



June 5, 2015

Dear Senator:

The Pennsylvania Equine Coalition is writing to make clear our opposition to proposed gaming legislation as drafted. Specifically, we:

- oppose language that would seek to statutorily decrease the number of live racing days at Pennsylvania racetracks;
- oppose language that would enable casinos to launch internet gaming at a significantly reduced tax rate that would harm both the state's general fund revenues and the Pennsylvania Race Horse Development Fund; and
- oppose any alteration to the tax structure (take outs) as it relates to the proposed expansion of slot machines to Off Track Betting establishments and other ancillary locations.

Proposed Reduction in Live Racing Days:

Pennsylvania's horsemen and race horse breeders' organizations are unequivocally opposed to current efforts that would statutorily reduce the number of race days at Pennsylvania race tracks. This provision would take year round family sustaining jobs and hand them to journeymen who will come into the state for a few months and then move on, resulting in little lasting economic benefit.

Changes to the number of race days will have a devastating impact to the state's agricultural economy and the horse racing and breeding industry. In addition, it could result in lost jobs and work hours for individuals employed by race track operations.

In addition, any such effort by the legislature would be counterproductive and could result in a net loss of revenue, both for the Commonwealth and for casino operators. As the Pennsylvania Gaming Control Board notes in its Racetrack Casino Benchmark Report, "for the past five consecutive years average daily gross terminal revenue generated from slot machine gaming by the six casinos which host racing was higher on race days when compared to non-race days."

The Gaming Control Board goes on to note that "in 2014, average daily gross terminal revenue was 15% higher when there was live racing when compared to days when there was not live racing." Any reduction in live racing dates would result in lost revenues to the Commonwealth. This decline will come from the loss of the 15 percent increase in slot income that occurs on race days. It will also reduce pari-mutuel wagering, which will result in lost wagering tax revenue for the Commonwealth.

This mirrors research from the Oxford University's Handbook of the Economics of Gambling, which found that nationally slot machine gambling increases by 13 to 18 percent on average on live race days.

Race Day Reductions in Other States

Two states that have reduced live racing days offer very clear examples of the dangers facing Pennsylvania if the state seeks to statutorily reduce racing dates at our race tracks.

A 2014 report from Michigan shows the dangers posed by reducing race days. From 2010 to 2013, race days decreased from 203 to 150, a reduction of 26 percent. The decline in wagers mirrored the decline in race days, with wagering falling from \$169.6 million to \$126.9 million, a 25 percent decrease.¹

As Michigan cut race days over the years, it has triggered a downward spiral effect, with reduction in race days resulting in decreased wagers, which contribute to a further decline in race days the following year as horsemen and horses have left the state. For the first 9 months of 2014, race days in Michigan had dwindled to a mere 69 race days and only \$90 million in wagers.

It should also be noted that in Michigan, reduction in race days saw a corresponding drop in thoroughbred field size, with the average field size per race falling from 7.8 in 2010 to 6.6 in 2013. And between 2009 and 2013, the number of registered thoroughbred foals fell from 215 to 44, showing how devastating cuts to live racing days can be for breeders.²

Similarly, reduced race days have resulted in less horsemen and others participating in the state's racing industry in Virginia. A 2014 report from the Virginia Racing Commission states that "**the number of horsemen and other participants [in Virginia's racing industry] have decreased steadily since 2005 primarily due to a reduction in the number of live race days in Virginia.**" The report also concludes that any further reduction in live race days in Virginia will result in the further loss of Virginia horsemen and participants in that state's racing industry.³ From 2005 to 2014, the number of thoroughbred horses starting a race fell from 1,920 to just 220.⁴

For these reasons, the determination of the proper numbers of race days should be decided by both the operators and horsemen's associations at each race track, not legislated by the Pennsylvania General Assembly.

Internet Gaming

The legislation, as drafted, would put our state and our state's racing industry at great risk. While the proposed 14 percent tax rate on internet gaming is equivalent to the on-site tax rate for table games, it is significantly below the current tax rate for on-site slots play of approximately 53.5 percent.

If the tax revenue for internet gaming is below the tax rate for brick and mortar slot machines, operators will reduce their marketing of traditional slot machines and drive customers to online gaming portals,

¹ Presentation of the Michigan Gaming Control Board, Fall 2014.

http://www.michigan.gov/documents/mgcb/Presentation_Horse_Racing_2015_Race_Dates_FINAL_438251_471356_7.pdf

² The Jockey Club, 2015 Michigan Fact Book. <http://www.jockeyclub.com/factbook/StateFactBook/Michigan.pdf>

³ Virginia Racing Commission Executive Progress Report, March 2014.

http://vaperforms.virginia.gov/agencylevel/Archive/AGY405_2012-2014EPR.pdf

⁴ The Jockey Club, 2015 Virginia Fact Book. <http://www.jockeyclub.com/factbook/StateFactBook/Virginia.pdf>

where they will retain additional revenues. If the legislature incentivizes casino operators to move frequent players from on-site to on-line by providing them a tax incentive to do so, they will.

It is a common sense business practice, but one that will result in lost general fund revenues for the state, adversely impact the local share for host communities, and result in decreased funding for the Race Horse Development Fund. It will also result in lost jobs at our brick and mortar casinos.

Off Track Betting Facilities

It is also our understanding that other proposed gaming legislation will contain provisions that will expand slot machines to Off Track Betting facilities operated by the state's tracks. The Pennsylvania Equine Coalition introduced this concept and testified in support of it before the Pennsylvania House Gaming Oversight Committee last month. However, for the reasons outlined above regarding tax rates for online gaming, it is important that the tax rates for slot machines at OTB's remain consistent and mirror Pennsylvania's tax rates for slots at the state's Category 1, 2, and 3 and casinos.

For these reasons, the Pennsylvania Equine Coalition urges you to oppose any language in gaming legislation that would reduce the number of live race days at Pennsylvania race tracks or establish skewed tax rates that would provide incentives for operators to drive customers to other, lower tax alternatives and result in lost revenues for the Commonwealth, local communities, and the horse racing and breeding industry.

Sincerely,

The Pennsylvania Equine Coalition



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