

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

AGRICULTURE AND RURAL AFFAIRS COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

MAIN CAPITOL BUILDING
ROOM 60, EAST WING

WEDNESDAY, FEBRUARY 26, 2020
9:30 A.M.

PRESENTATION ON
HOUSE BILL 1983
HORSE RACING COSTS OF DRUG TESTING

BEFORE:

HONORABLE MARTIN CAUSER, MAJORITY CHAIRMAN
HONORABLE STEPHANIE BOROWICZ
HONORABLE RUSS DIAMOND
HONORABLE MARK GILLEN
HONORABLE MARCIA HAHN
HONORABLE JOHNATHAN HERSHEY
HONORABLE RICHARD IRVIN
HONORABLE MARK KELLER, MAJORITY VICE CHAIRMAN
HONORABLE JOHN LAWRENCE
HONORABLE DAVID MILLARD
HONORABLE MARCI MUSTELLO
HONORABLE CLINT OWLETT
HONORABLE DAVID ZIMMERMAN, SECRETARY
HONORABLE EDDIE DAY PASHINSKI, MINORITY CHAIRMAN
HONORABLE DANILO BURGOS
HONORABLE CHRISTINA SAPPEY

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*Pennsylvania House Of Representatives
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

P R O C E E D I N G S

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3 MAJORITY CHAIRMAN CAUSER: I'd like to call this
4 meeting of the House Agriculture and Rural Affairs
5 Committee to order and ask you to join me in the Pledge of
6 Allegiance.

7 (The Pledge of Allegiance was recited.)

8 MAJORITY CHAIRMAN CAUSER: I'm going to first ask
9 the members that are here to introduce themselves and we'll
10 start with Representative Borowicz.

11 REPRESENTATIVE BOROWICZ: I'm Stephanie Borowicz,
12 representative in the 76th district.

13 REPRESENTATIVE KELLER: Good morning. I'm
14 Representative Mark Keller. I represent the 86th district
15 which is all of Perry County and part of Cumberland.

16 REPRESENTATIVE IRVIN: Representative Rich Irvin.
17 I represent all of Huntingdon County and parts of
18 Center and Mifflin County.

19 REPRESENTATIVE MILLARD: Good morning. I'm David
20 Millard. I represent the 109th district, Columbia
21 County.

22 REPRESENTATIVE DIAMOND: Russ Diamond, Lebanon
23 County, the 102nd district.

24 REPRESENTATIVE ZIMMERMAN: Representative Dave
25 Zimmerman. I represent the northeast part of Lancaster

1 County.

2 REPRESENTATIVE GILLEN: Mark Gillen, Berks and
3 Lancaster Counties.

4 REPRESENTATIVE OWLETT: Representative Owlett,
5 the 68th district, all of Tioga County, part of Bradford
6 and part of Potter County.

7 REPRESENTATIVE HERSHEY: Representative Hershey
8 from all or parts of Juniata, Mifflin, and Franklin
9 counties.

10 REPRESENTATIVE HAHN: Marcia Hahn, 138th,
11 Northampton County.

12 REPRESENTATIVE MUSTELLO: Marci Mustello from the
13 11th district which is in Butler County.

14 REPRESENTATIVE LAWRENCE: John Lawrence, the 13th
15 district which is southwestern Chester County and a part of
16 Lancaster County.

17 MAJORITY CHAIRMAN CAUSER: I represent McKean,
18 part of Potter, and Cameron counties.

19 MINORITY CHAIRMAN PASHINSKI: Representative
20 Pashinski, Luzerne County, 121st district.

21 REPRESENTATIVE BURGOS: Good morning.
22 Representative Burgos, 197th legislative district,
23 Philadelphia.

24 REPRESENTATIVE ECKER: And Torren Ecker. I
25 represent parts of Adams and Cumberland County and I'd like

1 to thank the Chairman for letting me sit in on this.

2 Thanks.

3 MAJORITY CHAIRMAN CAUSER: We're glad to have you
4 with us.

5 I want to thank all the members that are here
6 today. We're here to conduct a public hearing on House
7 Bill 1983 sponsored by myself and also sponsored by my co-
8 chair, Representative Pashinski. And the focus of the
9 hearing today is horse racing costs related to drug testing
10 of horses. So we have an interesting panel here today and
11 looking forward to the testimony presented.

12 I am trying to keep the focus on the issue at
13 hand dealing with paying for drug testing for horse racing
14 although I know that it's impossible not to talk in some
15 respects with the elephant in the room being the Governor's
16 proposal to withdraw funds from the Horse Race Development
17 Trust Fund. But we're going to do our best to stay on
18 focus with the sunset that will be expiring in June.

19 When we negotiated the comprehensive legislation
20 four years ago that made major changes for horse racing in
21 the Commonwealth, it was negotiated at that time that we
22 would pay for drug testing out of the Horse Race
23 Development Fund, but we did put a four-year sunset in
24 place so that the legislature could come back and
25 reevaluate that four years later. And it's hard to

1 believe that it's been four years already, but it's here
2 and it's -- June is coming very rapidly. So the
3 legislation would simply remove the sunset, is what we have
4 before us today.

5 So we're here to take testimony on that. And our
6 first presenter is no stranger to this committee,
7 certainly, the secretary of the Department of Agriculture,
8 Russell Redding.

9 Secretary Redding, welcome, and --

10 SECRETARY REDDING: Good to be here. Thank you.

11 MAJORITY CHAIRMAN CAUSER: -- we're glad to have
12 you here and you're welcome to proceed.

13 SECRETARY REDDING: Thank you, Mr. Chairman.
14 Thank you, Chairman Pashinski and members of the committee,
15 thank you. It's always good to be with you. I want to say
16 thanks, Mr. Chairman, for the introduction of 1983 and
17 recognizing the sunset provision as you note, but also the
18 bipartisan support for the bill.

19 You have my prepared testimony. I'll just
20 provide a few highlights. In 2016, as you note, the Horse
21 Racing Act was amended to, among other things, include a
22 four-year provision that required expenses related to the
23 collection and testing of race horses for medication to
24 come out of the Race Horse Development Fund. And here we
25 are, four years on, that sunset provision expires on June

1 30 of 2020.

2 Quite simply, without the extension of the
3 sunset, the costs revert back to the State Racing Fund
4 which cannot financially support the testing. House Bill
5 1983 deletes the sunset provision to allow the current
6 practice of costs being paid for out of the racing fund to
7 continue and it's the right thing to do.

8 But here's why it's important. To accomplish the
9 testing, the department contracts with the University of
10 Pennsylvania, New Bolton Center which is the Pennsylvania
11 Equine Toxicology Research Lab location. This lab is only
12 one of four in the U.S. that has been fully accredited
13 since 1996 by the American Association of Laboratory
14 Accreditation to perform such drug testing.

15 The approximately 35,000 samples that are tested
16 there annually are tested for the presence of foreign
17 substances. The lab also further does analysis, toxicology
18 research, provides recommendations on therapeutic
19 medications, thresholds for consideration by the
20 commission.

21 The testing is the basis of the integrity and we
22 spend a lot of time in the industry talking about integrity
23 without the tests and the testing, so as we note here
24 today, it's been critical and certainly continues to be,
25 but without addressing that provision of sunset, we've run

1 the risk of not having the testing and, of course, then
2 leading to integrity questions.

3 Testing also allows the commission to use the
4 results for research to further inform discussions and
5 standards, regulations for health and welfare of all the
6 participants. So as noted, I appreciate the support, the
7 recognition, the support and provision, and the desire to
8 address the sunset provision by deleting that so we can
9 continue the current practice of covering these costs out
10 of the Race Horse Development Fund. Thank you.

11 MAJORITY CHAIRMAN CAUSER: Thank you, Secretary
12 Redding. I appreciate your support for the bill.

13 SECRETARY REDDING: Yes.

14 MAJORITY CHAIRMAN CAUSER: And the, you know,
15 bipartisan support that we enjoy on the bill recognizing
16 that we want racing to continue in the Commonwealth and we
17 know that it's important for us to continue funding the
18 drug testing so that we can continue to having racing. So
19 I appreciate your comments.

20 We'll open next to questions from the members.

21 SECRETARY REDDING: Okay.

22 MAJORITY CHAIRMAN CAUSER: Are there any
23 questions from members?

24 Representative Diamond.

25 REPRESENTATIVE DIAMOND: Mr. Secretary, can you

1 just for the public's interest, can you just quantify how
2 much money this is on an annual basis?

3 SECRETARY REDDING: Yeah, so thank you. The cost
4 is approximately \$10 million for testing. And again,
5 that's through the Pennsylvania Equine Toxicology Lab but
6 it's about \$10 million.

7 MAJORITY CHAIRMAN CAUSER: Other questions or
8 comments?

9 Representative Lawrence.

10 REPRESENTATIVE LAWRENCE: Thank you, Mr.
11 Chairman.

12 Mr. Secretary, it's good to see you.

13 SECRETARY REDDING: It's good to see you as well.

14 REPRESENTATIVE LAWRENCE: I appreciate you being
15 here today. And I do want to try to stay on the topic at
16 hand here, but I'm looking at an op-ed that you submitted
17 on February 23rd that references House Bill 1983 with
18 regard to the testing costs, but it also goes on to talk
19 more specifically about the Governor's proposal to redirect
20 \$200 million out of the Horse Race Development Fund. And
21 you know, this op-ed speaks pretty positively about that
22 proposal.

23 September 7th, 2017, you sent a letter to this
24 committee regarding what you described at that time a
25 proposed \$27 million raid on the same fund. So that's

1 about ten percent of what the Governor has proposed. You
2 described it as a raid, a \$27 million raid from the State
3 Racing Fund.

4 You go on to say that approximately 1,000
5 breeders and 2,500 horse owners benefit from these funds
6 every year and that redirecting these \$27 million will
7 create, quote, uncertainty among the racing industry which
8 further perpetuates the misperception that Pennsylvania
9 does not seriously support our equine industry and it risks
10 throwing the state racing industry into further turmoil
11 just as we are starting to achieve some long, sought after
12 stability and certainty. That would be devastating to the
13 industry and the more than 20,000 jobs it supports. Those
14 are your words.

15 SECRETARY REDDING: Yeah, I recognize them.

16 REPRESENTATIVE LAWRENCE: So what changed in the
17 last three years that a \$27 million raid would cause chaos
18 and devastate the industry but now this \$200 million, I'm
19 not going to use the word raid, but you used the word raid,
20 this \$200 million redirection is apparently not a problem?

21 SECRETARY REDDING: Yeah. Representative, thank
22 you. Thanks for reminding me of my own words. I did say
23 that and I think, you know, having been around this
24 conversation since, you know, 2004 when the initial
25 conversation started about how do we sustain the industry,

1 I've been party to, you know, many of the conversations and
2 supportive.

3 I don't believe that it's inconsistent to have an
4 expectation of sustainability at the same time being
5 supportive of an industry. So we find ourselves today with
6 a \$3 billion investment being made over the last 15, 16
7 years. Part of this is looking at all of the other needs
8 that we have in the Commonwealth. And I said this before
9 with the Governor's vision for Pennsylvania that we have to
10 start looking at the issues of workforce. You've got to
11 look at the, you know, the retention of citizens to the
12 state. We try to reconcile, you know, all of these
13 different sort of conversations with the needs that we have
14 in our budget.

15 In this particular budget, the Governor has
16 proposed, you know, repurposing money out of racing for
17 investment in scholarships and workforce. I support that.
18 I think you can support the scholarship and the need for
19 and the workforce investments at the same time saying that
20 the equine industry is important to Pennsylvania. I don't
21 think they're inconsistent. I think all of us having been,
22 you know, party to conversations to sustain the industry
23 from 2004 forward, this should have an expectation that
24 after a \$3 billion investment, that it is in some way
25 sustainable without an every-year allocation from purses to

1 sustain it.

2 So I don't, I mean, I sit here today saying,
3 listen, I know that. I've been party to it. I've, you
4 know, tried to champion the industry and will continue to
5 do that, but I arrive here, you know, pretty aware of the
6 workforce needs that we have, both in agriculture and
7 beyond. And a way to help address that is through our
8 PASSHE system and the scholarships and encouraging folks to
9 stay here in PA.

10 And also there's a convergence of other things.
11 I mean, part of this is about listening to the marketing
12 planned proposals from industry and the concern about
13 attracting a new generation of fan to the industry. Part
14 of that is the same age group and the demographic that we
15 have that are in the college age and trying to attract them
16 in. I think that's an important note.

17 And then finally, you know, the world has change
18 a bit, you know, since 2017 having been on the receiving
19 end of so many calls and inquiries from the folks in the
20 dairy industry. I began to think hard about what we invest
21 in and how do we spend the dollars that we have in
22 Pennsylvania, to be very honest. You know, we've invested
23 \$10 billion in dairy. At the same time, we've invested
24 \$600 million in horses. And we have, you know, two
25 competing interests here, both important, of course. But

1 just putting out that there are a lot of decisions we have
2 to make about where we invest.

3 So yes, supportive, continue to be a change as
4 you note from 2017 to 2020, but still supportive, still
5 believe in the industry but would encourage the industry to
6 be looking at the sustainability in the business model and
7 just as we have in the dairy industry, had a Dairy Futures
8 Commission, this almost calls for a Race Horse Futures
9 Commission.

10 You've asked us very pointed questions on the
11 dairy side to support it. I think the same expectations
12 should be here in terms of sustainability of the racing
13 industry as well. So thank you.

14 REPRESENTATIVE LAWRENCE: So Mr. Chair, I
15 appreciate you answer. Mr. Secretary and Mr. Chair, with
16 your indulgence, I would just like to share -- I'm not
17 going to read this whole thing, but this is a letter that I
18 received and again, I'm not going to share the whole thing,
19 but just very briefly.

20 "As a fifth-generation farmer in southern Chester
21 County, I'm very concerned for the well-being of my farm
22 operation due to the Governor's proposed changes in the use
23 of funds for the Horse Race Development Program. Most
24 recently, our family has been let down by the shrinking
25 dairy industry that seems to be ignoring and overlooking

1 the small family dairy farmer. We, like many former PA
2 dairy families, found refuge in the ever-growing equine
3 industry right in our very own community."

4 "To date, our two-generation farm" -- this is the
5 son of the fifth-generation farmer -- "welcomes upwards of
6 40 horse customers daily as we provide them with hay and
7 straw for their various enterprises that comprise the
8 equestrian world."

9 "Since Governor Wolf has attacked the dollars of
10 the Race Development Fund, the discussion amongst the
11 customers at our sales facility is negative, full of
12 distrust, and disgust. If my family no longer has sound
13 revenue source from their sale of grain and hay, we would
14 have to sell our farm."

15 "Selling a farm and moving to another state is
16 not an easy task for folks who take pride in producing
17 healthy food while being good stewards of the land, but it
18 is a little easier to accomplish when aided by the feeling
19 that the state government abandoned your industry and
20 burdened you with the challenge of surviving the
21 aftermath."

22 "I have no doubt that farm families like my own
23 will find success wherever we may move to. The question
24 is, can the state of Pennsylvania be successful without
25 us?"

1 And I guess, Mr. Secretary, what I would ask is,
2 what would you suggest I say to this individual, this
3 farmer, in my own district who has invested significantly
4 based off of the decisions made by the legislature in 2004
5 and more recently and even going to the extent in 2017 of
6 putting these funds into a trust fund, which my
7 understanding is would require legislation to alter, what
8 would you say to him?

9 SECRETARY REDDING: Well, I would want to know,
10 you know, a lot of things. One, certainly that the dairy
11 history is intriguing. They made a transition out of dairy
12 to other production ag, but staying in production ag so I'd
13 like to understand a little more about the dairy issues. I
14 would like to understand the market for his products that
15 he's selling to the equine. Who are those folks in the
16 equine industry? It's a big group of people, you know.
17 There's race horses and many, many others. I would want to
18 know that.

19 I think as we've talked about in our farm bill,
20 you know, this whole question of planning, business
21 planning, and taking a look at what the operations of any
22 of these farms are and planning for some changes and
23 diversification. I would want to have a conversation with
24 them about how racing is funded and the sustainability from
25 their perspective. What does that look like?

1 So there's a lot of questions I would have, but I
2 would certainly welcome the conversation with them. It's
3 an important one.

4 REPRESENTATIVE LAWRENCE: I guess if I could just
5 conclude, Mr. Chairman, if I have your indulgence? And I'm
6 not saying that you have suggested this, Mr. Secretary, but
7 I think there's a perception that -- I hear a lot about,
8 you know, the Saudi sheikhs and the billionaires and
9 they're talking advantage of all this money and everything.

10 In my experience and what I've seen in my own
11 district, this money is going to family farmers selling hay
12 bales off their own farm to try to keep the operation in
13 business. This money is going to places like Oxford Grain
14 and Hay, which I have a letter from them here as well which
15 I will not bore the committee with. but I may read later if
16 we have time, where they go into great length about how
17 their business depends upon money from the equine industry.

18 The idea that moving \$200 million out of this
19 fund would not have a significant impact on the decisions
20 of where the equine industry will choose to site is
21 foolhardy. The bottom line is this, we have a choice in
22 Chester County and across Adams and many -- Lancaster,
23 right. Are we going to be raising horses or are we going
24 to be putting up houses? That's the bottom line.

25 We have a lot of folks who love to talk about

1 open space and I'm a supporter of open space. But what it
2 comes down to is there's a lot of folks who love looking at
3 the open space that someone else is paying the taxes on.
4 And the Horse Race Development Fund goes to pay for a lot
5 of taxes for a lot of farmers to help keep these family
6 farms afloat in a challenging industry.

7 So I don't want to belabor the point and I know I
8 am off topic. Mr. Chairman, I appreciate your indulgence,
9 but I did want to just have a conversation about it and I
10 appreciate, Mr. Secretary, your willingness to speak about
11 it as well.

12 SECRETARY REDDING: Thank you.

13 REPRESENTATIVE LAWRENCE: Thank you.

14 MAJORITY CHAIRMAN CAUSER: Thank you,
15 Representative Lawrence.

16 Chairman Pashinski.

17 MINORITY CHAIRMAN PASHINSKI: Thank you very
18 much, Chairman Causer. And thank you very much, Mr.
19 Secretary.

20 SECRETARY REDDING: Mr. Chairman.

21 MINORITY CHAIRMAN PASHINSKI: I'm smiling only
22 because that's why we're having this hearing, to give
23 everybody an opportunity to share their thoughts and to
24 attempt to address the concerns that we have. So many
25 times we're faced with unlimited problems and never enough

1 money. So we're always trying to find ways to manipulate
2 dollars and try to get to the root of the evil of the cost
3 of doing business and so on.

4 And Representative Lawrence, obviously, brings up
5 some very legitimate points that I believe the rest of the
6 members will do as well. But again, that's why we're
7 having the hearing. I'm really supportive of
8 Representative Causer in 1983 and so pleased that you are
9 as well. So I look forward to -- I don't want to cut you
10 off there, Mr. Secretary, but I look forward to also the
11 members of the industry making their case as well.

12 SECRETARY REDDING: Yeah.

13 MINORITY CHAIRMAN PASHINSKI: But I thank you
14 very much for being here today. We'll work this out.

15 SECRETARY REDDING: Very good. Thank you.

16 MAJORITY CHAIRMAN CAUSER: Representative Gillen.

17 REPRESENTATIVE GILLEN: And thank you. Good to
18 see you and for personal full disclosure, I have a horse.
19 I'm not involved in the Horse Race Development Fund but I
20 have a 17-year-old. And we live on a farm and so we take
21 keen interest in all things agriculture. And I appreciate
22 the personal intersections we've had with you and my own
23 daughters.

24 Depending upon the numbers you're looking at,
25 economic impact of \$1.5 to \$4 billion in terms of the horse

1 racing industry, 20,000 to 30,000 jobs, how do you think
2 the proposal in terms of moving those resources out of Race
3 Horse Development Fund would impact on the jobs picture and
4 economic development and the economic multipliers in
5 Pennsylvania?

6 SECRETARY REDDING: Yeah. So we, you know,
7 looked at those studies and have included, you know, the
8 equine industry, even some of the work that we've done with
9 Team Pennsylvania and I would say that in an industry where
10 we have invested, you know, significantly as a public, you
11 know, into racing, there are clearly going to be impacts.
12 It's a \$3 billion industry, right, so there's going to be
13 an impact.

14 I can't tell you what that sort of direct, you
15 know, job impact would be. I don't know that. I would
16 hope that as part of this conversation that we're having
17 today and continued through this budget process as we talk
18 about the investments we've made in racing, the public
19 policy that we have, you know, decisions we've made
20 relative to racing and those become, you know, part of this
21 is the discussion we need to have about where you invest
22 and how do we invest. And I don't think there's anybody
23 here who doesn't appreciate what we have done.

24 The question is, where do you want to invest
25 going forward, right? And I think the Governor is saying

1 to invest in, you know, the scholarships and students and
2 to inspire a new group of people to enter this business is
3 part of this objective. But I don't know, you know, an
4 exact count on what would be gained or lost.

5 REPRESENTATIVE GILLEN: And I appreciate it. And
6 short of an exact count, would it be fair to say that there
7 would be loss of economic activity and loss of jobs as a
8 consequence to this proposal?

9 SECRETARY REDDING: I think you're going to have
10 like any, you know, any change you make in one status
11 economically, there's going to be a potential loss but I
12 just keep putting out the charge. I mean, I don't believe
13 that it is only for the state to solve this problem. I
14 think this is an industry that has asked. And every time
15 they've asked from 1981 to 2004 to 2015, we've responded in
16 the affirmative to support them in this, you know,
17 relationship of trying to build and sustain the industry.
18 There has to be, I think, a fair question to ask about the
19 sustainability and the plans for the industry inside of
20 itself to sustain this industry, right? I think that's
21 part of our discussion.

22 REPRESENTATIVE GILLEN: Thank you.

23 MAJORITY CHAIRMAN CAUSER: Representative Burgos.

24 REPRESENTATIVE BURGOS: Thank you, Mr. Chairman.
25 Secretary, similar to Representative Zimmerman's

1 questions is loss of jobs. I'm concerned about it because,
2 you know, in my district we have several -- I have several
3 constituents that work at parks in Chester and we don't
4 have an idea. We're just guesstimating.

5 SECRETARY REDDING: Well, we know the folks who
6 are at each of the tracks. We know the folks who are
7 licensed by the Racing Commission. We know from the
8 economic impact studies that have been done by several
9 organizations and entities that there are a lot of people
10 attached to it. What is not clear is the extent that those
11 folks who are, you know, identified in any of those studies
12 are exclusive to racing. So it's difficult to say with any
13 preciseness what the actual impact of jobs or impact would
14 be.

15 But I'm not minimizing the point that when you
16 redirect and repurpose dollars out of one sector it's still
17 going to stay in the economy. It's just not, in this case,
18 going to be paying purses for horses. There's still a
19 significant industry there. I think that's a piece of what
20 we're trying to address is that there's a significant
21 industry there and surely there has to be other components
22 of its economic capacity that are well beyond the purse
23 structure that is in place today.

24 REPRESENTATIVE BURGOS: I guess, Mr. Chairman,
25 it's the unknown on both sides of the spectrum because by

1 us having that 200 million available for the industry and
2 to help our farmers and to help constituents like mine in
3 one of the poorest districts in the Commonwealth to have a
4 job, we have an idea what are the taxes that the state
5 benefits from, our general coffers?

6 SECRETARY REDDING: I'm sorry. In terms of --

7 REPRESENTATIVE BURGOS: In terms of us being able
8 to provide the fund for the thoroughbred, for the industry,
9 for the purses. Thank you. Like because there's a side
10 effect of this that we're doing this investment because we
11 believe and probably sure that we get a nice bump in our
12 coffers because of this.

13 SECRETARY REDDING: Yeah. I don't know that
14 number what is the -- in terms of the taxes and the
15 residual benefits that accrue to the Commonwealth. I don't
16 know that number.

17 REPRESENTATIVE BURGOS: Because my concern of
18 shifting moneys and programs that are working might have
19 another side effect somewhere else in our budget.

20 Thank you, Mr. Chairman.

21 SECRETARY REDDING: Fair point.

22 MAJORITY CHAIRMAN CAUSER: Representative Owlett.

23 REPRESENTATIVE OWLETT: Thank you for joining us
24 today and thank you for your testimony and your work in
25 agriculture is great and we need it in our communities.

1 I had the opportunity this morning to look at
2 maybe another option because this is no fun for us. We're
3 pitting our farmers against our education system which we
4 all value. We all want to see both grow and sustained here
5 in the Commonwealth. So it's a tough ask. But I mean, we
6 were looking this morning at lapsed funds from prior
7 budgets.

8 As of January 1st, we had over \$913 million in
9 lapsed funds in the Commonwealth. Year-to-date, that
10 probably is going to be closer to \$700 million. So I don't
11 know that we have to take this money from the Horse
12 Development Fund if there's lapsed money that we really can
13 repurpose. I mean, it sounds like we're allowed to do
14 that. There's almost \$100 million just in DCED which is
15 economic development and so when we're talking about taking
16 money from one pot and giving it to another, I'm struggling
17 with the idea of taking it from agriculture and putting it
18 into our PASSHE system which is struggling as it is. Would
19 it be better to use some of these lapsed funds, maybe even
20 some from economic development sources, which will reap
21 dividends and, you know, for our Commonwealth? Would that
22 be a better use of funds versus the Horse Development Fund?

23 SECRETARY REDDING: Well, I think the -- you
24 know, in any budget season these are proposals. The
25 Governor laid out a vision for Pennsylvania and included

1 his proposal, but it's a process, right? We go through
2 this the next 90 days to have this conversation about
3 whether it is at the right place. Even if the objective is
4 the right one, is that the right place? I think that's all
5 part of the conversation, all right. I think what we've
6 tried to say in this budget is the investment made, we got
7 to be proud of the investment made in racing to date. We
8 have a pressing need on the education side for scholarship.
9 We want to try to help there, identify the racing.

10 At the end of the day, if there are lapsed funds,
11 if there's another way, if there's a discussion, I think
12 that's the conversation we have through the whole process
13 to say, you know, okay, that's one proposal. What are my
14 options?

15 I don't know specifically, Representative, on the
16 commitments of those lapsed funds --

17 REPRESENTATIVE OWLETT: Right.

18 SECRETARY REDDING: -- that you've identified. I
19 don't know how that -- I know how it works in the
20 Department of Ag and there may be some residual
21 commitments, but your point is, what are my options, right?
22 And we should have that conversation.

23 REPRESENTATIVE OWLETT: Well, that's the budget
24 process and we're going through that right now.

25 SECRETARY REDDING: Right.

1 REPRESENTATIVE OWLETT: And I think people could
2 maybe get a little bit more behind this if they were to
3 support agricultural degrees but the proposal is PASSHE in
4 general and scholarships so it's -- I think that's where
5 the struggles coming from.

6 SECRETARY REDDING: No, no, that's fair.

7 REPRESENTATIVE OWLETT: But I enjoy the process
8 and I think we can get there where we can hopefully support
9 everybody and get through this process. So thank you for
10 joining us.

11 SECRETARY REDDING: Yeah, you're welcome. Thank
12 you.

13 MAJORITY CHAIRMAN CAUSER: Representative
14 Zimmerman.

15 REPRESENTATIVE ZIMMERMAN: Thank you, Mr.
16 Chairman, and Secretary. Good to have you here.

17 SECRETARY REDDING: Always.

18 REPRESENTATIVE ZIMMERMAN: So a little bit along
19 the lines of Representative Owlett, so agriculture in
20 general hasn't quite benefited from the great economy that
21 we had this past year like some other sectors have, at
22 least, you know, parts of agriculture have not benefitted
23 from that. And so if the Governor would get what he's
24 asking for, would you be an advocate of having those
25 scholarships going towards agriculture scholarships versus

1 just in the mix of everything else?

2 SECRETARY REDDING: Well, I think it's an
3 interesting question, right? So I think the conversations
4 that I've had in many different workplace environments, I
5 mean, the range is certainly agriculture degrees but there
6 are needs for biochemists. I mean, there are accountants.
7 There are things that are, you know, technology that are
8 not about just the bachelor of science.

9 But I would hope that at the end of the day the
10 types of jobs we're investing in through the PASSHE system
11 and those kids would find their way to agriculture. I
12 would love to have that happen but there's not a direct tie
13 between support for -- in the PASSHE system, there are
14 clearly degrees there that are applicable to ag, but
15 there's not a direct connection between them.

16 REPRESENTATIVE ZIMMERMAN: Yeah, I'm a strong
17 believer and if we're doing anything with funding in the
18 agriculture that somehow it remains in agriculture and that
19 there's a process and conversations to make sure it remains
20 where I believe it belongs and that is in agriculture. But
21 thank you.

22 SECRETARY REDDING: I appreciate that. Thank
23 you.

24 MAJORITY CHAIRMAN CAUSER: Mr. Secretary, thank
25 you for your testimony. Thank you for being here today.

1 SECRETARY REDDING: Thank you.

2 MAJORITY CHAIRMAN CAUSER: Obviously, the
3 Governor's proposal is on the mind of the members, of
4 course, and we know that we have this sunset that's sort of
5 impending and I sense the uncertainty amongst the members
6 of the entire issue dealing with, you know, the Governor's
7 proposal and how that intertwines with what we're dealing
8 to continue funding racing. So I know these questions are
9 going to continue. In fact, they'll continue this
10 afternoon at the appropriations hearing. So I think you
11 for your time and we look forward to continue working with
12 you.

13 SECRETARY REDDING: Yeah. That's mutual, Mr.
14 Chairman. Thank you. Thanks to the committee. I
15 appreciate the conversation, the exchange, the insight. I
16 think it's always a good process to talk about where we
17 invest and how we invest and the expectations we have for
18 the money we do invest, right? We've all been party to a
19 lot of conversations about agriculture both in trade and
20 tariffs and employment and that list goes on. So I add
21 this to that list of important topics to talk about and
22 where those investments are being made in the community.

23 It's also, as we have learned, an important
24 moment for the industry to tell a story, and a very
25 personal story, about where and why we do what we do,

1 right? I think that's part of this effort. So Mr.
2 Chairman, thank you for the time.

3 MAJORITY CHAIRMAN CAUSER: Thank you very much.

4 Next, we have a panel that's going to come up and
5 the first testifier is going to be Brian Sanfratello, the
6 Executive Secretary of the Pennsylvania Horse Breeders
7 Association. And he will be joined by Russell Williams,
8 the President/CEO of Hanover Shoe Farms and also the
9 President of the United States Trotters Association and
10 he'll be testifying next. They're also joined by Kate
11 Demasi, a member of the Pennsylvania Thoroughbred
12 Horseman's Association; Heather Hunter, thoroughbred
13 breeder from Chester County; and Todd Mostoller, Executive
14 Director of the Pennsylvania Horsemen's Benevolent and
15 Protective Association.

16 Welcome folks. Thank you for being here with us.
17 And Mr. Sanfratello, you're up first and you may proceed.

18 MR. SANFRATELLO: Good morning, Chairman Causer,
19 Chairman Pashinski. I'd thank you for providing the racing
20 and horse breeding industry to the opportunity to comment
21 on Bill 1983.

22 I represent, as the Chairman said, the
23 Pennsylvania Horse Breeders, but I'd like to add that the
24 views I provide and the testimony today on House Bill 1983
25 are shared by the six horsemen and breeder organizations

1 that make up the Pennsylvania Equine Coalition, both
2 standardbred and thoroughbred.

3 House Bill 1983 addresses the upcoming sunset of
4 language related to how the Commonwealth of Pennsylvania
5 Race Horse Testing Program is funded by the Race Horse
6 Development Trust Fund. The first thing I wanted to make
7 clear is that every stakeholder organization in our
8 industry supports a robust testing program. It's important
9 to our breeders, it's important to our owners, and it's
10 important to our trainers that we maintain the integrity of
11 the sport and ensure our equine athletes are treated
12 properly.

13 Our industry is funded by breeder incentives and
14 purses paid from the Race Horse Development Trust Fund.
15 They're paid to the top finishers in a given race and that
16 money is used to pay trainers, grooms, jockeys,
17 veterinarians, blacksmiths, many others employed in our
18 industry. Pete Peterson is here today. He's going to pass
19 out to you who does one race horse employ because the
20 amount of people is too numerous to take time to review.

21 On the breeding side, it takes up to four to five
22 years to see the fruits of your labor. You buy the mare.
23 The mare is bred. You find the stallion to breed the mare
24 to, eleven-month gestation period and then approximately
25 three years after that before the horse actually gets to a

1 race.

2 And not only does it affect the jobs in our
3 industry, but our industry is a spill over industry.
4 Representative Lawrence alluded to it. Farmers that we buy
5 hay and straw, feed companies, horse transportation,
6 construction companies, new barns, fencing, and let's not
7 forget the mushroom industry. PA's the mushroom capital of
8 the world. Where does the manure come from? It comes from
9 us.

10 So when we talk about 20,000 jobs, we're not only
11 talking about jobs in our industry but we're talking about
12 jobs across the board and many business throughout the
13 state. And that money enables the people employed in our
14 industry to support their families and also the spillover
15 businesses to support their families.

16 The Race Horse Development Trust Fund benefits
17 the Commonwealth, the larger sector, agriculture. We said
18 the industry's responsible for over 20,000 jobs. We talked
19 about \$1.6 million in economic impact. We talked about
20 over 100,000 acres of open space.

21 As I mentioned, it takes a few years from
22 inception to actually running in a race. If I'm an owner
23 or looking to be an owner or looking to be a breeder, I'm
24 looking at two items. I'm looking at the quality of the
25 program and I'm looking at the stability of the funding

1 source, in this case the Race Horse Development Trust Fund.
2 Then I make my choice. And you have to remember that there
3 are probably a half dozen other states within a stone throw
4 of Pennsylvania that people can breed and race in.

5 From 2004 to 2009, everything was working fine.
6 The breeding was up. Owners were coming in. They were
7 spending money. From 2009 to 2016 what happened was we
8 were on a roller coaster. Every budget -- and the breeders
9 are hit worse because the budget comes out right at the
10 beginning of breeding season, so every budget, someone was
11 trying to plug a hole somewhere. We've contributed over
12 \$380 million from the Race Horse Development Fund to plug
13 budgets, some of which we're still doing today.

14 In 2016, we sat down and made some tough
15 decisions and many of you were here during that process.
16 We wanted to -- on the thoroughbred side, we needed to
17 enhance the PA program, the sire program, and fund
18 commission expenses as Secretary Redding had explained. I
19 got to tell you, I don't want to go through that again. I
20 remember walking into the chairman's office and saying,
21 Representative Causer, I can't leave today without coming
22 to some sort of an agreement on what we need to do. And
23 I'd like to thank everyone who was involved in that on both
24 sides of the aisle.

25 So we got that all straightened out but there was

1 still one thing that remained to do. What happens next
2 budget cycle? So in 2017 as part of the expanded Gaming
3 Act, we put the race horse, when I say we I mean members of
4 the coalition, the legislators from both sides, put the
5 Race Horse Development Fund into a trust and that trust was
6 signed by the Governor.

7 I just wanted to make one thing clear here, I
8 keep hearing investments that the state has made in racing.
9 I would ask you to look at the trust fund language. There
10 are two lines in there that can't be any more clear. The
11 assessments are not funds of the state and the Commonwealth
12 shall not be rightfully entitled to any money described
13 under the section.

14 So we have been taking care of ourselves through
15 the money from the casino that flows to the Race Horse
16 Development Fund. The state is just a pass through for
17 that money. That money comes. It goes to the state and
18 comes back out and is distributed to the horsemen's groups
19 and the breeders have a restrictive fund which that money
20 goes into.

21 So when we did those two things, guess what? It
22 worked. From 2016 to 2019 on the thoroughbred side, we had
23 a 47 percent increase in mares bred to PA stallions. And
24 what made it even more impressive was that the national
25 average, including Kentucky, was down 15.8 percent. That's

1 unbelievable. On the standardbred side, their 2019 sale at
2 the farm show saw the highest average in sale history. How
3 does it happen?

4 I attended recently the symposium in Arizona, the
5 World Racing Symposium. People would come to me and they'd
6 say, what's happening in Pennsylvania? Everybody else is
7 down. How come you're up? Well, that reason is everyone
8 was on the same page. It's easy when everyone's on the
9 same page. Well, at the beginning or during the budget
10 when we found out that the proposed budget was looking to
11 take \$204 million from the trust fund, we said, geez, not
12 again.

13 My phone and the phones of many of the coalition
14 have been ringing off the hook for weeks. And it doesn't
15 matter if you're breeders, whether it happens or it doesn't
16 happen. The damage is already done. People who look back
17 and say, wow, didn't this happen like between 2009 and
18 2016? Same thing happened. People who were going to bring
19 horses, they're not bringing them. People who were going
20 to invest that maybe didn't invest yet, they're not
21 investing. I just wanted to make sure that you understood
22 where we were and where we are now.

23 So we fully support the continued funding of
24 testing out of the Race Horse Development Trust Fund but
25 rather than make the funding extension permanent, the

1 Pennsylvania Equine Coalition would ask that you consider
2 extending the sunset provision another three years. We
3 also ask that you consider adding a provision that requires
4 an annual audit or an annual accounting of how the money is
5 spent.

6 We ask you to do this for two reasons. We
7 believe the suggested language is important to maintain
8 proper oversight by the House and Senate Ag Committees and
9 ensure the money is being spent as intended. And the
10 second reason goes back to the issues I raised earlier
11 relating to the need to maintain stability and to ensure
12 there continues to be long-term investment in Pennsylvania
13 breeding and racing.

14 For these reasons, the Pennsylvania Equine
15 Coalition requests that you consider amending House Bill
16 1983 to provide for an extension of the funding mechanism
17 for a period of three years as well as include language
18 that provides for increased oversight on how the money is
19 utilized.

20 I thank you for giving us the opportunity to
21 share our views today. I now turn it over to Russell
22 Williams.

23 MAJORITY CHAIRMAN CAUSER: Brian, I have a
24 question.

25 MR. SANFRATELLO: Yes.

1 MAJORITY CHAIRMAN CAUSER: Thank you for your
2 testimony. So you're requesting the bill to be amended to
3 extend the sunset three years and you're also referencing
4 auditing. You'd like to see some auditing requirements in
5 place. What specifically do you want to see audited? Are
6 you -- I know there is an audit of the Horsemen's
7 Associations right now that's provided through the
8 legislature. Can you be more specific on what you would
9 envision as far as an audit, who would do it, who would pay
10 for it?

11 MR. SANFRATELLO: Well, an audit or accounting so
12 that that money going towards testing, we'd be able to say,
13 okay, did it actually go towards the testing or did it go
14 somewhere else?

15 MAJORITY CHAIRMAN CAUSER: So you're looking for
16 more detailed information regarding the money going to the
17 Horse Race Commission and where it goes from there, how
18 it's being spent from the commission?

19 MR. SANFRATELLO: Correct, correct.

20 MAJORITY CHAIRMAN CAUSER: Okay. Thank you.
21 Chairman Pashinski.

22 MINORITY CHAIRMAN PASHINSKI: Thank you Chairman
23 Causer and thank you very much, Brian, for your testimony
24 and for all the folks that are going to be sharing your
25 thoughts.

1 Just a few things to just think about.

2 Obviously, we wouldn't have the casinos if we didn't have
3 racing, right?

4 MR. SANFRATELLO: Correct.

5 MINORITY CHAIRMAN PASHINSKI: That's the first
6 thing. The second thing is there's got to be a great love
7 and admiration for the beautiful animal of a horse because
8 I don't know that every single breeder or every single
9 horseman is making a lot of money on this.

10 MR. SANFRATELLO: That is correct. It was funny,
11 I was at a stallion show and I had asked, I said, everyone
12 here who is rich please raise your hand. All I got was a
13 lot of laughs.

14 MINORITY CHAIRMAN PASHINSKI: Should we ask that
15 question here?

16 But the point I'm actually leading to is there
17 has to be a certain amount of love and passion for what
18 you're doing. You're taking a chance. You're taking a
19 gamble. You're counting on your ability to be able to
20 breed a horse to be able to win a race and not just one,
21 but many. And in that process, you're creating jobs.
22 You're buying property in Pennsylvania and you're
23 contributing to the economy.

24 Once again as we were talking earlier with
25 Secretary Redding, this is a great opportunity for question

1 and answer so we could try to find some common ground and
2 make sure that we can maintain the quality that you had
3 alluded to.

4 To think that in Pennsylvania we were leading the
5 country, including Kentucky, with the finest horses and the
6 system is pretty astonishing. That's a tremendous
7 accomplishment. So I look forward to the continued
8 testimony that you're going to provide and I feel strongly
9 that we can certainly, as we have been in the past,
10 continue to work together on this to a suitable conclusion.
11 Thank you, Brian.

12 MR. SANFRATELLO: Thank you.

13 MAJORITY CHAIRMAN CAUSER: Representative --

14 MR. SANFRATELLO: I'd like to turn it over to --

15 MAJORITY CHAIRMAN CAUSER: We have other
16 questions.

17 MR. SANFRATELLO: Oh, you have other questions?

18 Okay.

19 MAJORITY CHAIRMAN CAUSER: Representative
20 Diamond.

21 MR. SANFRATELLO: Yes.

22 REPRESENTATIVE DIAMOND: Brian, thank you for
23 your testimony. And I especially want to commend you for
24 reminding people that it is casino revenues that funds
25 this, not people's income tax, not people's sales tax.

1 There's such a misunderstanding out there that this is some
2 sort of corporate welfare program. And in fact, some of
3 our friends, you know, down on State Street who talk about
4 actual corporate welfare, they try to include this in
5 there. This is not what this is. This is a program that
6 was set up at the casinos, as the Chairman pointed out,
7 were set up to revive the race horsing industry.

8 So I want to thank you for making that comment.
9 I mean, it's important for the public to understand their
10 sales tax, their personal income tax does not fund horse
11 racing in Pennsylvania.

12 I did want to ask you about your recommendation
13 for extending the sunset for three years. Is there
14 something that's going to happen over the course of the
15 next three years that you think at that time it would be
16 okay to, you know, completely remove the sunset? Or is
17 this something that you think maybe we should do a -- have
18 an ongoing, you know, a five-year sunset, a five-year
19 review period that continues every five years? Or is there
20 something specific that makes the -- making the sunset go
21 away uncomfortable for you now as opposed to three years
22 from now?

23 MR. SANFRATELLO: Well, I'm hoping that
24 everything stabilizes according to, you know, what's been
25 happening here with taking the money from the Race Horse

1 Development Fund Trust. I mean, we don't know. We have
2 category 4s that are going up in which we don't get any
3 income from. We have expanded gaming of which we don't get
4 a cut from that. VGTs, you know, you name it, it's coming.

5 So we don't know what type of a position we're
6 going to be in three years down the road. So the Committee
7 may decide three years from now that you would like to fund
8 it another way because it's impossible to fund it from us.
9 So again, right now, we don't know what's going to happen.

10 REPRESENTATIVE DIAMOND: Okay. So all of that
11 really just underscores one of the other very important
12 points you made is that your business, like many, many
13 other agribusinesses, relies on predictability and
14 stability and not somebody coming every year and going,
15 we're taking the money out of here to do this other,
16 whatever I want to do. We need that predictability and
17 stability in the Race Horse Development Fund in order for
18 your business to survive because just the threat alone is
19 enough to harm your industry.

20 MR. SANFRATELLO: I guarantee you that if we have
21 the predictability, we will continue to grow this industry.
22 Right now, we're putting approximately \$1.6 billion back
23 into the Pennsylvania economy. I don't know any other
24 business that's taking in \$250 million, it's not even quite
25 that much, but approximately \$250 million and giving back

1 \$1.6 billion. It doesn't happen. Let us continue to make
2 it happen.

3 REPRESENTATIVE DIAMOND: All right, thank you.

4 Thank you, Mr. Chairman.

5 MAJORITY CHAIRMAN CAUSER: Representative Gillen.

6 REPRESENTATIVE GILLEN: Thank you again for your
7 constructive suggestions on HB 1983. I appreciate that.

8 What, if any, discussions -- just a relatively
9 quick answer, I think -- what, if any, discussions did the
10 administration engage in with the industry relative to the
11 proposal for the massive shift and have there been any
12 subsequent discussions after that announcement?

13 MR. SANFRATELLO: Well, we knew that it was going
14 to -- that the Governor was going to have that within his
15 budget probably a week or two before the budget came out.
16 We tried, when I say we, people representing the coalition
17 tried to explain that we didn't think it was a good idea
18 because of this, this, and this that I've gone over. But
19 you know, it didn't make any difference as of, you know, as
20 of that point.

21 Since then, there've been, you know, quite a few
22 misconceptions that have come out about our industry. We
23 talked about a couple today, everyone being rich, you know.
24 Most of our breeders are mom and pop breeders. They're not
25 rich.

1 So we're going to do, you know, whatever we can
2 and we welcome anything that the Governor's staff would
3 like to suggest to us as far as what he feels the problem
4 is and we'll tell him what the problem, you know, we'll
5 tell him what the problem is. But I mean, you know, like I
6 mentioned, it's our money. We're funding ourselves and we
7 do give a lot back already. Hopefully I answered.

8 MAJORITY CHAIRMAN CAUSER: Thank you, Brian.

9 Our next testifier is Mr. Russell Williams. You
10 may proceed, sir.

11 MR. WILLIAMS: Thank you Chairman Causer and
12 Chairman Pashinski.

13 I'm going to -- you have my prepared testimony.
14 I'm going to do what I hate to do and leave out large parts
15 of that because you already have it and it's clear that
16 you're familiar with many of the points that are made in
17 it.

18 The United States Trotting Association has 17,000
19 members nationwide, 1,753 of those members live in
20 Pennsylvania. That means 1,753 Pennsylvanians are involved
21 in the standardbred business as owners, breeders,
22 veterinarians, or some other respect. That's a little over
23 ten percent of our entire membership. So Pennsylvania is
24 an important landmark on the scene for us.

25 If you're not familiar with Hanover Shoe Farms,

1 it is on certain measures the largest horse breeding farm
2 in the world. Founded 94 years ago, it spans 3,000 acres
3 and is home to an average of 900 horses in a given year.

4 The 3,000 acres comprises 27 family farms. It's
5 not all contiguous land. The farms were bought up one at a
6 time so they still have the same configuration that they
7 had 200 years ago when the land was first settled. Most of
8 our 80 employees live on the individual farms or in houses
9 on our land.

10 I counted again and there are about 47 families
11 living on our property who would have to find somewhere
12 else to live if we were forced to curtail our operations.

13 In 2019, we spent \$856,000 on hay and straw for
14 our horses. That represents 6 million pounds of hay and
15 straw that is raised and sold to us by our neighbors who
16 are also farmers. We spent about \$260,000 maintaining the
17 200 miles of fencing that encloses our green pastures. We
18 spent millions of dollars with Pennsylvania businesses for
19 goods and services.

20 We had a good sale in 2019 so unaware of the
21 Governor's ideas about the trust fund, we spent over \$2
22 million on new land and horses to strengthen our operation.

23 The first documented trotting race in America was
24 in Philadelphia in 1806. So horse racing and breeding is a
25 native Pennsylvania industry and we've been here a long

1 time. Pennsylvania currently is the leading the horse
2 racing and breeding jurisdiction in North America, rivaled
3 only by New York in certain years as was mentioned.

4 I would have liked the secretary to express his
5 admiration, his pride in what we have accomplished over
6 this time rather than asking for a conversation about
7 sustainability because, in fact, we've done an excellent
8 job with the money that's flowed through our hands.

9 Since 1939, the Standardbred Horse Sales Company
10 has operated a week long horse sale at the Pennsylvania
11 State Farm Show Complex. More than 5,000 individuals come
12 to this sale and spend more than \$50 million and what
13 mainly brings them there is the Pennsylvania product.
14 Pennsylvania breds are the main attraction at this sale.

15 The Standardbred Breeder's Association supports
16 House Bill 1983. Testing is the key element of racing
17 integrity. It's essential to maintain this in a leading
18 racing jurisdiction like Pennsylvania. The Trotting
19 Association is heavily involved in this in all the states
20 and we have resources concerning testing, medication that
21 remain available to the Department of Agriculture if they
22 are interested. We would be glad to assist.

23 It's already been pointed out that the trust fund
24 is not taxpayer's dollars. The 2004 Racing Compact
25 permitting casino gaming in Pennsylvania is a remarkable

1 three-way win for Pennsylvania. It combines gaming
2 entertainment and equine agriculture plus the tremendous
3 economic impact that comes with that, and significant tax
4 revenue. The state shares 43 percent. It therefore
5 deserves the protection that the General Assembly has given
6 it.

7 Thank you for permitting me to testify today and
8 I'll be glad to answer any questions.

9 MAJORITY CHAIRMAN CAUSER: Thank you very much.
10 Our first question will be Representative Ecker.

11 REPRESENTATIVE ECKER: Good morning and thank
12 you, Mr. Williams, for your testimony today. I appreciate
13 and being a fellow Adams County guy, I'm happy to have you
14 here --

15 MR. WILLIAMS: Thank you.

16 REPRESENTATIVE ECKER: -- other side of the
17 count. But in any event, can you speak briefly, you know,
18 we clearly identified that the economic benefit is there.
19 You guys have outlined that but can you speak briefly about
20 how that has improved since the trust fund has been
21 implemented in 2017? Has it improved? Has it stabilized?
22 It certainly doesn't sound like it's gotten worse. Can you
23 just talk about that time period?

24 MR. WILLIAMS: Since 2017?

25 REPRESENTATIVE ECKER: Correct.

1 MR. WILLIAMS: Yes. 2017 was sort of a landmark
2 year for us because it cured the, we thought, the
3 uncertainty problem that had come up several times in the
4 years before that. And we've seen steady increases in all
5 economic measures within our sport since that time. And
6 2019 was the best year in history for sales, for race
7 results. Pennsylvania is really looked to by our entire
8 industry as a model on all of these things.

9 One of the state pharmacologists made the comment
10 at a meeting that with her modern testing methods, she can
11 find a grain of salt in an Olympic-sized swimming pool. So
12 testing is becoming highly technological and highly
13 effective. Pennsylvania is in the forefront of that. So
14 it's reasonable to think that Pennsylvania will remain in
15 the forefront of racing integrity. That's key to
16 preserving the economic advances that you're asking about.

17 REPRESENTATIVE ECKER: And you may have said this
18 already but could you just briefly, you know, estimate how
19 many jobs, you know, benefit from your operation? I know
20 it's a tough --

21 MR. WILLIAMS: From the standardbred operation in
22 Pennsylvania?

23 REPRESENTATIVE ECKER: From your particular
24 operation itself, just to give some perspective.

25 MR. WILLIAMS: Oh, okay. Well, we have 80

1 employees of our own and if you count all of the farmers we
2 deal with, people supplying fence boards, other forms of
3 feed, I would say at least 500 Pennsylvanians are
4 economically largely dependent on our operation.

5 REPRESENTATIVE ECKER: Thank you, Mr. Williams.
6 Thank you, Chairman.

7 MAJORITY CHAIRMAN CAUSER: Other questions from
8 members for any of our panelists?

9 Representative Lawrence.

10 REPRESENTATIVE LAWRENCE: Thank you, Mr.
11 Chairman, and I appreciate each of you taking time to be
12 here today.

13 Heather, if I could ask a specific question to
14 you being that you're from my part of Chester County and I
15 appreciate you taking time to be all the way up here in the
16 capitol today.

17 You had mentioned, I think, in an interview with
18 KYW kind of the impact that the equine industry has with
19 the mushroom industry. And Brian, you had brought that up
20 a little bit earlier as well. And you know, mushrooms are
21 a big business in Pennsylvania. For those who don't know,
22 roughly, these aren't the exact numbers, but roughly half
23 the mushrooms grown in the United States are grown in
24 Pennsylvania and roughly, actually it's a little bit more
25 than half the mushrooms grown in Pennsylvania are grown in

1 Chester County within, I would guess, you know, about a 20
2 mile radius of where we are in West Grove.

3 Could you speak a little bit to the economic
4 impact of just if we saw significant dollars flowing out or
5 significant equine operations closing in Chester County
6 what impact that would have to greater agricultural
7 community in Chester County?

8 MS. HUNTER: Yes. I don't know the exact
9 numbers, but I have talked to some of the farmers and the
10 mushroom growers and interestingly enough, some of the
11 mushroom growers also own race horses. The Manfredis are a
12 very big mushroom family and they also are breeders and own
13 race horses.

14 I know every week the big truck comes in and
15 takes our manure away. And I know it takes a lot of
16 people's manure away and they compost it and then use it in
17 the mushroom houses.

18 I also was talking to a farmer that helps us bale
19 our hay and he does a lot of farming for compost, not just
20 hay for the farms, but he also sells his hay to the
21 mushroom companies for compost. So when I realized that,
22 because I didn't really understand that. I always thought
23 that a lot of the hay that came in that was bad, that would
24 go, but he does specifically do that.

25 My farm's not very big. It's 87 acres and we do

1 do our own hay with the help of one of the local farmers.
2 He helps us out. But a lot of the farms around me in
3 Chester County, in West Grove, are breeding farms and have
4 race horses. That land is open and a some of that land is
5 also farmed. The farmers lease that land for hay and
6 mushroom compost. This particular owner leases land from
7 other horse farms.

8 It would be devastating if you think of the -- I
9 know for me, this is difficult because I felt like when I
10 was driving up here, I'm driving up to plead for my
11 livelihood and my life. And I've been doing this all my
12 life. My family's been doing it for generations.

13 Just my little farm, if we had to sell it and it
14 was developed, that farmer would lose that. What about all
15 the other farmers and the other farms were sold and those
16 farmers and the compost that went to the mushroom farms?
17 They would have to go out of state looking for it. Right
18 now, they're in Toughkenamon, I'm in West Grove. They're a
19 couple miles away. They would have to go out of state and
20 get it and it would be so expensive that I don't think a
21 lot of the companies would be able to stay in business. I
22 think that that industry you would find would start falling
23 apart. And it's that trickle down. I told somebody, it's
24 really not a trickle down. It's a flood, at least in my
25 area and other areas that I've talked to people. It's

1 devastating to think what could happen.

2 And I don't usually talk like this, but I felt
3 like I needed to come here for everybody that I deal with
4 every day. I'm not a rich person and neither are the
5 farmers in our area. We're just hard-working people. The
6 mushroom people are hard-working. The farmers are hard-
7 working. My vet was at my farm last night at 6:00 checking
8 a mare that needs to be bred today, this afternoon. The
9 blacksmith arrives at 6:30 so he can get everybody done.
10 And I didn't mean to expand on that but it is, it's going
11 to be devastating.

12 REPRESENTATIVE LAWRENCE: So just to -- and I
13 appreciate your comments. And you know, I was surprised.
14 I was speaking with a large grower who -- I didn't tell him
15 I would talk about this today so I won't mention his name -
16 - but he's a large grower just south of Kennett Square who
17 said they're bringing in materials for composting from
18 South Carolina already which I thought was remarkable that
19 they're bringing in, you know, kind of the raw ingredients
20 for compositing from that far away.

21 And I don't want to, you know, again, kind of put
22 the spotlight on you, but just if you could, just very
23 briefly, dispel some of the myths that we heard about, you
24 know, this money is going to, you know, multi-zillionaires
25 and this is the sport of kings and all this. Could you

1 talk a little bit more about the economic impact of, you
2 know, the local places you're buying grain and hay from or
3 the vet. You mentioned the blacksmith, right, the local
4 economy and the impact of that that the breeding fund has
5 when it comes to that kind of local impact.

6 MS. HUNTER: Yeah. I mean, we're a breeding farm
7 and we own race horses and a lot of the farms around me are
8 the same. They breed and they race. And the farmers for
9 their hay, their grain, the straw. I deal with a small
10 feed mill, a small feed store. I buy, oh, a couple ton
11 every couple weeks.

12 My vet, as I said, she has a family. It's a two-
13 income family. They have three kids and she's on her own
14 in this practice. And it would be devastating because if
15 her clients and, you know, we lost this fund and these
16 farms shut down, we weren't breeding anymore, her
17 livelihood would be over. That's what she went to school
18 for, she studied, was to be a veterinarian and she
19 specializes in reproduction. It's not like she can move
20 into something else. She is a reproductive vet.

21 My blacksmith, that's his livelihood. And it
22 goes out to the guy that comes and fixes our tractor, our
23 hay equipment, the store that we go and buy the baling
24 twine from and the seed from and our grass seed and our
25 fertilizer. We just had to do maintenance on the old barn.

1 It's an 1826 barn. We supported some of the, you know,
2 they came in, the lumber business and the man and his crew
3 that fixed the barn. Our fencing. The electrician. He's
4 there today hooking up a new hot water heater that we
5 bought from a local store.

6 I can't -- I mean, it just is so widespread.
7 It's really widespread. And the vanning company, you know,
8 the van companies that ship. There's a local man lives
9 right around the corner, that's his business. He ships
10 horses, specifically race horses because they're good at
11 doing that. I just can't imagine and that's why I'm here
12 because I just can't imagine what these poor people are
13 going to do.

14 And we keep saying the number. So when we say
15 20,000 that are going to be affected but they have wives,
16 they have children. It's not just the employees. It's
17 their families.

18 My son is at West Chester. He's in bioecology
19 environmental science, land preservation. We may lose him
20 to this state and he's great kid and he's really smart and
21 he wants to keep this state great. That's why he's in what
22 he's in. But if we don't have farms and we don't have the
23 open space and we don't have the need for fresh water
24 because, you know, we don't have the -- it's all been taken
25 away, he's going to have to leave the state.

1 I had three people pull out and go, as soon as
2 this came out, three people pulled out of foaling on my
3 farm. Three people. Those mares were due this week.
4 That's huge for me. That's my business. I do foaling. I
5 don't just do it for myself. I do it for a lot of other
6 people too. Three people when they heard, they pulled out
7 and went to Maryland. That's big.

8 I still have people that are on the edge. They
9 don't know yet. They had booked their mares but now
10 they're not sure. I don't --

11 REPRESENTATIVE LAWRENCE: So I think that brings
12 up a good point, the timing of the Governor's announcement
13 I don't think really could have been much worse --

14 MS. HUNTER: Oh, it's devastating.

15 REPRESENTATIVE LAWRENCE: -- because decisions
16 like that are being made right now.

17 So again, I really appreciate you being here
18 today and coming to testify here in the capital.

19 MS. HUNTER: Thank you.

20 REPRESENTATIVE LAWRENCE: Thank you for making
21 the trip.

22 Thank you, Mr. Chairman.

23 MAJORITY CHAIRMAN CAUSER: Thank you,
24 Representative Lawrence.

25 Any other questions from members? Representative

1 Irvin.

2 REPRESENTATIVE IRVIN: I really appreciate you
3 being here today and giving your testimony.

4 MS. HUNTER: Thank you for having me.

5 REPRESENTATIVE IRVIN: I mean, that's very
6 heartfelt. Sort of like us, you know, every two years we
7 have to sort of plead for your jobs and our livelihood just
8 like you're standing here today. So I understand.

9 MS. HUNTER: You know that feeling.

10 REPRESENTATIVE IRVIN: So I understand where
11 you're coming from.

12 Myself, being raised in central Pennsylvania
13 dairy industry, you know, I guess your testimonies here
14 today have really sort of changed my opinion on it. I
15 wasn't here four years ago whenever we made the decisions
16 on the Horse Race and Development Fund and the testing of
17 the horse racing industry. So this is very educational to
18 me.

19 You know, like I said, I looked at -- dairy was
20 our big industry where I live and it's obviously failing
21 right now or having some struggling at this point. Horses
22 we always looked at as, you know, money in front and work
23 out the back but, you know, there are a lot of growing, you
24 know, small farmettes and everything in our area that are
25 sort of building in the horse industry. So I think it's

1 something important to Pennsylvania.

2 I guess my question as I move forward is going to
3 go to like the whole panel here. If this testing, the \$10
4 million that's set aside for testing would sunset and, you
5 know, to keep the integrity in the Pennsylvania horse
6 racing industry, is there an option that you've looked at
7 or you've thought about?

8 And I know you're making a recommendation from
9 the Horse Breeders Association to amend this that it'll
10 sunset again in three years, but while we have it open,
11 while we're looking at it, I mean, my idea is let's put in
12 it. And is there, and I might need to get some
13 clarification from the legal staff, why -- is there any
14 flexibility in the Horse Race Development Trust Fund that,
15 you know, if times get tough that we can maybe look at a
16 different, you know, pull back some funding on the testing
17 or anything of that nature?

18 So do you have a contingency plan, I guess, you
19 know, moving forward?

20 MR. MOSTOLLER: Representative, we will always be
21 in favor -- my name's Todd Mostoller. I'm the Executive
22 Director of the Pennsylvania HBPA.

23 We will always be in favor of paying testing for
24 our industry. The reason we had asked for the provision
25 was because of the uncertainties and it was brought up

1 about the category 4 casinos. In 2017, the legislature
2 decided we were going to expand gaming further and I can
3 tell you that we will see a good amount of cannibalization
4 from the category 1 facilities. In fact, my office is at
5 Hollywood Casino in Grantville, close to here.

6 With York opening at the Galleria Mall, we expect
7 that potentially 20 percent cannibalization of existing
8 revenues from that category 1 facility. So the first
9 calculation under Act 71 from 2004 has to do with the gross
10 terminal revenue at the category 1 facilities. Well, if we
11 see a 20 percent decrease there, we don't know what that
12 resource development fund, if it's left untouched, what the
13 revenues are going to be there until we see this already
14 mature Pennsylvania gaming market become what I would deem
15 over-mature.

16 Because all we're doing is playing the shell
17 game. We're moving revenues from one facility to another
18 with the category 4s. What is the impact of that going to
19 be? We don't know.

20 I know the York Galleria is scheduled to open up
21 in the fourth quarter of 2020 and then Morgantown will also
22 open, I believe, in 2020 sometime. So until we actually
23 see what the impacts are and then by the time the three-
24 year recommendation is up, we will know that, but we will
25 also be dedicated to our industry and paying to make sure

1 we maintain the integrity in our industry.

2 REPRESENTATIVE IRVIN: Just another follow-up
3 question, if I may, other states like Kentucky, New York,
4 who's more of a benchmark in the horse racing industry, is
5 there any funding that goes in -- outside funding that goes
6 into the industry itself, that you would know?

7 MR. MOSTOLLER: Absolutely. In every single
8 major racing state in the country, other than California,
9 but they also get money legislatively, it's not through
10 alternative gaming because they do not have it at the race
11 tracks, every state around us, New York, New Jersey gets a
12 subsidy. They're also -- New Jersey, I've heard the
13 Governor claim that they get \$25 million. They're a much
14 smaller industry. They have what, Monmouth on the
15 thoroughbred side and they have the Meadowlands which runs
16 a shorter meet. They don't have the sizing thing. We have
17 six race tracks in the Commonwealth of Pennsylvania.

18 Kentucky, they have another form of gaming. It's
19 not slots. They call it instant racing and they generate
20 hundreds of millions of dollars annually from an
21 alternative form of gaming.

22 So if Pennsylvania, if that funding from the
23 agreement in 2004 would go away, it would put us at a huge
24 competitive disadvantage with every state around us because
25 they all have alternative gaming. And that was the intent

1 when Governor Rendell led the charge in 2004. That was the
2 intent because we had Delaware to our south and we had West
3 Virginia to our south and they were drawing that business
4 to those states.

5 And the intent of Act 71 was to put us back on a
6 level playing field. Well, since then, Ohio has gaming.
7 New York has gaming. New Jersey has their deal. And it's
8 interesting, a number of those states had reached out to us
9 for a copy of our law and they used that as the blueprint
10 for the creation of their race horse development fund in
11 those respective states.

12 So this piece of legislation in 2004 was viewed
13 nationwide as the pinnacle of legislation to do what this
14 legislation did. And we as horsemen, have held up our end
15 of the bargain every single year since. We're looking for
16 some like actions on behalf from the legislator's
17 standpoint. Because I think you've heard everybody speak.
18 The stability of the fund is the number one key for
19 investment and people have invested hundreds of millions of
20 dollars and multiple times now they felt like the rug's
21 been pulled out from under them after they've made those
22 investments.

23 REPRESENTATIVE IRVIN: Thank you very much. I
24 appreciate that.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN CAUSER: Thank you,
2 Representative Irvin.

3 You know, that brings up another question that
4 came to mind is you're referencing other states around us
5 and we know how important it is to protect the integrity of
6 racing. How do those other states pay for their drug
7 testing cost for horses?

8 MR. MOSTOLLER: I do not know the answer to that.
9 A number of them, it'll come from their general fund like
10 Pennsylvania was previously. I do not know the answer to
11 how they pay for their testing. I know they have very
12 similar programs. It's not as extensive as Pennsylvania is
13 because, quite frankly, we have one of the foremost labs in
14 the world through New Bolton Center. And everybody on this
15 panel, our organizations, we all contribute hundreds of
16 thousands of dollars to New Bolton Center to make sure --
17 and outside of what we do within the Race Horse Development
18 Fund. We make contributions outside of that because that's
19 how important integrity is to our game and we know, we
20 don't take for granted the stature that New Bolton Center
21 and the University of Pennsylvania has and we try to
22 cultivate that.

23 MAJORITY CHAIRMAN CAUSER: I think that would be
24 interesting to know specifically how the other states do
25 it. That's something that I think we'll definitely pursue.

1 And as a follow-up also to my earlier question
2 dealing with the request for additional auditing of where
3 the money is going, you know, another thought came to mind,
4 the industry has a significant number of members that sit
5 on the State Racing Commission and it's the State Racing
6 Commission that authorizes the expenditures. Has there
7 been a direct request to the State Racing Commission
8 members for greater information about where the money is
9 going?

10 MR. MOSTOLLER: Representative Causer, our
11 position on that is based on history that we've seen
12 previously. A number of years ago, the auditor general did
13 an audit and we found that funds that we being -- that
14 should have been allocated for the racehorse industry were
15 being diverted to other areas. And we would be remiss if
16 we did not learn from that experience and make that request
17 to ensure that dollars that are intended for the
18 expenditure within our industry stay with our industry
19 because it was rather substantial. It was multiple
20 millions of dollars that were being allocated to other
21 areas within the Department of Ag and we don't mind paying,
22 but we want to make sure that those dollars are going to
23 the intended use.

24 MAJORITY CHAIRMAN CAUSER: And I understand that,
25 but that was from the State Racing Fund. That wasn't

1 necessarily the money that we were transferring to the
2 Racing Commission to pay for drug testing. You know,
3 previously Brian had said you wanted greater accounting of
4 where that money is actually going and how it's being
5 spent. My question is, you know, has there been a request
6 of the State Racing Commission to give detailed
7 information, this is exactly where every dollar has gone
8 that has been used for drug testing?

9 MR. MOSTOLLER: They give a report at every
10 commission meeting and if we would ask for that information
11 we could get that. We just want to make sure that the
12 information we're getting is correct and accurate.

13 MAJORITY CHAIRMAN CAUSER: Okay. My
14 understanding is that that information is not very detailed
15 and so I'm trying to get to the point of, you know, what is
16 it exactly that we're looking for that we're not getting
17 right now? That's -- you know what I mean? We know what's
18 being appropriated in legislation for things that we're
19 paying for but, you know, what is that we're trying to seek
20 out? If we're going to amend this bill to ask for a
21 greater accounting, what is it we're specifically looking
22 for that we're not getting right now? That's what I'm
23 trying to dig into.

24 MR. MOSTOLLER: Just looking for one hundred
25 percent compliance with the Act.

1 MAJORITY CHAIRMAN CAUSER: Okay. Thank you.

2 Any additional questions from the members?

3 Well, I want to thank the panel for being here
4 today and for testifying. I'm glad to hear of the support
5 for House Bill 1983 and obviously, there's a lot of concern
6 relative to the Governor's proposal and we're going to
7 continue discussing certainly that proposal. It will be
8 discussed this afternoon at the House Appropriations
9 Committee public hearing with Secretary Redding.

10 I do also want to point out that the category 1
11 casino operators were invited to attend today and
12 participate but they declined to testify. We do have
13 written letters of support for House Bill 1983 from Penn
14 National, the Meadows, Greenwood Racing, and Keystone Turf
15 Club, Mohegan Sun. So I want to put that on the record.

16 So with that, I thank you all and this meeting is
17 adjourned. Thank you.

(The hearing concluded at 10:58 a.m.)

C E R T I F I C A T E

I hereby certify that the foregoing proceedings are a true and accurate transcription produced from audio on the said proceedings and that this is a correct transcript of the same.

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