

**Testimony of
Salvatore M. DeBunda, Esquire
A Director and First Vice President
of the Pennsylvania Thoroughbred Horsemen's Association**

**Hearing
of the
House Gaming Oversight Committee**

Thursday, May 15, 2008

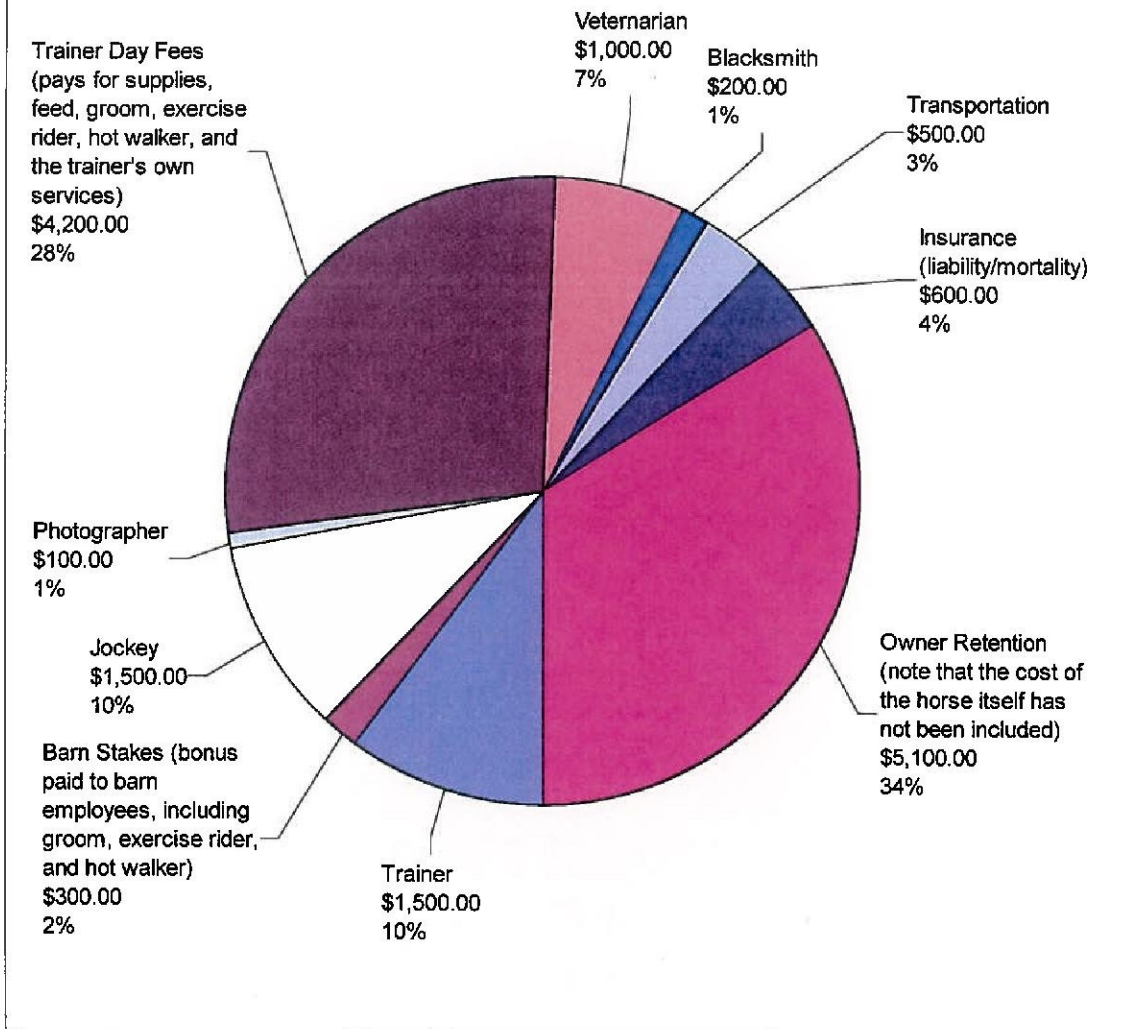
Good Morning Chairman James and Chairman Clymer and Members of the House Gaming Oversight Committee. Thank you for the opportunity to share our thoughts on House Bill 2121. My name is Salvatore DeBunda. I am here today as a Director and First Vice President of the Pennsylvania Thoroughbred Horsemen's Association which represents the owners and trainers at Philadelphia Park. I have been a horse owner and breeder of thoroughbred horses in the Commonwealth of Pennsylvania since 1988 and a Director and Officer of the PTHA since 1995. As an owner and breeder and as an officer of the PTHA, I have participated in races or attended races at almost every racing jurisdiction in the United States and Canada.

The business of conducting live thoroughbred and harness racing within Pennsylvania provides tens of thousands of job opportunities for Pennsylvanians and preserves tens of thousands of acres of pasture land for the care, feeding, and stabling of horses. Virtually everyone who advocated for the expansion of slot machines at racetracks cited the need to save this important Pennsylvania-based agricultural industry.

Allocation of revenues from gaming proceeds to support live horse racing is the best and most effective means to generate broad-based economic stimulus throughout our Commonwealth. Horsemen are dispersed throughout the Commonwealth, in numerous communities, not just in the few municipalities that host a racetrack. Through the allocation of gaming revenues to purses, and for health care programs within the equine industry, the economic benefits of gaming are spread beyond the immediate sites where tracks are located. That is why we support HB 2121 and its allocation of 6% of table gaming revenues to support our states horse racing program. The infusion of revenues generated through table game entertainment throughout Pennsylvania's equine industry and many farm related communities can only be accomplished through our purse and breeding programs.

Money will stay in the state and circulate throughout the economy as horsemen, breeders, trainers, grooms, and all of the other people associated with the care, feeding, and racing of horses, pay their bills and their taxes. As a horse owner, please allow me a minute to illustrate how I allocate my purse funds when I am fortunate enough to have a horse win a \$15,000 purse.

How a \$15,000 Win is Spent



Of those tens of thousands of Pennsylvanians who make their living within the state's equine industry the vast majority derive all or a significant portion of their salaries through the distribution of purse winnings and breeding fund payments. As noted above, it is through those monies that horse owners and breeders pay their trainers, jockeys, hot walkers, grooms, feed dealers and veterinarians, as well as preserve open spaces for pasture and feed crops.

Questions have been raised about the amount of purse funds going to "out of state" owners. Recently we completed a study of the purses paid to trainers for horses finishing first, second, and third at all races at Philadelphia Park in 2007. Pennsylvania

based trainers and horses accounted for 82% of purses paid at Philadelphia Park. Further, if you remove from consideration the large purses paid in our two premier events, the Pennsylvania Derby and the Cotillion Handicap, which draws high caliber horses from throughout the country, Pennsylvania based trainers would have accounted for 85% of purses paid.

It is for these reasons that the members of the Pennsylvania Thoroughbred Horsemen's Association, urge you to support HB 2121 and direct 6% of table game entertainment revenue to purses and our Health and Pension fund. However, as a technical matter, the current language of Section 2304 in the Bill relies on too many references to the existing Race Horse Development and Gaming Act. Because these two acts operate differently, the cross references would be difficult, if not impossible, to interpret in a clear and consistent manner. We are proposing revisions to Section 2304 to include the specific assessment calculation and distribution process, so that all relevant provisions are clearly and unambiguously contained in the Table Game Authorization and Control Act itself.

In addition, if we want to grow this investment in our state's equine industry into an economic driver like it is in Kentucky, Florida, California, and New York, we ask for your consideration of imposing another 1% assessment on table game revenues to fund a new Horse Racing Marketing Fund as our industry is faced with an entirely new paradigm as a result of gaming.

Track operators who previously were dependant upon track attendance and live handle wagering to generate their revenues, aggressively promoted live racing. With the advent of slots, track operators have a greater interest and financial return in promoting their slots facilities, not racing. This is evidenced at Philadelphia Park where our daily wagering and track attendance is down over 24%.

In fact, our premiere race, the Pennsylvania Derby, which the track aggressively marketed in the past would attract 20,000 to 25,000 fans. Track management intentionally reduced these numbers through little advertising, even less marketing, and fewer fan oriented attractions resulting in approximately 8,000 fans attending last year's race, a fraction of its previous attendance. That would be similar to Churchill Downs deciding the Kentucky Derby had gotten too big and its grandeur had to be dampened.

With the track operators now focused more intently on the promotion of their gaming facilities we believe the state needs to establish and direct a portion of the gaming proceeds to a state-wide Horse Racing Marketing Fund. We envision this fund being jointly administered and directed by a joint panel of governmental and industry representatives. Their goal would be to leverage the monies within the fund to promote Pennsylvania's outstanding racing programs and to grow our industry into an even greater economic driver than it is today.

To gain just a glimpse of the positive potential such an investment could mean for Pennsylvania, I call your attention to a recently completed study of the equine industry in

New Jersey. This study was jointly funded by the State of New Jersey and industry participants, and was completed by the University of Rutgers. The result showed an industry that generated \$1.1 billion in annual economic activity. Ladies and gentlemen, New Jersey's equine industry is a fraction of ours and also does not feature year round racing.

The Pennsylvania Thoroughbred Horsemen's Association believes we have a "moment in time" to capture remarkable growth for our state's equine industry. Growth that will position us with the best equine programs in the nation, provide thousands of jobs, and preserve more farmland for feed crops and pastures, as well as more broadly disperse these benefits throughout our Commonwealth.

Thank you for your time and attention. I would be happy to respond to any questions you may have.

SUGGESTED REVISION OF H.B. 2121 (May 15, 2008)

Section 2304. Distribution to Pennsylvania Race Horse
Development Fund.

(a) Distributions.--Each licensed table game entity shall pay a daily assessment of 6% of its daily gross table game revenue to a separate account in the Pennsylvania Race Horse Development Fund established under 4 Pa.C.S. § 1405 (relating to Pennsylvania Racehorse Development Fund). The distribution for that day from such separate account to each active and operating Category 1 licensee conducting live racing shall be a percentage of the total daily assessments for that day paid into the Pennsylvania Race Horse Development Fund under this section equal to the gross table game revenue for that day of each active and operating Category 1 licensee conducting live racing divided by the total gross table game revenue for that day of all active and operating Category 1 licensees conducting live racing. The distributions to licensed racing entities from such separate account in the Pennsylvania Race Horse Development Fund [The daily assessment required to be paid under this section] shall be allocated as follows:

(1) Eighty percent of the daily assessment shall be deposited weekly in [the] a separate interest-bearing purse account established under 4 Pa.C.S. § 1406(a)(1)(i) (relating to distributions from Pennsylvania Race Horse Development Fund). Funds deposited in the Pennsylvania Race Horse Development Fund under this subsection shall be distributed and used in accordance with the requirements of 4 Pa.C.S. § 1406(a)(1)(i) (relating to distributions from Pennsylvania Race Horse Development Fund).

(2) Twenty percent of the daily assessment shall be allocated to the horsemen's organization for programs for the benefit of horsemen of this Commonwealth as provided under 4 Pa.C.S. § 1406(a)(1)(iii). Funds deposited in the Pennsylvania Race Horse Development Fund under this subsection shall be distributed and used in accordance with the requirements of 4 Pa.C.S. § 1406(a)(1)(iii) (relating to distributions from Pennsylvania Race Horse Development Fund).

(b) Use of funds.--[Funds deposited in the Pennsylvania Race Horse Development Fund under subsection (a) shall be distributed and used in accordance with the requirements of 4 Pa.C.S. §§ 1405 and 1406.] In no case shall the funds distributed pursuant to this subsection be used for any purpose other than the purposes provided under 4 Pa.C.S. § 1406(a)(1)(i) and (iii) and recipients of such funds shall be subject to the same guidelines, eligibility requirements, reasonableness, audits, contract requirements and penalties provided in 4 Pa.C.S. § 1406 (b)-(g).

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The Honorable Jeffrey E. Piccola
Chairman of the State Government Committee
159 Main Capital Building
Harrisburg, PA 17120

The Honorable Michael W. Brubaker
Chairman of the Agriculture Committee
457 Main Capital Building
Harrisburg, PA 17120

Re: 2007 Purse Earnings to Pennsylvania Based Horses

Dear Senators Piccola and Brubaker:

As you may recall, I am the First Vice President and a Director of the Pennsylvania Thoroughbred Horsemen's Association.

Pursuant to your request at my hearing before the State Government Committee on April 3, 2008, I am enclosing information about the percentage of purses paid during 2007 to Pennsylvania based horses.

Some background information is required before you analyze the report. We used the trainer as a way of determining the earnings by using the amounts paid to trainers who have horses at Philadelphia Park as opposed to those who ship in from out of state, because a horse stabled at Philadelphia Park may be owned by a Pennsylvania resident, a New Jersey resident or a resident from other states but the important thing to remember is that wherever those owners may reside, they are spending fees for training, feed, veterinary services, shipping, jockey fees and all the other expenses associated with owning and racing thoroughbreds in the Commonwealth of Pennsylvania and specifically at Philadelphia Park. In our opinion, we believe this is a much greater indicator of what funds are staying in Pennsylvania rather than where a particular owner may reside.

I have had the staff at the Pennsylvania Thoroughbred Horsemen's Association ("PTHA") do a day by day analysis of purses paid per trainer for finishing first, second and third at Philadelphia Park for all of 2007. A copy of that report is attached. The listings where the trainer's name is in bold and italics represents an out of state trainer and all the others represent trainers who have their horses stabled at Philadelphia Park. Again, this is only for the first, second and third finishers and while some proceeds are paid down to last, they are insignificant in the overall scheme of purses since 90% of the purses are paid to horses who finish first, second or third in a race. This report shows that \$40,276,400 was paid out in purses during 2007 for horses finishing first, second and third and of that, \$7,263,670 or 18% of those purse proceeds were paid to trainers from out of state. This means that more than \$33,000,000 of purses were paid to Pennsylvania based trainers and horses during 2007 accounting for 82% of

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The Honorable Michael W. Brubaker
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purses paid at Philadelphia Park. We believe this proves that the bulk of the proceeds from racing at Philadelphia Park are staying in the Commonwealth of Pennsylvania and being used to support the racing of thoroughbreds in the Commonwealth.

I would add one other observation to this analysis. The Pennsylvania Derby was held on September 3, 2007 with a purse of \$1,000,000 and the Cotillion Handicap was held on September 22, 2007 with a purse of \$750,000. Because of the size of the purses, these races normally attract premier horses from out of state and during 2007, 100% of the horses who finished first, second or third were from out of state. If you remove these two races from the analysis, the amount paid to Pennsylvania based horses for 2007 is approximately 85%. While the proceeds from these two races do go to out of state horses, they attract a lot of live patrons as significant events for live racing at Philadelphia Park and in the past, they have attracted significant crowds, especially the Pennsylvania Derby, which has attracted in excess of 20,000 to 25,000 fans for that one day of racing at Philadelphia Park. Because such an attendance would conflict with the gaming at Philadelphia Park, the ownership of Philadelphia Park has not marketed those events and its target for attendance at the Pennsylvania Derby this past year was 5,000-6,000 people. While this may help the gaming results, it certainly does not help, in our opinion, the live racing in Philadelphia Park because while we are giving away significant purses on those days, we are not trying to attract the crowds to that special day of racing in the Commonwealth. In our opinion, this needs to be addressed because to give those purses away on those days to out of state horses without getting the impact of having special days for large crowds at the racetrack seems counterproductive.

While we were not able to obtain statistics for the amount of Pennsylvania bred money being paid, since PA bred bonuses are only paid to owners, breeders and stallions for finishes of first, second or third in a race, I would expect that the results would approximate the results reflected in this analysis.

I would be glad to discuss this with you at your convenience. I hope this clarifies a lot of the issues that were raised regarding the percentage of purses paid to Pennsylvania horses during 2007.

Very truly yours,



Salvatore M. DeBunda

SMD:dk

Enclosures

cc: (w/encls.) Cheryl Cook, Deputy Secretary for Marketing,
Promotion & Program Services
Pennsylvania Department of Agriculture
Melinda Morris Tucker, Director, Racetrack Gaming,
Pennsylvania Gaming Control Board
Gary R. Babin, Esquire
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