



**SEPTEMBER 28, 2015  
1:00 PM  
ROOM 60, CAPITOL EAST WING**

**PENNSYLVANIA HOUSE OF REPRESENTATIVES  
AGRICULTURE AND RURAL AFFAIRS COMMITTEE**

**PUBLIC HEARING ON SENATE BILL 352**

**JOINT TESTIMONY OF  
PENN NATIONAL RACE COURSE, THE MEADOWS RACETRACK,  
MOHEGAN SUN POCONO, PARX RACING AND PRESQUE ISLE DOWNS**

Chairman Causer, Chairman Carroll and Members of the Committee, good afternoon, my name is Mark Stewart, and I am here today to offer joint testimony on behalf of five (5) of Pennsylvania's six (6) harness and thoroughbred racetracks regarding their position on Senate Bill 352. At the conclusion of my testimony, representatives of the five (5) tracks and I would be happy to address any questions that the Committee Members may have. Track representatives in attendance today include Sean Sullivan (Vice President & General Manager, Meadows Race Track & Casino), Joe Wilson (Chief Operating Officer, Parx Racing) and Chris McErlean (Vice President – Racing, Penn National Gaming, Inc.).

*In summary, the five (5) tracks firmly oppose Senate Bill (SB) 352 in its entirety. The reasons for the tracks' united opposition are as follows:*

1. SB 352 began with a simple purpose and mission: to fix the structural funding shortfall faced by the Pennsylvania State Horse and Harness Racing Commissions so as to ensure the uninterrupted oversight and operation of the Pennsylvania horse racing industry. Unfortunately,

the bill has lost sight of that mission, and has evolved into a large, complicated and costly bill that will harm Pennsylvania's racetracks.

2. SB 352's rewrite of the Race Horse Industry Reform Act is unnecessary. The bill attempts to "fix" provisions that are not a problem. At the same time, it creates many new problems for Pennsylvania's racing industry that do not exist today and that threaten the entire industry, including horsemen, breeders and racetracks. These problems include creating more, not less, bureaucracy, licensing account wagering activity by non-racetracks that is currently unlawful under Pennsylvania law, and taking away substantial amounts of revenue from and imposing substantial new costs on Pennsylvania's racetracks.

3. SB 352 was supposed to fix the funding problems faced by the Horse and Harness Racing Commissions. Instead, the bill creates an overly complicated bureaucracy that needlessly mimics the Pennsylvania Gaming Control Board and will likely result in higher administrative and oversight costs being foisted on the racing industry.

4. The General Assembly had tremendous foresight when it authorized gaming in Pennsylvania for the benefit of Pennsylvania's horse racing industry. The introduction of slots and casino style gaming has been an undisputed success, and because the Legislature wisely directed that gaming revenues be utilized to support racing purses, Pennsylvania's horse breeding industry is thriving and its racing industry has shared in gaming's success.

5. Nonetheless, the advent of gaming in Pennsylvania has had ripple effects on both the costs and revenues of the horse racing industry. The Commonwealth has seen new racetracks licensed. Each new racetrack requires the same level of regulatory oversight and results in substantial costs for the Racing Commissions related to racing operations, such as race day

officials, veterinarians, laboratory testing and more, regardless of the revenue those new racetracks generate. Simultaneously, while gaming revenues have risen, the horse racing industry has seen significant declines in pari-mutuel wagering handle and tax revenue.

6. This increase in regulatory costs and decrease in pari-mutuel wagering tax revenue has created the funding problem faced by the Racing Commissions. SB 352 could have and should have focused on fixing this discrete funding problem. Indeed, a mere six (6) lines in SB 352 would accomplish that goal. See SB 352, PN 1059, at p. 142, ll. 4 -9). No other action by the General Assembly is needed, and none should be taken.

7. Finally, SB 352 imposes unjust and unnecessary costs on and eliminates important sources of revenue for racetracks, including:

- i) The bill imposes an annual \$100,000 license fee on totalizator companies. Totalizator companies are essential to the process of pari-mutuel wagering. A small number of companies service the entire horse racing industry and, since the enactment of the Racing Act in Pennsylvania, these entities have not been licensed;
- ii) Even though this license fee applies to totalizator companies, the fee will be passed through contractually to licensed racetracks, which will have no recourse but to pay it in order to conduct business. As a result, this “tote” fee in reality adds a \$100,000 annual cost on Pennsylvania’s struggling racetracks;

- iii) The bill also changes the way that “breakage” monies from pari-mutuel wagers are distributed to eliminate the share currently received by racetracks. Under present law, 50% -- 75% of the breakage is retained by the racetracks;
- iv) The bill changes this formula, allocating 75% of these monies to the reconstituted Horse Racing Commission and 25% to support purses – completely cutting out the racetracks from a major source of current revenue. Pennsylvania’s racetracks face severe financial conditions, and cannot afford to have hundreds of thousands of dollars in annual revenue shifted to the Commission.

This concludes our joint testimony. We would be happy to address the Committee's questions.

Thank you.