

**Testimony of Sal DeBunda  
Pennsylvania Thoroughbred Horsemen's Association  
Before the House Gaming Oversight Committee  
May 14, 2009**

**Good morning. My name is Sal DeBunda, First Vice President and General Counsel of the Pennsylvania Thoroughbred Horsemen's Association. The Association is a statewide organization representing horse owners and trainers at Philadelphia Park Racetrack, a group that is about 4,000 members strong.**

**Thank you for allowing our organization the opportunity to testify today before the House Gaming Oversight Committee on H.B. 1317, legislation that would authorize the expansion of gaming in the Commonwealth of Pennsylvania. This proposed legislation, as we understand it, would legalize video lottery machines at bars, restaurants and private social clubs that are licensed by the Liquor Control Board. The Pennsylvania Thoroughbred Horsemen's Association and our membership are extremely concerned about the potential for this legislation to adversely impact the horseracing industry and the progress that has been made under Act 71, which legalized slot machines in the Commonwealth.**

**Before I get into our specific concerns with H.B. 1317, I would like to take a step back and review the underlying intent and goal of the Commonwealth in enacting Act 71. The full title of the legislation was, in fact, the Pennsylvania Race Horse Development and Gaming Act. In adopting this legislation, the legislature specifically sought to enhance the horse racing industry through limited gaming at race tracks and a set number of stand alone facilities. This was a clear recognition of the amazing contributions and potential future contributions of the horseracing industry makes to the economy of Pennsylvania. Specifically, the Act stated that it would benefit the Commonwealth to:**

- enhance live horse racing, breeding programs, entertainment and employment in this Commonwealth;**
- positively assist the Commonwealth's horse racing industry, support programs intended to foster and promote horse breeding and improve the living and working conditions of personnel who work and reside in and around the stable and backside areas of racetracks;**
- enhance the further development of the tourism market throughout this Commonwealth, including, but not limited to, year-round recreational and tourism locations in this Commonwealth, and also to**
- provide a significant source of new revenue to the Commonwealth to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives;**

**Thanks to the Act and the legislature that crafted it, Pennsylvania is in the midst of a revival of the horse racing and breeding industry. Our concern with the proposed legislation in H.B. 1317, legalizing video lottery machines at bars and other establishments licensed by the Liquor Control Board is that it will siphon funding away from our industry, funding that is just now beginning to have real and tangible impacts.**

**Under Act 71, a percentage of gross terminal revenues go to the Race Horse Development Fund, which supports an array of programs that underwrite various aspects of thoroughbred and harness racing in Pennsylvania. 80 percent of those revenues, per the statute go to a fund designated to increase the amount of purses in the horseracing industry. 16 percent is allocated to a breeders fund to provide incentives for the breeding of Pennsylvania thoroughbred and standardbred horses. The final 4 percent is allocated to the horsemen's health care and pension fund.**

**One of the questions I am often asked by legislators and the general public is whether the gaming law is having the intended impact on the horseracing industry. And the answer is a resounding yes. Prior to enactment of Act 71, the horseracing industry in Pennsylvania was – to use a metaphor -- a patient on life support. The horseracing industry in Pennsylvania was dying a slow but seemingly certain death. The small purses – the winning allocated to the horse owners, jockeys, and breeders -- were driving the better horses, horse owners, trainers, and jockeys to neighboring states. Had it not been for the adoption of the gaming law, I believe the majority of our race tracks in the state would now be closed and thousands of jobs lost.**

**Fortunately, that is not the case. On the contrary, our industry has seen a major resurgence. Indeed, we are now, in my opinion, vying with Kentucky, California, New York, and Florida in terms of the overall economic health of our horse racing industry. That is quite an accomplishment.**

**Act 71 and its dedicated funding to the horse racing industry has allowed us to rebuild the infrastructure of the racing industry in Pennsylvania. I would like to provide you with some examples of what we have been able to accomplish as a result of this legislation.**

**First, improved purses have brought renewed interest from owners and trainers to race in Pennsylvania. As a result, we are seeing higher quality horses racing in our state, which makes for larger fields, improved competition and a better product for race fans. These increased purses also are one of the best means for dispersing the beneficial impact of slots gaming throughout the Commonwealth as racing activity impacts other sectors of the Pennsylvania economy, particularly in the agriculture sector. Owners and trainers whom reside throughout the Commonwealth are buying more pasture land, renovating their stables, purchasing new equipment, hiring additional help, purchasing additional horses, creating an increased demand for feed and veterinarian services and other agricultural products. This increase in**

**purses – in addition to saving horseracing in the long term -- is having a stimulating impact on the Pennsylvania economy and all those who interact with the horse racing industry.**

**Second, we are seeing an incredible resurgence in Pennsylvania horse breeding. Indeed, by many accounts, Pennsylvania has one of the top breeding programs in the country. Thanks to Act 71 and the established allocation to the Pennsylvania breeders, there are now major incentives provided to owners and breeders of Pennsylvania bred thoroughbred and standardbred horses. For example, the Kentucky Derby and Preakness winner Real Quiet is now standing at stud here in Pennsylvania. Unless you are very familiar with the racing industry, you may not know this. But it is virtually unheard of to pull a Kentucky Derby winner out of Kentucky. Real Quiet is no isolated case. We have seen a major upswing in horse breeding here in Pennsylvania. Indeed, we saw a close to 30 percent increase in the number of mares bred in Pennsylvania in 2008. That number is even more impressive when you consider that nationwide the number of mares bred over the same period dropped by 7.7 percent. This upswing in Pennsylvania breeding would never have been possible without Act 71 and the incentives it provides for Pennsylvania bred horses. I believe we are only now beginning to see the positive impacts that the breeding incentives will have on the overall Pennsylvania agricultural economy.**

**Third, we are seeing many new people begin to get involved in the horse racing business thanks to the attraction of larger purses. Individuals are realizing that if they make the investment, they will see the returns. Similarly, trainers are expanding and building upon their existing businesses, thanks to the larger purses. We are also luring owners from other states such as Maryland, New York, and New Jersey to Pennsylvania, individuals who in turn are making an investment in Pennsylvania and our economy.**

**This brings me to my fourth point of accomplishments we have been able to achieve under Act 71. It is a program that I and the membership of the Pennsylvania Thoroughbred Horsemen's Association are very proud of. Thanks to the increased purses and increased revenues to the industry, our organization last year launched the nation's first horse rescue program, Turning for Home. This program has become a national model for racetracks and horsemen's associations around the country who call us on a regular basis for information and guidance on establishing their own rescue programs. And the program will soon be featured on HBO's Real Sports with Bryant Gumbel. In addition, the House has passed resolution HR 199 honoring Turning for Home and its accomplishments.**

**Under the program, Turning for Home takes retired or injured horses and, through partnerships with non-profit horse retirement programs around the country, finds new careers for them as pleasure, show or riding horses. This ensures that any horse that races at Philadelphia Park will never be in danger of going to the unconscionable horse slaughters. Act 71 made this program possible because it**

**allowed us to raise the necessary funds from our members. Thanks to increased purses, we are able to assess our horsemen \$10 per start and jockeys \$10 per win and \$5 for each second place win. This allows us to raise roughly \$15,000 per month for the placement of horses in this program. In addition, our association and the Philadelphia Park Racetrack contribute a combined \$100,000 per year to the program. To date, we have already saved 190 horses from potential slaughter since the program began in May 2008. This program would never have been possible without Act 71.**

**We have also witnessed a fifth major benefit to our association as a result of Act 71 and the legalization of slot machines at race tracks. At Philadelphia Park, the owner and operator of the race track in investing \$25 to \$30 million in backside improvements at the race track. The old dilapidated barns that house the horses of our members are being replaced with a total of 36 new barns with improved air circulation, structural integrity, and improved living conditions. We are seeing roadway improvements. The dorms that house many of our caretakers are being refurbished with new air conditioning units and windows, greatly improving the standard of living of our workers. At the same time, the owner of Philadelphia Park is constructing a brand new casino from the ground up, with new restaurants, entertainment options and employment opportunities for Pennsylvania residents. For our part, this time next year, the racetrack will also have a newly refurbished grandstand. And we have received a promise from the operator that they will work with our organization to plan and host more than half a dozen special events at the racetrack next year designed to draw in new customers and rebuild the racing industry's fan base. This investment by the operator would never have happened without the introduction of slot machines. But a reduction in revenue at casinos could reduce or eliminate these commitments as well as investments and future expansion plans at other casinos.**

**Finally, Act 71 has resulted in a major investment in the health and pensions of those involved in our industry. For the first time in the history of the sport, our members are receiving basic health insurance that includes eye and dental coverage. They are receiving death benefits and money is being allocated to pensions for our members when they retire from the industry. This provides a sense of financial security for individuals who participate and partake in the horse racing industry that would never have been possible without Act 71.**

**As you can see, in the two and a half years since the first casino in Pennsylvania opened in November 2006, we have witnessed a remarkable transformation in the horse racing and breeding industry in Pennsylvania that has had profound impacts on the agriculture sector and other aspects of the Pennsylvania economy. Yet, we are just in the early stages of the rebirth of our industry, with many challenges and opportunities still ahead of us. But, if we make wise decisions and continue to invest in our industry, there is no reason why Pennsylvania's horse racing industry can not become the economic driver that it is in Kentucky. I believe we are headed in the**

**right direction to make Pennsylvania the premier horse racing state in the country, but we need to maintain the promise of Act 71 to achieve that goal.**

**In the view of the Pennsylvania Thoroughbred Horsemen's Association, further expansion of gaming through legalization of video poker and other so-called video lottery machines will jeopardize the remarkable progress that we have made over the past two and a half years. Under H.B. 1317, each of the state's 11,000 bars and restaurants and 3,000 private social clubs with liquor licenses would be allowed to install up to five video lottery machines. That creates the potential for another 70,000 machines in the Commonwealth. Currently, there is somewhere in the range of just 18,800 slot machines operating at the state's existing casinos. Even if only half of the eligible bars, restaurants and social clubs opt to install the new lottery machines, we are still looking at an additional 35,000 machines in Pennsylvania. That would be nearly triple the number of machines currently in operation today, which will clearly dilute the market and reduce revenues to the existing machines and casinos. That in turn will harm the progress made in the horseracing industry**

**By siphoning revenues away from existing casinos and the dedicated funding to our industry that those revenues represent, video lottery terminals will adversely impact our purses, our breeding incentives, our ability to attract new people to the industry, funding for horse rescue programs, and our funding of health and pension benefits for our members.**

**It will not only negatively impact the racing industry, but it will also have a detrimental impact on monies available for property tax relief.**

**While funding for higher education is certainly a laudable and worthy goal, this proposal threatens the remarkable progress we have made in breathing new life into the horse racing industry in Pennsylvania and the positive impacts on the state's economy that has accompanied that progress.**

**I would like to close by thanking you Chairman Santoni and the members of the House Gaming Oversight Committee for the opportunity to share the views of the Pennsylvania Thoroughbred Horsemen's Association and our members. With that, I look forward to answering any question that you and the members of the committee may have in regards to my testimony.**