



Pennsylvania Horse Breeders Association

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PENNSYLVANIA HORSE BREEDERS ASSOCIATION

MAY 30, 1996

Thank you, Chairman Gannon, for the opportunity to address you and your committee on a subject of such importance. I am Mark McDermott, Executive Secretary of the Pennsylvania Horse Breeders Association, a position which I've occupied since January of 1976. I am a 1967 graduate of the United States Coast Guard Academy in New London, Connecticut, and following four years of active duty, I resigned my commission to join Triangle Publications to assist in Daily Racing Form's transition to modern technology prior to my move here.

Pennsylvania Horse Breeders Association (PHBA), a non-profit organization, was incorporated in 1948 to bring together those with the

common interest of breeding, showing, and racing their horses. When Thoroughbred pari-mutuel racing was licensed in Pennsylvania in 1969, the role of the Breeders Association took on the task of establishing a respectable identity for breeders as a group, and identifying their importance in the overall picture of Pennsylvania's Thoroughbred industry.

In 1974, following several years of PHBA's efforts in the General Assembly, Governor Milton Shapp signed a law creating the Pennsylvania Thoroughbred Breeding Fund program. The Fund, as it is popularly known, was designed as the solution to the acute problem facing Pennsylvania racetracks at the time of fewer and fewer horses to support their live racing programs.

Pennsylvania Horse Breeders Association continues today, with nearly 500 dues paying members, all of whom are involved in the breeding of Thoroughbred race horses. PHBA is the responsible agency, under the Pennsylvania State Horse Racing Commission, for the administration, development, and promotion of the state's Breeding Fund program, as well as the legislatively designated registrar of Pennsylvania-Breds.

The Fund, by providing economic incentives to Pennsylvania breeders, and to owners of PA-Breds racing in the state, assures a fresh, steady supply of competitive horses for racing at Philadelphia Park and Penn National. At the same time, breeders and stallion owners can expect to be remunerated for the successes their homebreds achieve in support of the racing programs at these tracks.

The success of the Fund during its initial twenty years of operation has been nothing short of phenomenal. During that time, the contribution of PA-Breds has risen to the point whereby they now constitute over twenty-two

percent of all starts made at tracks in the state. PA-Bred successes include wins in just about all the important races here, including a victory in the 1994 Pennsylvania Governor's Cup, Penn National's showcase event.

Outside the state, PA-Breds have been just as impressive, even though they make up just over two percent of North America's entire annual foal crop. Beginning with Iroquois' win over 120 years ago in the historic Derby at Epsom in England, to the 1992 Kentucky Derby win of Lil E. Tee, Pennsylvania's Thoroughbreds have distinguished themselves and their breeders far beyond the expectations dictated by their small percentage of the whole population of racehorses competing. PA-breds have earned a total of nine Eclipse Awards - racing's equivalent of Hollywood's Oscar - as well as several European championships, and recorded two victories in prestigious Breeders Cup races, all in the past fifteen years.

The Breeding Fund is financed by seven-tenths of a percent of the state's total Thoroughbred pari-mutuel handle. Additionally, one-third of a percent of each of the Thoroughbred track's daily handle is designated for PA-Bred owner bonuses. This total of approximately \$6 million annually is self-contained within Pennsylvania's Thoroughbred industry, without any drain on the state's financial coffers from unrelated tax revenue producers.

The Judiciary Committee has already heard of the horse industry's significant financial impact on the overall Pennsylvania economy. As an integral part of that contribution, the breeding industry additionally must be recognized for its membership in the Pennsylvania agricultural community. Thoroughbred horse farms are an aesthetic advantage to the rural countryside, an attraction to visitors, an important part of the preservation of farmland

across the state, and a source of jobs for many who would not otherwise be able to find employment in today's market.

Two years ago, the Board of Directors of Pennsylvania Horse Breeders Association unanimously passed a resolution opposing any and all attempts to legislatively expand types of gambling beyond those already allowed within the Commonwealth.

Historically, horse racing provided Pennsylvanians with a legal opportunity for gaming, combining the player's handicapping skills with a pari-mutuel pool in which to compete.

For those not interested in the mental exercises of handicapping winners in races, the Pennsylvania lottery was introduced, and then, followed several years later with traditional small games of chance and bingo.

The General Assembly, in its wisdom, has seen fit to allow racing to compete with tracks in surrounding states, first with inter-track wagering, followed by off track wagering, and most recently, full card simulcasting. As a result, Philadelphia Park and Penn National are now finally enjoying a degree of success well removed from the economic hardships they endured through their first twenty years of operation. Good management, attractive facilities, and a popular product all are important considerations to this success.

And as the success of the state's racetracks go, so goes the success of the breeding industry. With no available outlet for our product, there is no need to produce rachorses. It's that simple. A healthy racing industry is an absolute necessity.

The original purpose of these hearings when they were announced months ago was to investigate the potential impact of riverboat casino gambling in certain locations in Pennsylvania.

Since the initial legislative push for riverboats began two years ago, the gaming landscape in surrounding states has changed dramatically, with the impact of these changes being felt primarily by the racing industry.

Delaware has legalized slot machines at its racetracks, and the turnaround in business trackside is the talk of the industry. Maryland lawmakers are now moving quickly, considering their own slot machine legislation which will allow tracks there to re-establish themselves in the Mid-Atlantic region. West Virginia voters will deal with a referendum this November to authorize their own version of slot machine legislation for its racetracks, and all predictions are that it will pass overwhelmingly. New Jersey, already with land-based casinos in Atlantic City, is also considering legislation to allow for slots at its racetracks. Local Indian tribes in New York have begun work on casino projects that have state officials worried as to their impacts, but powerless to regulate under current laws.

Without a doubt, the scenery on the gaming landscape has changed, and how it should be dealt with is a heavy responsibility for this Committee, the General Assembly, and Governor Ridge.

Pennsylvania Horse Breeders Association believes that the horse racing industry is important. The industry has established itself over its twenty-five years, and has given rise to many other ancillary businesses. Opportunities must be provided to ensure its continued success should any changes be made in our gaming laws.

We believe that the General Assembly, as a result of its legislative authority over pari-mutuel racing, has a responsibility to assure the industry it will be able to continue to compete in today's fast-changing markets.

We believe the General Assembly must recognize what is happening today, and what can, and what must be done to sustain the position of prominence it has achieved since its legalization a quarter century ago.

We believe that the General Assembly must recognize that any change to Pennsylvania's gaming landscape must include the pari-mutuel racing industry in these changes, and protect what has already been built.

There is too much of an investment, too much of an existing industry, to do otherwise.