

Testimony before House Judiciary Committee
by Paul Spears, President, Pennsylvania Live Horse Racing
Council -- May 29, 1996 -- Pittsburgh, PA

Thank you, Chairman Gannon.

The Pennsylvania Live Horse Racing Council is grateful for the opportunity to appear before the members of the House Judiciary Committee to repeat our serious concerns about the possible introduction of new forms of gaming to Pennsylvania.

I am Paul Spears, president of the Council. My organization is made up of individuals known collectively as "horsemen." Horsemen include horse owners, breeders, trainers, jockeys, grooms, blacksmiths, veterinarians, and stable workers. Essentially, horsemen provide the four-legged talent that performs at Pennsylvania's two thoroughbred and two standardbred tracks.

I am also president of Hanover Shoe Farms located in Hanover, PA, the world's largest standardbred horse breeding farm. I am proud to point out that since the 1930's when records have been kept, Hanover horses have lead the list of money winners every year. The impact of Hanover bloodlines is felt at racetracks around the world.

(more)

SPEARS TESTIMONY -- 2

The Pennsylvania Live Horse Racing Council consists of the Horsemen's Benevolent and Protective Association, or HBPA, at Penn National Race Course, the Pennsylvania Thoroughbred Horsemen's Association at Philadelphia Park Race Track, the Meadows Standardbred Owners Association at Ladbrooke at the Meadows, the Pennsylvania Harness Horsemen's Association at Pocono Downs the Pennsylvania Standardbred Breeders Association, and the Pennsylvania Horse Breeders Association, which represents thoroughbred breeders.

It is critically important to distinguish these horsemen from the owners and operators of the tracks. We have different views, rather like labor and management.

Part of the legislative intent stated in House Bill 2308 is to "mitigate the economic losses incurred by licensed corporations under the act of December 17, 1981...known as the Race Horse Industry Reform Act." Licensed corporations are the tracks, the management. They are not the horsemen.

Our council was formed several years ago when off-track betting establishments were created by the legislature in Pennsylvania and full-card simulcasting of races began. Because horsemen provide the "players" in the races, part of what is bet at those locations goes into the purses that pay horsemen. Horsemen acknowledge that gambling is the fuel that drives the horse racing industry.

(more)

SPEARS TESTIMONY -- 3

Obviously, we are not anti-gambling. But we also realize that if this fuel is diverted to other vehicles, horsemen are out of business. Our goal is to make sure that horsemen are involved in discussions about any expansion of gambling in Pennsylvania.

We want to avoid the consequences of unanticipated results if Pennsylvania's commercial horse industry is damaged. These might include mushroom growers in the Kennett Square area and elsewhere in Pennsylvania who will have no ready sources of manure on which their crops depend. It could also include the state's only school of veterinary medicine at the University of Pennsylvania, particularly the New Bolton Center for equine medicine.

Our Council commissioned a study of the contributions of the commercial horse industry in Pennsylvania. It proves how vital it is to agriculture, which is our state's number one industry, and to other sectors of the economy. One out of five Pennsylvanians relies on agriculture in some form for their job. Specifically, our data shows that overall the commercial horse sector now contributes more than \$1.1 billion of economic activity and supports more than 22,200 jobs in Pennsylvania.

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I believe copies of this report have reached most of the members of this committee, and we will provide them for those who may not have seen it. John Urbanchuck, one of the researchers, is here with me today and will answer questions.

Horse racing generates more jobs per dollar wagered than any other type of gaming. If those dollars are siphoned off, jobs in the horse industry today could easily go with them.

I'm not talking about high-tech jobs. I am talking about real, here-and-now jobs, sometimes the only ones available in parts of rural Pennsylvania.

Jobs in Pennsylvania's commercial horse industry date back to the founding of the Commonwealth. Nevertheless, they could be vulnerable if Pennsylvania lawmakers fail to include their interests in any discussions about bringing new types of gambling into our state.

Pennsylvania horse breeders keep our state green in other ways. We use an average of 3 acres of land per horse. Racing horse breeders are keeping more than 22,000 acres of Pennsylvania acres green. Quarter horse breeders use another 75,000 acres in the same way.

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Most of these dwindling "green acres" preserved by the horse industry are in the southeastern, southwestern and south central areas of Pennsylvania, where the growth of "exurbia" has taken farmlands out of production.

Penn State researchers estimate that all equine owners in Pennsylvania use 520,000 acres of land for their equine businesses, and have 2.85 million acres in their total operations.

To contrast this, the Pennsylvania Department of Agriculture estimates that the number of usable acres of farmland fell by 800,000 between 1985 and 1993. That's more than nine percent of the total agricultural land in just eight years. It adds up to a staggering 1,250 square miles. To put this in perspective, the City of Pittsburgh has about 45,000 acres, or a little more than 70 square miles. That's the equivalent loss of a Pittsburgh every six months.

As ordinary citizens of Pennsylvania, we would miss the rolling meadows of well-tended horse farms that add to the attractiveness of our environment.

(more)

SPEARS TESTIMONY -- 6

If new forms of gaming are introduced in Pennsylvania, members of the General Assembly must be aware of the potential impact they could have on the established horse industry. Our goal is to spotlight what exists now so we will be fairly considered.

No bill introduced to date has had any input from Pennsylvania horsemen. Therefore as a matter of policy, we oppose them.

We have many serious concerns about House Bill 2308, which is the subject of these hearings today. It has provisions to allow race tracks to get casino licenses, but provides no protection whatsoever for the horse racing operations.

The distribution of licenses described in the bill could permit as many as 18 casinos to operate in the state.

To call them all riverboats is ridiculous, since there is also a provision that says they don't even need operating engines if they stay tied to the dock.

This bill would also create special liquor licenses for casinos to allow them to serve liquor during operating hours, although it is apparently silent on the number of hours of operation permitted. Most casinos I know of never close.

(more)

SPEARS TESTIMONY -- 7

As another part of our research, we prepared a forward-looking analysis about potential effects of riverboat gaming on the Pennsylvania horse racing industry and the Pennsylvania economy.

Its most important message appears on its first page and states:

"The establishment of riverboat casinos would significantly increase competition for the wagering dollar in Pennsylvania and would seriously erode the profitability of nearby racetracks to the point that they would become economically non-viable. The closure of these tracks would result in lower demand for supplier industries, lost jobs, and reduced income for all Pennsylvanians. This situation would all but eliminate the commercial horse breeding industry and significantly weaken the agricultural sector of Pennsylvania."

This is a dire prediction, but not an unrealistic one. Our research documents what has and is happening to the horse racing industry in New Jersey, Illinois, Iowa, Kentucky and Ohio where the horse industry was not adequately considered as new gaming was introduced.

(more)

Econometric studies done in 1994 at the University of Louisville, known as the Lawrence and Thalheimer study after its authors, suggest that the introduction of casino gaming into existing horse racing markets would reduce pari-mutuel wagering on horses 31 to 39 percent.

A loss of this magnitude was expected to force all Kentucky tracks to close, with the loss of nearly 7,000 direct jobs in the horse industry, and a total loss of more than twice that number.

One interesting possibility raised by the Lawrence and Thalheimer study was locating land-based casino gaming at the racetracks and supplementing the amounts in "purses" paid to winning horses from the "win" revenues of the casinos. This possibility was proposed because of an expected 39 percent drop-off in wagering on horse races at the tracks, compared with pre-casino competition levels.

By raising the amounts paid to winning horses and increasing the quality of the horses that run --- with an accompanying increase in interest and wagering --- these researchers felt a small number of new jobs could be created.

(more)

SPEARS TESTIMONY -- 9

Even this purse-supplement arrangement, however, depends on increasing the number of races, and upgrading of physical facilities at the track. The Pennsylvania Live Horse Racing Council represents horsemen, not track owners. We do not know how this idea might be accepted by them.

We do know that without adequate protection for the horsemen, there is a strong possibility that racetracks might simply become casinos with large unused dirt ovals and empty stables around them.

The Pennsylvania Live Horse Racing Council feels it is absolutely essential that the protection for horsemen be clearly and specifically spelled out in legislation. Nothing should left open to later interpretation and negotiation. We stand ready to help any legislator in this regard.

The horse industry I represent is large, but our resources pale to what out-of-state casino interests appear to be spending to stampede public opinion in their favor. If Pennsylvania's horse industry loses out, we will not have the luxury of steaming off in floating casinos to greener pastures---or greener markets. We will literally be out to pasture.

We hope that members of the Judiciary Committee will agree with us, and I thank you for your time and attention.

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