by the Society, the \$1.7 million Hambletonian and \$6 million Breeders Crown series are deeply rooted in NJ racing. The Hambletonian race carries with it an economic impact that goes far beyond bearing the richest purse in harness racing. The event, now in its 83rd year, has been hosted by the Meadowlands longer than any other host track - 27 years. The race is simulcast internationally, attracts corporate sponsorship and participation, has been actively involved with the NJ Tourism board in promoting NJ events, and is broadcast on NBC as a New Jersey showcase. The Hambletonian Festival has expanded to include a week of events that range from a parade in the town of Rutherford to a charity golf tournament in Montclair, one of the top-rated veterinarian seminars in the country. It is a week of championship racing that fills the hotels, restaurants and retail stores in the state as racing fans and participants gather from around the world.

That Hambletonian Day itself averages 29,000 people and wagering in recent years topped \$8 million ranks as the single most important day in harness racing - because of the state's tremendous horse population and ancillary economy, as well as The Meadowlands commitment to remaining the number one harness track in the country with an unmatched supporting program.

There have been 274 Breeders Crown races worth more than \$136 million since 1984. NJ has hosted 79 of those races and because of The Meadowlands ranking as the number one harness track in the world, is currently the exclusive U.S. partner having hosted the Breeders Crown every year since 1996. I could go on and on listing the number of Breeders Crown and Hambletonian champions bred, owned or trained in NJ, and the importance of the underlying economies that depend on the NJ racing industry but others have done that.

Finally, I will say that we have a contract with The Meadowlands for the Breeders Crown through 2009 and for the Hambletonian until 2012, because we have an extraordinary investment in the future of equine industry in NJ. We don't want that to disappear.

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