

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

* * * * *

Racehorse Development in Pennsylvania

* * * * *

House Gaming Oversight Committee
Agriculture and Rural Affairs Committee

Main Capitol Building
Room 140, Majority Caucus Room
Harrisburg, Pennsylvania

Monday, September 29, 2008 - 10:00 a.m.

--oOo--

BEFORE:

Honorable Harold James, Majority Chairman
Gaming Oversight Committee
Honorable Mike Hanna, Majority Chairman
Agriculture and Rural Affairs Committee
Honorable Ronald G. Waters
Honorable Florindo J. Fabrizio
Honorable Mike O'Brien
Honorable Eddie Day Pashinski
Honorable Chris Sainato
Honorable Mike Carroll
Honorable Mark Cohen
Honorable Scott Conklin
Honorable Richard Grucela
Honorable Paul I. Clymer, Minority Chairman
Gaming Oversight Committee
Honorable Arthur Hershey, Minority Chairman
Agriculture and Rural Affairs Committee
Honorable Adam C. Harris
Honorable Michael Peifer
Honorable Jim Cox
Honorable Gordon Denlinger
Honorable Rob Kauffman
Honorable Mark Keller
Honorable David Millard
Honorable Dan Moul

- 1 ALSO PRESENT:
- 2 Terrence Alladin
 Majority Executive Director
- 3 Gaming Oversight Committee
- 4 Mandi Love
 Majority Consultant
- 5 Gaming Oversight Committee
- 6 Rebecca Sammon
 Majority Research Analyst
- 7 Gaming Oversight Committee
- 8 Latasha Williams
 Majority Research Analyst
- 9 Gaming Oversight Committee
- 10 Diane Hain
 Majority Executive Director
- 11 Agriculture and Rural Affairs Committee
- 12 Alycia Laureti
 Majority Research Analyst
- 13 Agriculture and Rural Affairs Committee
- 14 Donna Dedert-Clark
 Majority Committee Legislative Assistant
- 15 Agriculture and Rural Affairs Committee
- 16 Jennifer Weeter
 Minority Executive Director
- 17 Gaming Oversight Committee
- 18 Kerry Golden
 Minority Executive Director
- 19 Agriculture and Rural Affairs Committee
- 20 Jay Howes
 Minority Director, Policy Development
- 21 Agriculture and Rural Affairs Committee
- 22
- 23
- 24
- 25

1	C O N T E N T S	
2	WITNESSES	PAGE
3	Opening Remarks	
4	Representative Michael K. Hanna, Majority Chairman Agriculture and Rural Affairs Committee	5
5		
6	Representative Harold James, Majority Chairman Gaming Oversight Committee	6
7	Representative Arthur D. Hershey, Minority Chairman,	9
8	Agriculture and Rural Affairs Committee	
9	Representative Paul Clymer, Minority Chairman Gaming Oversight Committee	9
10		
11	Melinda Tucker, Director of Racing Pennsylvania Gaming Control Board	12
12		
13	Cheryl Cook, Deputy Secretary Department of Agriculture	22
14	Dr. Paul Spears, President Pennsylvania Standardbred Breeders Association	35
15		
16	Todd Mostoller, Executive Director Pennsylvania Horsemen's Protective and Benevolent Association	53
17		
18	Mike Tanner, Director of Racing Operations Harrah's Chester Downs	67
19	Mike Izzo, Chief Financial Officer Pennsylvania Harness Horsemen's Association	74
20	Joseph T. Tyrrell, Regional Vice President of Government Relations for Harrah's	
21		
22	Jeffrey Firmstone, Vice President Quaker State Racing Association Pennsylvania State Association of County Fairs	86
23		
24	Michael P. Ballezzi, Executive Director Pennsylvania Thoroughbred Horsemen's Association	103
25		
	WITNESSES (Continued)	PAGE

1	J. Gary Luderitz, Vice President and General	117
2	Manager	
	Hollywood Casino at Penn National Race Course	
3		
	Chris McErlean, Vice President of Racing	123
4	Penn National Gaming, Inc.	
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 CHAIRMAN HANNA: Good morning, everyone. I'm
2 Representative Mike Hanna and I have the honor of chairing
3 the House Agricultural Committee. We'd like to welcome you
4 all to this hearing this morning.

5 Before we start, a couple housekeeping items.
6 We are live on PCN so let me start by asking everyone to
7 turn their cell phone off so we don't have disruptions. And
8 let me also point out that since we are live on PCN it's
9 very important that those who are speaking to us use the
10 microphones and speak directly into the microphone and those
11 that are participating in the hearing from either of the two
12 committees use the microphones as well. Otherwise, you will
13 not be heard on PCN.

14 I'd like to thank -- or I'd like to start by
15 thanking Chairman Harold James for organizing this hearing
16 and bringing everybody together for this purpose this
17 morning. I'd also like to thank all the organizations that
18 have agreed to testify here today.

19 In 2004 Pennsylvania showed its significance to
20 horse racing development with the enactment of Pennsylvania
21 Horse Racing and Development Act, Act 71. The Act
22 established several programs to benefit horse racing in the
23 Commonwealth and provided funds to accomplish those goals
24 through two restricted accounts, Thoroughbred Breeders Fund
25 and the Standardbred Sire Stakes Program. Today's hearing

1 is an opportunity to see how Act 71 is working.

2 As chairman of the House Agricultural Committee,
3 I receive comments -- I've received comments from
4 individuals and organizations concerned about the condition
5 of some of our racetracks, the appropriate use of funds
6 allocated, specifically track conditions and maintenance of
7 barns and other facilities. So we look forward to hearing
8 from the organizations that we've asked to be here today so
9 that we can gain information about that and gain information
10 about how Act 71 is working.

11 With that, I'll ask Chairman James to give his
12 opening and welcoming remarks. Chairman James.

13 CHAIRMAN JAMES: Thank you. Thank you, Mr.
14 Chairman. I appreciate it very much, and I want to thank
15 you also for participating and helping to put this together.

16 My name is Harold James. I'm the majority chair
17 of the Gaming Oversight Committee. Good morning, and thank
18 you for taking the time to be here today as we discuss the
19 issues affecting our horsemen and our Commonwealth. I would
20 also like to thank Majority Chairman Hanna for agreeing to
21 hold this joint hearing with the Gaming Oversight Committee
22 and the staff of the Agricultural and Rural Affairs for
23 their hard work and cooperation.

24 The idea for this joint hearing with my
25 colleagues and friends from the Agricultural and Rural

1 Affairs Committee grew out of the meetings and tours that
2 the Gaming Oversight Committee held at casinos and
3 racetracks across Pennsylvania. We wanted to bring together
4 various players from the various groups to discuss the
5 important issues with the equine industry.

6 It is no coincidence that this legislation that
7 legalized slots gaming in Pennsylvania, Act 71 of 2004, is
8 titled the Pennsylvania Racehorse Development and Gaming
9 Act. The equine industry is essential to the survival of
10 the Pennsylvania agricultural community. Out of the slot
11 funds collected by the Commonwealth, 12 percent is allocated
12 to the equine industry. Thus, Pennsylvania has a vested
13 interest in the success of this industry.

14 The last several years have seen changes,
15 tragedies and crimes in horse racing across America. In
16 2004 Pennsylvanians cheered as the first Pennsylvania-bred
17 horse, Smarty Jones, won the Kentucky Derby. In early 2007
18 Pennsylvania mourned as Barbero lost his life after a
19 valiant fight in the New Bolton Center outside of
20 Philadelphia. A series of catastrophic injuries in
21 high-profile races such Barbero in the 2007 Preakness, Pine
22 Island in the 2006 Breeders' Cup, Distaff George Washington
23 in the 2007 Breeders Cup Classic, and most recently Eight
24 Belles in the 2008 Kentucky Derby ushered in changes in the
25 proliferation of racing on synthetic surfaces.

1 Synthetic surfaces have been installed in**
2 Kentucky and Santa Ana in California, and in late 2007 we
3 saw the first synthetic racetrack in the Commonwealth at
4 Presque Isle Downs.

5 Since the legalization of slots gaming in
6 Pennsylvania, \$124.7 million of gaming revenue has been
7 placed into the Racehorse Development Fund. These funds
8 have been used for breeding programs, increased purses and
9 health and pension benefits for horsemen, and the infusion
10 of money has helped to advance Pennsylvania's stature in the
11 industry.

12 The industry is attracting more breeders and
13 horsemen from other states. As Pennsylvania moves into a
14 position of leadership within the horse racing community, it
15 is our responsibility as legislators to ensure that the
16 horse industry continues on that path. It is also our duty
17 to ensure not only the integrity of the sport but also the
18 health and safety of its athletes, both the equine and
19 humans, in addition to ensuring the people of this
20 Commonwealth that the money given the Racehorse Development
21 Fund is money well spent. We also look for improvements in
22 the back side.

23 And I thank you for your time, and I now turn
24 the microphone over to my colleague, the honorable gentleman
25 from Chester County, Representative Hershey of the

1 Agricultural and Rural Affairs Committee.

2 REPRESENTATIVE HERSHEY: Thank you, Chairman
3 James. I am Art Hershey, Minority Chairman of the House Ag
4 Committee from Chester County, and we have a lot of good
5 horse farms there but I am here today to learn and to see
6 how this is progressing.

7 I don't have any overall comments. We did well
8 in the last three or four years in Chester County and we'll
9 just let it go at that and welcome everybody to the hearing.
10 Thank you.

11 CHAIRMAN JAMES: Chairman Clymer.

12 REPRESENTATIVE CLYMER: Thank you, Chairman
13 James. And good morning to everybody. It's good to see
14 such a fine turnout this morning. And I'm also very much
15 interested in hearing from the testimony and the testifiers
16 today on this very important issue as to how the gaming
17 money has been used on the back side development, uses for
18 purses, the construction of stables as Chairman James has so
19 properly outlined.

20 So without further adieu, we look forward to the
21 first testifier. And again thank you, everyone, for being
22 here today.

23 CHAIRMAN HANNA: I'd like to allow the members
24 of both the Ag Committee and the Gaming Oversight Committee
25 to introduce themselves as well. So we'll start over here

1 on my left.

2 REPRESENTATIVE MILLARD: David Millard, 109th
3 District, Columbia County.

4 REPRESENTATIVE MOUL: Good morning. I'm
5 Representative Dan Moul from Adams County.

6 REPRESENTATIVE SAINATO: Good morning. I'm
7 representative Chris Sainato. I represent parts of Lawrence
8 and a section of Beaver County.

9 REPRESENTATIVE PASHINSKI: Good morning.
10 Representative Eddie Day Pashinski, Luzerne County, 121st
11 District.

12 REPRESENTATIVE CARROLL: Good morning. I'm
13 Representative Mike Carroll from Luzerne and Monroe
14 Counties.

15 REPRESENTATIVE FABRIZIO: Good morning.
16 Florindo Fabrizio, Erie County.

17 REPRESENTATIVE O'BRIEN: Good morning. Mike
18 O'Brien, 175th District, Philadelphia County.

19 REPRESENTATIVE KAUFFMAN: Rob Kauffman, 89th
20 District, Franklin, Cumberland.

21 REPRESENTATIVE HARRIS: Adam Harris, 82nd
22 District, Juniata, Mifflin and Snyder.

23 REPRESENTATIVE PEIFER: Good morning. Mike
24 Peifer, 139th District, Wayne, Monroe and Pike Counties.

25 REPRESENTATIVE GRUCELA: Representative Rich

1 Grucela from the 137th District, Northampton County.

2 REPRESENTATIVE KELLER: Good morning. Mark
3 Keller from the 86th District which is all of Perry and part
4 of Franklin County.

5 REPRESENTATIVE CONKLIN: Scott Conklin, the
6 western portion of Centre County, 77th District.

7 CHAIRMAN HANNA: We certainly want to thank all
8 the members for their attendance today. It's always very
9 helpful to have such good participation.

10 Before I call for our first testifiers, as the
11 members of the Ag Committee know, we have a rule in the Ag
12 Committee for hearings where we try and limit our questions
13 to just one to try and make sure that we don't take time
14 away from every member who may have a question. And of
15 course that one question always evolves into two. So today
16 we're going to have a rule that says you only get a half a
17 question in hopes that it only evolves into one full
18 question because otherwise we're not going to be able to get
19 through all the testimony. So I would ask members to please
20 be as concise as possible in their questioning so that we
21 can give every member an opportunity to speak on issues.

22 At the conclusion of the hearing, if we have
23 additional time, we will allow additional member questions
24 at that point. So let us get started.

25 First we're going to have Deputy Secretary of

1 the Department of Agriculture, Cheryl Cook, as well as the
2 Director of Racing for the Pennsylvania Gaming Control
3 Board, Melinda Tucker. I'd ask them to come forward and
4 present their testimony.

5 MS. TUCKER: Good morning, Chairman James and
6 House members. Cheryl and I have coordinated our testimony,
7 and I'm going to go first because I believe that the flow of
8 testimony will be more understandable in that regard. So I
9 hope that meets with your approval.

10 My name is Melinda Tucker, and I'm the Director
11 of Race Track Gaming for the Pennsylvania Gaming Control
12 Board. I'd like to give you a very brief summary of my
13 background so you will better understand what I do and how I
14 came to the Pennsylvania Gaming Control Board from
15 Louisiana.

16 From 1996 to 2005 I was an attorney in the
17 Gaming Division of the Office of Attorney General for the
18 State of Louisiana. My prior legal experience includes
19 assistant district attorney in New Orleans, an attorney in
20 private practice for a number of years in Louisiana and
21 Mississippi, and from 1992 to 1996 as Assistant Attorney
22 General assigned as general counsel to the Louisiana Racing
23 Commission, a racing jurisdiction with thoroughbred and
24 quarter horse racing.

25 In 1997 the Louisiana Legislature enacted the

1 Pari-mutuel Live Racing Redevelopment and Gaming Control Act
2 which legalized slot machine gaming at racetrack facilities.
3 At that time I was named to the position of Section Chief
4 for Racetrack Gaming in the Office of the Attorney General
5 to coordinate regulation and enforcement between the gaming
6 and racing industries.

7 It's important to note that Louisiana's gaming
8 regulatory design was modeled after New Jersey, a
9 jurisdiction that many, including a number of lawmakers here
10 in Pennsylvania, consider one of the best, if not the best,
11 gaming regulatory jurisdictions in the country.

12 There's been a lot of talk here about how long
13 it took the Gaming Control Board to open its first casino.
14 That period was 30 months after passage of the law. To put
15 that into perspective, it was four years and eight months,
16 or 56 months, after the passage of the Racetrack Gaming Act
17 in Louisiana before the first racetrack casino or racino, as
18 some refer to it, opened. That was Delta Downs Racetrack
19 and Casino in Vinton, Louisiana, a Boyd Gaming property.

20 Thereafter, two additional racetrack casinos
21 were opened in quick succession, Louisiana Downs, a Harrah's
22 property, in Shreveport, and Evangeline Downs near
23 Lafayette. A fourth racetrack casino at the Fairground Race
24 Course in New Orleans was in the planning stages when I left
25 New Orleans.

1 As a result of my experience in racetrack
2 gaming, I was contacted by the Pennsylvania Gaming Control
3 Board in 2005 -- in August of 2005 and they expressed
4 interest in my services since there are relatively few
5 professionals who have experience in regulating both the
6 racing and gaming industries. I joined the staff at the
7 Gaming Control Board in October of 2005 with a little
8 encouragement from Hurricane Katrina.

9 Subsequently, I have discovered that
10 Pennsylvania is the only gaming jurisdiction that has a
11 position such as mine. Let me elaborate a bit more on what
12 my duties and responsibilities include.

13 First and foremost, I coordinate the various
14 regulatory responsibilities of the PGCB as they relate to
15 the racing industry with the Horse and Harness Racing
16 Commissions. The Gaming Control Board has made it a
17 priority to establish good lines of communication with the
18 respective racing commissions in order to assist one another
19 with regulating these two very complex industries. As you
20 are aware, the Gaming Act provides that slot machine gaming
21 at racing facilities is intended to enhance live horse
22 racing and breeding programs and to foster the improvement
23 of living and working conditions on the back-side areas of
24 racetracks.

25 While recognizing that the primary regulatory

1 responsibility over horse and harness racing lies with the
2 racing commissions, there are specific responsibilities that
3 the Gaming Act requires of the Gaming Control Board. These
4 responsibilities include ensuring that funds allocated to
5 horsemen are used for the programs for which they were
6 intended; monitoring the distribution of funds from the
7 Pennsylvania Racehorse Development Fund; reviewing and
8 approving health and pension benefit plans for horsemen; and
9 monitoring compliance with the statutory requirements for
10 backside/backstretch or back-side improvements.

11 To fulfill these responsibilities, the Gaming
12 Control Board has promulgated regulations and a statement of
13 policy that provide for the licensing of officers and
14 directors of horsemen's organizations who manage gaming
15 funds that they have received and which are intended for
16 purses and health and pension benefits; the monitoring of
17 the distribution of gaming funds for purses and health and
18 pension benefits; and the submission of quarterly reports,
19 in addition to the statutorily required audit, that detail
20 the receipt and distribution of these gaming funds to the
21 intended beneficiaries.

22 Additionally, operators of racetrack casinos are
23 regularly requested to appear before the board to report on
24 revenue distribution to the horsemen and back-side
25 improvements, as well as to answer any questions the board

1 members may have.

2 To try and determine the impact that gaming has
3 had on racing in Pennsylvania, I work with Kevin Kile from
4 our Office of Gaming Operations. Kevin is an MBA graduate
5 of Robert Morris University, has spent his entire young
6 career working in various managerial and accounting
7 positions within the pari-mutuel racing and gaming industry.
8 We have worked together to create a benchmark report which
9 details certain racing statistics for the 2006 racing year
10 versus those same statistics for the 2007 racing year.

11 The report can be found on our website. The
12 information contained in this document shows how gaming has
13 impacted the pari-mutuel industry after one full year of
14 gaming operations in Pennsylvania.

15 Although the statistical data is informative, it
16 is our belief that we will not be able to determine a
17 definite trend for at least two to three years. Part of the
18 reason for this is that many of our racing facilities are in
19 the midst of significant construction. For example, at
20 Philadelphia Park, the erecting of steel for the permanent
21 casino began in August and the facility is not scheduled to
22 open until December of 2009. Gaming is currently being
23 conducted in a retrofitted pari-mutuel facility.

24 Reconverting the facility from a temporary
25 gaming facility to a pari-mutuel facility will take

1 approximately six months. Therefore, it will not be until
2 the middle of 2010 before the final reconversion of the
3 pari-mutuel facility is complete and the permanent
4 facilities are operating as planned.

5 On the other side of the Commonwealth, The
6 Meadows is also operating out of a temporary gaming facility
7 while the permanent facility is being built. It is
8 scheduled to open in May of 2009. And, finally, Mohegan Sun
9 at Pocono Downs just opened its permanent facility in July
10 of this year and Penn National opened in February. So one
11 full year has not yet passed with these facilities in
12 operation as was envisioned by the act.

13 Nonetheless, we will update the report at the
14 beginning of 2009 so that benchmarking can be consistent.
15 It is my belief that it will not be until the end of 2010
16 when all the permanent racing and gaming facilities have
17 been conducting business for one full year that we will be
18 able to glean any trends in the industry from the
19 statistical information that is being collected by the
20 Gaming Control Board.

21 However, even with some of these challenges in
22 reporting true statistics, I have been receiving phone calls
23 from individuals in the racing industry from throughout the
24 country commending this report as an industry first. As a
25 result of this work, Kevin and I have been invited to attend

1 the University of Arizona Symposium on Racing and Gaming as
2 panelists to speak about the challenges of creating this
3 type of report and to discuss the model that we used. This
4 symposium, which is the oldest of its kind in the country,
5 is held each December in Tucson, Arizona, and is attended by
6 racing and gaming executives from around the world.

7 In a recent conversation with the coordinator of
8 this program, we were told that other states are looking at
9 this state -- that racinos are looking at this report as a
10 model and requesting that this data be collected from their
11 gaming regulators. I'm proud of the fact that Kevin and I
12 have broken new ground for Pennsylvania.

13 I would like to now address two additional areas
14 where the Gaming Control Board has become involved, that is,
15 equine health and safety and farmland preservation.

16 Among it's many accomplishments, the Horse and Harness
17 Racing Commissions have banned the use of anabolic steroids
18 and certain types of horseshoes and pushed for improvements
19 to racetrack surfaces. As many of you may know, at the
20 Kentucky Derby this year there was a tragic incident when
21 the filly Eight Belles broke down on the gallop after
22 finishing second in the race.

23 In a show of support for the equine athlete and
24 the racing commissions' endeavors regarding equine health
25 and safety, the Gaming Control Board at its May 15th meeting

1 passed a resolution supporting the racing commissions'
2 commitment to equine health and safety. While recognizing
3 that the primary regulatory responsibility for racing lies
4 with the respective commissions, the board wanted to send a
5 message that there must be synergy with the state's racing
6 commissions in our joint regulatory endeavors.

7 It must be remembered that without a racing
8 license the operators of racinos are barred from conducting
9 gaming activities of any kind. Therefore, it is imperative
10 that both the Pennsylvania Gaming Control Board and the
11 Horse and Harness Racing Commissions work as a team to
12 ensure the best possible result for the racing industry that
13 is intended to be one of the primary beneficiaries of the
14 gaming act.

15 Likewise, with respect to farmland preservation,
16 the board has been receiving information concerning the
17 benefits to agriculture. Individual breeding operations are
18 choosing to move to Pennsylvania because of enhanced purse
19 opportunities, growers of horse feed are reporting increased
20 business, and individuals who in the industry were unable to
21 afford their own farm are reporting that they now are in a
22 financial position to purchase one for their equine
23 business. The Gaming Control Board is working closely with
24 the racing commissions to develop a mechanism for reporting
25 the impact on agriculture and farmland preservation.

1 Before I turn this over to Miss Cook, I would
2 like to point to a handout that Kevin Kile and I brought
3 today that was provided on the table with the other
4 testimony. This is the most current data concerning the
5 distribution of funds and the expenditures for back-side
6 improvements. There is one additional fact that I would
7 like to testify to today because it doesn't appear on this
8 particular handout and that is that Pocono Downs which
9 is -- Pocono Downs back-side improvements, the Meadows, show
10 as the smallest amount of money distributed for back-side
11 improvements. That's because they just recently ended their
12 racing season on September the 13th early so that they can
13 build a new state-of-the-art paddock for their horsemen.
14 And I believe the cost of that is \$6 million.

15 So that was exciting news that everyone,
16 including the horsemen and Gaming Control Board members and
17 the horse and harness racing industry were happy to hear.

18 And now I'd like to turn it over to my
19 colleague, Miss Cook.

20 CHAIRMAN JAMES: Excuse me. Can -- we need some
21 more copies of that.

22 CHAIRMAN HANNA: And before you turn it over to
23 your colleague, just for our listeners on TV, as well as
24 those in the audience, explain to us a little more what you
25 mean by back-side improvements.

1 MS. TUCKER: Okay. The back side of the race
2 track is the area of the racetrack that includes the barns
3 and the grooms' quarters. It's where the horses are taken
4 care of and housed, where the grooms are housed. The
5 racetrack kitchen is back there.

6 For a number of years, from what I understand,
7 the back side of these racing facilities have been
8 neglected. So as part of the Gaming Act it's my
9 understanding that the Legislature felt it was important
10 that the operators -- racing operators and now new gaming
11 operators that were coming to Pennsylvania do something for
12 the back-side improvements. So that is what this figure
13 represents to us. This is the money that has been spent to
14 improve the barns, the grooms' quarters on the back side of
15 the racetrack to date.

16 There is a particular statutory provision in the
17 gaming act that requires a certain amount of money to be
18 spent. And I must tell you that several of the facilities
19 are spending -- well, most of the facilities are spending
20 quite a bit more than what is required so that's very
21 encouraging.

22 CHAIRMAN JAMES: Also, Mr. Chairman, just to
23 indicate the things that we have heard -- and we still need
24 these copies -- that people were living in the back side and
25 the conditions were very deplorable. And one thing we have

1 noticed, the committee has noticed in our short term of
2 going around there that there seems to be much more
3 improvement in terms of those conditions now. And we just
4 look forward to that continuing. And thank you.

5 CHAIRMAN HANNA: I would just add to that, while
6 your chart is helpful, it's really just a snapshot of what's
7 happened I take it since the time the act was passed. It
8 would be far more helpful to us to see a comparison to what
9 was expended in the past on these very same improvements and
10 what the law actually required so that we can essentially
11 have a better understanding of exactly what you said that in
12 some cases tracks are spending more than what was required
13 of them. But we need to see a comparison,
14 not just a snapshot.

15 MS. TUCKER: We'd be happy to do that.

16 CHAIRMAN HANNA: Thank you. I'm sorry.

17 DEPUTY SECRETARY COOK: No problem. Good
18 morning, Mr. Chairman, and, Chairman James, Chairman
19 Hershey, Chairman Clymer, a pleasure to be with you today.
20 I'm Cheryl Cook. I'm Deputy Secretary for Marketing and
21 Economic Development in the Department of Agriculture, and
22 since January I've had the privilege of serving as acting
23 executive secretary of both the State Harness Racing
24 Commission and the State Horse Racing Commission.

25 I know your intent today is to really zero in on

1 the Race Horse Development and Gaming Act of 2004, also
2 known as Act 71. I just want to underscore though that
3 we've been racing in Pennsylvania for a long time and that
4 there is preceding legislation that in fact provides much of
5 the regulatory authority of the State Harness Racing
6 Commission and State Horse Racing Commission.

7 In fact, the State Harness Racing Commission was
8 created in 1959. And just to give you some perspective, so
9 was I. The State Horse Racing Commission was created in
10 1967. Those commissions came together as administrative
11 bodies within the Department of Agriculture in the Race
12 Horse Industry Improvement Act of 1981. And that still
13 forms the basis of the authority that we use today in
14 regulating racing, both in ensuring the health and safety of
15 the equine athlete and ensuring the integrity of the sport
16 from the pari-mutuel side.

17 This industry has been waiting a long time for
18 slots revenues to come along. We've seen blips in the past
19 with simulcasting, we've seen blips in the past from
20 telephone account wagering. As technology has improved so
21 has the opportunities, but nothing really came along to save
22 this industry so to speak until the Act 71 came along.

23 We were regulating four locations at that time.
24 Both commissions had two licenses yet to award that nobody
25 wanted, frankly, because who wanted to build a racetrack

1 without that kind of opportunity that slots revenues
2 offered.

3 When Act 71 came along, it created seven
4 Category One gaming licenses, and all of a sudden interest
5 in three of those remaining four racing licenses peaked
6 because now there was the opportunity to have a casino along
7 with that racetrack.

8 The Race Horse Development Fund was created in
9 Act 71 and to date it has provided over \$270 million into an
10 industry that really, really needed it. And, finally, as
11 we've already mentioned, Section 1404 of Act 71 created the
12 requirement for back-side improvements and gave racetrack
13 operators those four that had been going along already
14 basically ten years to spend between six-and-a-quarter
15 million and ten million in investments in back-side
16 improvements with a requirement that five million of that be
17 spent in the first five years.

18 That ten-year clock began to tick in December of
19 2006 when the Gaming Control Board issued six Category One
20 gaming licenses. And so we sit here today just a few months
21 shy of two years into the ten-year window of opportunity to
22 improve the back sides of our racetracks.

23 Given that position, I'd say we're doing okay.
24 We have some new barns under way. We have grooms' quarters
25 being reconstructed. We also have significant activity

1 going on in the front side of the racetrack. We've got new
2 grandstands. We've got new racetrack surfaces as we speak
3 being laid at Penn National and on the plans for
4 Philadelphia Park. We have new paddocks that are the envy
5 of the racing industry nationwide. A lot of good things are
6 going on as a result of the moneys that are coming into
7 racing from Act 71.

8 That said, given as long as people have been
9 waiting for these opportunities, two years, we're ready.
10 Come on, let's go. Where is it. We don't want to wait
11 another eight years for all of this to be done. I
12 understand people's impatience, but I'm confident that the
13 racetrack operators and the horsemen's organizations who
14 together are charged with the act in coming up with their
15 back-side improvement plans are moving as quickly as is
16 practical.

17 That said, there are a few missed opportunities
18 that I hope we can come back to in future legislation, and
19 they primarily have to do with the racing regulatory
20 authorities that still rely on legislation from 1981.

21 Again to put that in context, that's the year
22 that I graduated from college. Fax machines were barely a
23 gleam in the eye. Nobody knew what the Internet was. We
24 had no idea that so much of our gaming was going to be
25 taking place over electronic means through the Internet,

1 through telephone account wagering. We just didn't know in
2 1981. And our regulatory authorities have not kept up.

3 Other missed opportunities, fairgrounds. I
4 think you'll hear from the horsemen who work at the fairs
5 that fairs for generations have served as the training
6 grounds not just for the horses but for the trainers, the
7 drivers, for the fans to come to learn to love harness
8 racing for generations. And those purses have gone up. We
9 have an extra million dollars in sire stakes funds this year
10 for the fairs, but the fairgrounds themselves also need
11 those same capital improvements that we've been talking
12 about at the racetracks, and they didn't get any funding
13 from Act 71.

14 The horsemen have been very generous in trying
15 to provide whatever resources they can. The racetracks have
16 tried to provide whatever resources they can. When the
17 resurfaced out at the Meadows a few years ago, they took the
18 old surface and gave it to the Washington County Fair, which
19 was a big improvement for them, but it's still a far cry
20 short from having the financial resources to build new barns
21 at our fairgrounds and give them the opportunity for
22 year-round income from training and stabling activities.

23 Another area that I feel might be revisited is
24 equine health and safety. Yes, the horses that are stabled
25 at a racetrack will have nicer barns to stand in as the

1 back-side improvement plans are completed. But as we saw
2 with Eight Belles, there is some fundamental issues with
3 horses right back to how we breed, right back to how we
4 train, some very fundamental issues of research that need to
5 be done that were not provided for in Act 71 that we need to
6 go back and take another look at.

7 We are blessed in Pennsylvania to have the
8 University of Pennsylvania's New Bolton Center Veterinary
9 School. The owners of Barbero could have taken that horse
10 anywhere on the planet. They came to Pennsylvania, they
11 came to New Bolton Center, because that was the best
12 opportunity for that horse to survive.

13 We are blessed to have Penn State University
14 that is doing research second to none in equine nutrition
15 and in breeding opportunities that will help make
16 Pennsylvania-bred horses the best in the world. But we need
17 to invest in those things and be able to provide that
18 information to our trainers, to our grooms, to people who
19 are working with the horses, to our breeders.

20 Closely related to that is the issue of equine
21 retirement. The whole point of this exercise was to build
22 up the stock of horses in Pennsylvania racetracks. Well,
23 there were some horses that were hanging around for a long
24 time that aren't on at Pennsylvania racetracks anymore.
25 There are breeders coming into Pennsylvania because they're

1 sure that they're going to have the next Smarty Jones or
2 they're going to have the next Windsong's Legacy who
3 eventually will figure out that the investments that they
4 made and the likelihood of that actually happening argue
5 against it and that there may actually be more unwanted
6 horses as a result of Act 71.

7 We didn't anticipate that. We should have
8 perhaps, but we didn't anticipate the need for
9 someplace for those horses to go, whether it's trail riding,
10 show jumping. We have all kinds of equine activities in
11 Pennsylvania right down to the Amish using their horses as
12 substitutes for tractors. We have billions of dollars worth
13 of equine activity in Pennsylvania outside of racing. But
14 we didn't provide for unwanted horses and retirement of
15 horses, and we probably should have done that in Act 71.

16 And, finally, coming back to the commissions
17 themselves, our source of revenue is the racing fund which
18 is populated by a 1.5 percent tax on wagers placed on horse
19 racing in Pennsylvania. That has actually been going down
20 in part due to the economy itself and people having less
21 disposable income to spend on wagering of any kind, in part
22 because there's these shiny new slot machines to go put your
23 money in instead of passing two dollars over a window to bet
24 on a horse race. For any number of reasons those figures
25 have been going down and our revenues have been decreasing

1 even as we've had to provide regulatory staff at additional
2 locations as new tracks have opened.

3 So our costs have gone up, our revenues have
4 gone down. That is not a sustainable condition for us to be
5 in. And I hope that as we look at future legislation that
6 we consider a package to reopen the Race Horse Industry
7 Reform Act of 1981 and give the commission some opportunity
8 to raise additional revenues so that we can keep our
9 regulatory function strong.

10 We need look no further than the front page of
11 any newspaper today to see what happens when regulators
12 don't have the resources to do their jobs correctly. With
13 that, I'll thank you and see if anybody has any questions.

14 CHAIRMAN HANNA: I know Representative Millard I
15 believe had a question. We'll start with him. Any other
16 members please signal me if you have questions.

17 REPRESENTATIVE MILLARD: Thank you, Mr.
18 Chairman.

19 Miss Cook, you mentioned that revenues are down,
20 expenses are up. And I can certainly relate to that, and
21 I'd like to go into one area and ask just a few brief
22 questions all at one time so we don't excite Chairman Hanna
23 on this.

24 There's a lot of support structure that supports
25 racing in Pennsylvania, and that basically is at those fairs

1 that offer harness racing. And a lot of the fairs that
2 perhaps may not be as involved do have stables, do have
3 facilities for horses that -- I don't want to use the term
4 warehouse but are held there for a period of time while
5 they're going to these grandiose facilities now I guess you
6 could say compared to what they were for harness racing and
7 for the other type of racing.

8 Now, the issue that I have is that for years the
9 fair funding, the high-water mark, the threshold amount in
10 Pennsylvania was about \$4.4 million. And basically what is
11 happened in the past several budget cycles is that the fair
12 funding is one of the things that gets cut almost
13 immediately.

14 And I've been advocating since I've been elected
15 to office to, A, find a stable source of funding for fairs
16 because, again, I want to emphasize that there are many
17 fairs that have the support structure that supports racing
18 in Pennsylvania. So my soapbox today is to advocate out of
19 this gaming money out of Act 71 a stable source of funding
20 for fairs.

21 The purses have gone up but the infrastructure
22 costs, we haven't seen any at the fairs. I've served as the
23 director of the Bloomsburg Fair for thirteen years. A lot
24 of our funding through the Fair Fund, the 50/50 match, has
25 been to replace our horse barns. And we have a terrific

1 racetrack there that we maintain at our cost. And we're
2 looking at replacing possibly a grandstand at some point in
3 the future that in the 1920s was built for
4 eighty-some-thousand dollars, and we know that, A, we can't
5 afford to replace it at those dollars today; and, B, that we
6 just simply cannot afford to replace it.

7 I mean I want to emphasize the fact that there's
8 a lack of money there. And although racing is held at the
9 Bloomsburg Fair for three days during the period of the
10 fair, that doesn't mean that those support structures are
11 not used 52 weeks a year. They are.

12 So my question to you is how much money is
13 dedicated to the infrastructure. I just briefly looked at
14 your chart here. How much of that would be available to
15 those fair-related facilities or those other facilities to
16 support the racing program in Pennsylvania? And would you
17 be supportive of a permanent source of funding for the fair
18 program in Pennsylvania? Thank you. Thank you, Mr.
19 Chairman.

20 DEPUTY SECRETARY COOK: That was quite a
21 question. The Fair Fund is part of the Department of
22 Agriculture's general government obligation funding. It's a
23 line item, as you say, that tends to come in at about \$4.4
24 million. That funding is appropriated to support all 116
25 fairs in Pennsylvania, and the split generally is about 3.4

1 million of that goes to offset operating expenses at the
2 fairs, including additional operating expense offsets for
3 the fairs that offer racing. And it leaves generally about
4 a million dollars for that 50/50 match for capital
5 improvements.

6 Fourteen of our 116 fairs offer harness racing.
7 A few years ago it was more. They just couldn't hang on any
8 longer waiting for help for capital improvements. That
9 means that our racing fairs are competing with the other 102
10 that don't offer racing for funding for everything from
11 grandstands to lights to paving the parking lot to putting
12 in new restrooms, you name it, they need at the fairgrounds.
13 And many of them don't have the kind of year-round
14 opportunities to earn income that Bloomsburg in fact has.
15 So they're very much dependent on the Department of
16 Agriculture's funding.

17 This year we had just under a million dollars to
18 start with. And it appears that we may have to trim that
19 some based on a requirement to place some funding into
20 budgetary reserve. The department was directed to take 4.25
21 percent of its GGO-funded budget and get it into budgetary
22 reserve. So we may have to trim that some yet.

23 So the answer to your question, is the
24 Department of Agriculture's funding capable of providing
25 investment that's necessary to really make harness racing

1 what it needs to be at the fairgrounds, no, it is not.

2 Fairs are in my mind where agricultural
3 education and tourism come together in Pennsylvania. In our
4 most rural counties that is the big tourism event of the
5 year. We have over six million people visit our 116 fairs,
6 and I'm sure harness racing is an attraction where it takes
7 place. I tried to get out to all the fairs that offer
8 harness racing this year since I'm serving as the acting
9 executive secretary, and I can tell you from firsthand
10 experience we have some pretty bad conditions there for the
11 horses in terms of barns, especially at the fairs that don't
12 have those year-round income opportunities where they're
13 only using the fairground a week or two of the year. Those
14 barns are firetraps, frankly, and they do need that
15 additional investment to keep racing strong.

16 I'd argue at the same time that we need to start
17 some kind of a training ground or junior league, if you
18 will, on the thoroughbred side. We need that opportunity
19 for horses to learn their craft, for jockeys to learn their
20 craft just as badly on the thoroughbred side as we need to
21 keep and improve upon what we have on the harness side.

22 I know there is a fund within Act 71 already
23 that takes 5 percent of gross terminal revenues and applies
24 them to an account for economic development and tourism.
25 Perhaps that's an opportunity. Perhaps we can take another

1 look if we amend the Race Horse Industry Reform Act of '81
2 to provide dedicated funding for fairgrounds that way.

3 CHAIRMAN HANNA: Chairman Clymer.

4 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.
5 And again good morning everyone. This question is for
6 either one of you.

7 There has been some glowing reports about the
8 programs that the gambling money is able to underwrite and
9 that those programs certainly will benefit the horse racing
10 industry and the casinos at large. And I know that, Mrs.
11 Tucker, you had said that it is your belief that it will not
12 be until the end of 2010 when all the permanent racing and
13 gaming facilities have been conducting business for one full
14 year that you'll be able to glean any trends in the industry
15 from this physical information that is being collected by
16 the Pennsylvania Gaming Control Board.

17 But could you give us insights as to what would
18 happen if the gambling revenues went south? In the economy
19 that we are in at this present time, unemployment is
20 increasing, people are paying higher taxes at the local
21 level, the Commonwealth is \$117 million in the two months
22 into the fiscal year under revenue, and Governor Rendell
23 says we have to cut \$200 million from the services out of
24 this funding.

25 So the prospects are kind of gloomy, and yet you

1 had mentioned that more casinos are going to go on line.
2 And I'm getting the impression that despite the fiscal
3 despair that we're looking at, somehow the gambling at the
4 casinos and the racetracks is going to continue to flourish.
5 So your thoughts on my observation.

6 MS. TUCKER: Well, I can only go by what my
7 experience has been and also by what I've seen
8 statistics-wise in the newspapers recently. All I can say
9 is I think we're lucky that we're not New Jersey or Nevada.
10 We seem to have been able to sustain gaming revenues in
11 Pennsylvania despite the downturn in the economy.

12 It will be interesting to see what the smoking
13 ban does in terms of a decline in revenues. But so far it's
14 looking like the downturn in the economy is having a minimal
15 impact, and I think that that's probably because we're not a
16 destination gaming state. We're a convenience gaming state
17 and people go for entertainment. So thing are -- we
18 continue to keep statistical data, and we'll be happy to
19 provide you with that so that you can get an idea about how
20 Pennsylvania is being impacted.

21 CHAIRMAN HANNA: I think that's all the
22 questions we have.

23 Next we'll call Dr. Paul Spears, President of
24 the Pennsylvania Standardbred Association.

25 DR. SPEARS: Good morning, Chairman Hanna,

1 Chairman James, Chairman Clymer, Chairman Hershey, and the
2 rest of the members of the House Agricultural and Gaming
3 Oversight Committee.

4 My name is Paul Spears. I'm here as Executive
5 Director of the Standardbred Breeders Association of
6 Pennsylvania which represents over 500 breeders of
7 Pennsylvania Standardbred racehorses.

8 I make my living though as President of
9 Standardbred Horse Sales Company which operates the largest
10 sale of Standardbred horses in the world here in Harrisburg
11 every November. This November we will be selling around
12 2300 horses almost equally divided between yearlings and
13 other mixed horses.

14 I'm also Vice President of Hanover Shoe Farms
15 which is the world's largest Standardbred breeding farm, and
16 I'm also a small- to medium-sized breeder as the managing
17 partner of Windsong Stable which is a family breeding
18 operation. So I can look at this with a lot of different
19 hats.

20 I'd like to report today about how slots
21 legislation is impacting the Pennsylvania Standardbred
22 breeding industry. As you are aware, the Pennsylvania
23 Racehorse and Gaming Development Act, Act 71, designated a
24 portion of slots revenue to benefit the Pennsylvania
25 racehorse industry. Eighty percent of the equine revenue

1 was legislated to support overnight racing purses at
2 Pennsylvania racetracks. Sixteen percent to Pennsylvania
3 farms through assistance to the Pennsylvania racehorse
4 breeding industry, and 4 percent to racetrack-based
5 horsemen's associations through pensions and medical
6 benefits.

7 Now, of the 16 percent that is placed in the
8 Pennsylvania Standardbred Breeder's Development Fund, half
9 supports purses in the Pennsylvania Sire Stakes program for
10 Pennsylvania sired two- and three-year-old horses, and the
11 other half, 8 percent, is reserved for direct breeders
12 awards to breeders of successful Pennsylvania-sired horses.

13 To date the effect of slots legislation on the
14 Pennsylvania Standardbred breeding industry has been mixed.
15 Commercial breeders operate their businesses from two
16 sources of income, sales of their yearlings at public
17 auction, and breeders awards from the Pennsylvania Breeders
18 Development Fund. By far the most important source of
19 income to breeders is the sale of their yearlings.
20 Breeders hoped that the prospect of a slots-enhanced
21 Pennsylvania Sire Stakes program would increase the prices
22 of their yearlings at public auction. Sadly, so far that
23 has not proved to be the case.

24 In 2007 over 90 percent of the races at
25 Pennsylvania tracks were written to include aged horses, and

1 that's defined as four year olds and up. With the exception
2 of Pennsylvania Sire Stakes races, very few races were
3 written exclusively for Pennsylvania two- and
4 three-year-old-sired horses. As a result Pennsylvania-sired
5 yearlings have actually become less attractive in the
6 auction marketplace.

7 In 2007, during good economic times,
8 Pennsylvania-sired yearlings enjoyed only a 1.2 percent rise
9 in auction prices at major sales compared to a 9.8 percent
10 rise in the prices for yearlings outside of Pennsylvania.
11 Worse, the bottom half of the 2007 Pennsylvania-sired
12 auction market showed a 10 percent decrease in the average
13 yearling prices at a time when 32.5 percent more
14 Pennsylvania-sired yearlings were offered at auction.

15 The vast majority of Pennsylvania-sired
16 yearlings sold in the bottom half of the auction market were
17 sold at a major loss for their breeders. Instead of buying
18 Pennsylvania-sired yearlings, buyers fueled a 22.7 increase
19 in prices for aged racehorses at the 2007 Harrisburg
20 racehorse sale to compete in the massively slots-subsidized
21 Pennsylvania overnight racing program.

22 Now, breeders were very grateful to receive 29
23 cents for every one dollar of Pennsylvania racing earnings
24 earned by their progeny through 2007 Pennsylvania breeders
25 awards. The average breeder received \$3,770 per horse in

1 breeders awards for their eligible horses who were actually
2 racing in Pennsylvania.

3 Unfortunately, these breeders awards were not
4 enough to cushion the losses in the bottom half of the
5 Pennsylvania yearling auction market. Accordingly, the
6 number of mares bred in Pennsylvania actually went down in
7 2008 as breeders either looked elsewhere for better
8 opportunities or simply didn't breed their mares at all.

9 The situation in 2008 is actually worse.
10 Breeders had been assured that Pennsylvania owners and
11 trainers who had been doing very well from lucrative racing
12 opportunities at Pennsylvania tracks would now be
13 reinvesting in Pennsylvania yearlings in 2008. In fact,
14 however, Pennsylvania buyers have purchased 20 percent fewer
15 Pennsylvania-sired yearlings for 17 percent fewer dollars at
16 the 2008 Pennsylvania Preferred and New Jersey Classic
17 Yearling Sales, both of which showcase Pennsylvania
18 yearlings of interest to Pennsylvania regional buyers.
19 Pennsylvania buyers are evidently chasing lucrative
20 overnight racing opportunities for older horses and are
21 simply not reinvesting as heavily in Pennsylvania-sired
22 yearlings.

23 The Standardbred Breeders Association is
24 actively voicing its concern to the Pennsylvania Harness
25 Racing Commission and other interested organizations within

1 our industry to correct this imbalance in racing purses.
2 Pennsylvania breeders, however, will continue to be under a
3 great deal of economic pressure until these problems are
4 resolved. Smaller breeders are disproportionately affected
5 as they breed mainly for the regional Pennsylvania market.

6 Because of these ongoing financial setbacks, our
7 organization is concerned about the provisions of House Bill
8 2121 which outlines the distribution of revenues from table
9 games. I have submitted Attachment One with this testimony
10 that compares the language of Act 71 with the language of
11 House Bill 2121 in regard to the distribution of slots
12 revenues within the horse racing industry.

13 House Bill 2121 completely eliminates any
14 distribution of table game revenues to the Pennsylvania
15 racehorse breeding industry. Instead, House Bill 2121 adds
16 the 16 percent of the equine portion of gaming revenues
17 previously designated to assist PA breeding farms to
18 horsemen's pensions and medical benefits, raising their
19 portion of table games distributions to 20 percent.

20 Our organization does not understand why a table
21 games bill would abandon our Pennsylvania farms at a
22 critical time.

23 As those of you on the Gaming Oversight
24 Committee visited Pocono Downs, you heard that the members
25 of the Pennsylvania Harness Horsemen's Association are doing

1 very well with their pension benefits and very generous
2 medical benefits. While we are glad for the horsemen's
3 prosperity, we're really not sure why their already generous
4 benefits need to be further supplemented to our detriment.

5 In previous testimony we had urged the House
6 Gaming Oversight Committee to use the same distribution of
7 gaming revenues in House Bill 2121 as was enacted in Act 71.
8 And stating this more clearly, we advocate that House Bill
9 2121 and any future legislation involving table games be
10 written using identical language to Section 1406 of Act 71
11 in which the distribution of gaming revenues to the equine
12 industry are divided 80 percent to overnight racing, 16
13 percent to breeders, and 4 percent to horsemen's pensions
14 and medical benefits.

15 We also urge legislators to request that the
16 Harness Racing Commission bring together officials of
17 Pennsylvania Standardbred racetracks, Standardbred
18 horsemen's associations and Standardbred breeders to address
19 the imbalances in overnight racing opportunities between
20 older horses and two- and three-year-old horses at
21 Pennsylvania racetracks.

22 Unless something is done to address these
23 problems, gaming legislation may have the paradoxical effect
24 of driving breeders of Pennsylvania Standardbred racehorses
25 out of business, especially smaller breeders who sell in the

1 lower half of the Pennsylvania yearling market.

2 Pennsylvania horse breeders who have invested
3 millions of dollars in their farms and have already
4 increased their investment as a result of slots legislation
5 are in danger of being put out of business by the very
6 legislation that was supposed to be their salvation.

7 We are forming a coalition of interested
8 legislators to work with us to correct the imbalance of
9 racing opportunities for young Pennsylvania-sired horses at
10 Pennsylvania tracks. If any legislators present today would
11 like to join forces with us, please see me after this
12 hearing.

13 I thank you for including the Standardbred
14 Breeders Association of Pennsylvania in the agenda today,
15 And I am now happy to answer any of your questions.

16 CHAIRMAN HANNA: Dr. Spears, in your testimony
17 you outline one of the major flaws in what's going on is
18 this -- the amount of purses that are going to older-aged
19 horses as opposed to the younger horses. And if I heard
20 your testimony correct, you're indicating that there's a
21 coalition coming together to try to address that.

22 I guess what we would need to know as
23 legislators, is this something that has to be addressed
24 essentially by the -- is there a need for legislation, is
25 there a need for regulation, or is this something that can

1 just be addressed by the industry?

2 DR. SPEARS: I think it can be addressed by the
3 industry. I would like though to see some input as well
4 from members of the House to help encourage us to get an
5 amicable and reasonable solution to the problem. But I
6 don't think any more money needs to be injected in this. I
7 think there's more than enough money to do this. And I
8 don't think additional legislation is needed at this time.

9 But I do think that this situation has grown out
10 of the historical evolution of racing in Pennsylvania. If
11 we all remember, harness racing has been limited in
12 Pennsylvania, pari-mutuel tracks, to the
13 Scranton-Wilkes-Barre area in Pocono Downs and in Washington,
14 Pennsylvania, at the Meadows for many years with, of course,
15 the junior circuit at the Pennsylvania fairs.

16 We've had really no access to the Philadelphia
17 market for about 25 years. And our horsemen at those two
18 major tracks have been trying to make their living for many
19 years racing older-conditioned claimed horses for very small
20 purses and barely getting by.

21 The Standardbred breeding farms in Pennsylvania
22 that have managed to stay in business accordingly have been
23 selling their horses nationally and internationally, not
24 just in Pennsylvania. And so I think what has happened is
25 that as money has come into the system it has tended to go

1 to fund the same type of racing that has been present
2 before. And stock has been upgraded by our horsemen, and
3 the racing is certainly much better, but at the same time it
4 becomes kind of a continuous cycle.

5 Racetracks simply want to write good competitive
6 races during the next week for their patrons to see, and
7 they look to the group of horses that are immediately
8 available to them to write them. If what they see are
9 mainly aged horses, that's what they're going to write.

10 And at the same time the horsemen, if they see
11 most of the races are being written for aged horses, they're
12 going to buy more aged horses.

13 So you tend to perpetuate I think the same type
14 of system this way. But what that has done is that it has
15 created a situation in which 95 percent of overnight races
16 are written for aged horses, and there's simply not enough
17 opportunity for Pennsylvania two and three year olds. And I
18 think that's why the money is simply following the market to
19 aged horses and Standardbred breeders are really not seeing
20 the type of benefits that we had anticipated at public
21 auction because of slots.

22 CHAIRMAN HANNA: I know I'm interested in
23 working with your coalition. I suspect there are other
24 legislators up here that would like to as well. So please
25 keep us involved as we try and address that.

1 DR. SPEARS: Thank you.

2 CHAIRMAN HANNA: Chairman Hershey.

3 REPRESENTATIVE HERSHEY: I was interested in
4 your comments. I've been here quite a few years and some
5 years ago we were asked to approve the simulcasting and that
6 was going to help the horse industry. And then it seems
7 like that didn't do the job so now we were asked to approve
8 the slots at the racetracks.

9 And is it the distribution of the money? I've
10 had some small breeders tell me that it's -- they find fault
11 with the distribution. And I didn't question the harness
12 racing board, but you had mentioned some things here that
13 you don't think it involves more money, it would involve
14 different distribution.

15 DR. SPEARS: Yes.

16 REPRESENTATIVE HERSHEY: So we'll be interested
17 to see how that develops down the road. Thank you.

18 DR. SPEARS: Thank you.

19 CHAIRMAN JAMES: All right. Thank you.
20 Chairman Clymer.

21 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.
22 And thank you, Mr. Spears, for being here today to share
23 your insights.

24 Now, let me just see if I can focus in on the
25 problem here. What you're saying is that in the races that

1 take place only 3 to 5 percent of the races are designated
2 for the yearling, to the two to three year olds? Is that my
3 understanding?

4 DR. SPEARS: Yes. What I'm saying is is that at
5 least at the overnight races only about 5 percent of races
6 are written exclusively for two- and three-year-old horses.
7 Now, clearly these horses can race against aged horses too
8 and they do. But very young horses are at considerable
9 physical and maturational disadvantage, especially two year
10 olds. And they also don't have the same manners that aged
11 horses do. They don't have as much stamina. And I think
12 most trainers would agree that if you try to race a two year
13 old frequently against older horses, they're not going to
14 fare very well in the long run.

15 REPRESENTATIVE CLYMER: So logically then the
16 purses, though they be generous when the yearlings run, are
17 going to be very limited because they're only riding 3 to 5
18 percent. So if there is less money for the owners to
19 secure, then when they go to the auctions, then why would
20 you buy a yearling because there's only 3 or 3 percent of
21 the races are for yearlings and your money is going to be
22 very limited. Is that logical?

23 DR. SPEARS: That's very logical, and that's the
24 core of my argument. There just aren't enough racing
25 opportunities for two and three year olds.

1 I personally had a three-year-old filly this
2 year and between stakes races, which were races that I had
3 to actually pay money out to enter them in, I was unable to
4 get my filly raced here in Pennsylvania on several occasions
5 because I just couldn't get him in a race.

6 REPRESENTATIVE CLYMER: And then finally,
7 therefore, that's why you presented in your testimony
8 the -- at the auctions they're getting less and less money
9 because why would you want to buy one, and therefore that
10 impacts on the breeder farms that you just mentioned,
11 Hanover included. So we're at a very important crossroads
12 that if something's not changed all these farms, these
13 breeder farms, 500 that you represent that are looking for
14 the casino gambling to bail them out, they could go
15 bankrupt, some of them. Is that a fair assessment?

16 DR. SPEARS: I think that's a fair assessment,
17 sir, especially the smaller farms that sell regional horses.
18 The bigger farms like Hanover Shoe Farms I think are
19 benefiting overall because we sell most of our horses
20 outside of Pennsylvania and we also sell in a higher market.

21 But for the little guy who is taking a shot with
22 his less commercially attractive mare and breeding her to a
23 six-thousand-dollar stallion and then pays \$500 to stake the
24 baby, \$1100 to sell that horse at a sale, plus, of course,
25 all the veterinary care, boarding care, feed, et cetera, for

1 two years, and then gets \$5,000 back, he's taking a bath.

2 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.

3 DR. SPEARS: Thank you, sir.

4 CHAIRMAN JAMES: All right. Thank you.

5 Representative Sainato.

6 REPRESENTATIVE SAINATO: Thank you, Mr.

7 Chairman.

8 Dr. Spears, I think your testimony was very
9 enlightening. I had a chance to tour the Hanover Farm two
10 years ago, and I was impressed with how the whole operation
11 ran. And I know that they were very big throughout the
12 United States and the talk at the time was, you know, when
13 Pennsylvania came on line, you know, they were very anxious
14 and ready to step up.

15 What you're telling us today is that they're not
16 taking advantage of the situation for racing.

17 DR. SPEARS: I'm sorry. Who are you referring
18 to as they are not taking advantage?

19 REPRESENTATIVE SAINATO: I'm saying Hanover and
20 many of the breeders.

21 DR. SPEARS: Oh, no, no. See, Hanover is a
22 commercial breeding farm. And what we do is we buy brood
23 mares and stand stallions. We breed them. They have
24 babies. We keep them until they're almost two years old,
25 and then we sell them at public auction. We do not keep and

1 race our own horses.

2 If I want a Hanover horse, I write a check just
3 like anybody else does, and I put my hand up at the auction
4 just like anyone else does.

5 Hanover, as a matter of fact, is investing very
6 heavily back into the industry. We bought almost \$3.5
7 million worth of new brood mares last year, which was a
8 million dollars more than what we normally spent. It's a
9 very capital-intensive industry, and Hanover has actually
10 bet big that Pennsylvania's program will be a success.

11 We do think though again that the bigger farms
12 like Hanover, because we are selling nationally and
13 internationally, is much better equipped to deal with
14 setbacks along the way than smaller farms.

15 I'm really here not so much talking to you about
16 the situation for Hanover Shoe Farms. I'm here trying to
17 portray the plight of the smaller Pennsylvania farm and the
18 smaller Pennsylvania breeder.

19 REPRESENTATIVE SAINATO: I understand that.
20 What you're saying and you made some very good points here
21 and I think that all of us are very interested in that. I
22 think that was the focus when we did the legislation was to
23 try to promote Pennsylvania horses, you know, throughout the
24 Commonwealth. And it affects every area of the state. And
25 I'm anxious to hear some of the other testimony, but, you

1 know, what you're saying pretty much is that, you know,
2 because of the 5 percent, that opportunity, the opportunity
3 is not there and the value keeps going down. Is that a fair
4 assessment?

5 DR. SPEARS: I'm saying that with the static
6 situation that's not addressed with all of the money going
7 to overnight racing for aged horses that the situation will
8 continue to get worse.

9 However, if within the industry, the racetracks,
10 the horsemen's groups, the Harness Racing Commission,
11 breeders and the Department of Agriculture all get together
12 and say there's an imbalance here and all we need to do is
13 make some shifts within the racing industry itself to create
14 more opportunities for two and three year olds, I think the
15 situation can be fixed rather easily.

16 REPRESENTATIVE SAINATO: Will the addition of
17 the new racetrack once it comes on line hopefully within the
18 next year or two, will that help you?

19 DR. SPEARS: I think it will. I think it will a
20 lot. Certainly it will create new opportunities where none
21 have been before. And like with any new organization,
22 there's usually more flexibility in an approach with a new
23 track I think than with a track that already has so many
24 established relationships that they're trying to make
25 everyone happy. And I do understand that.

1 REPRESENTATIVE SAINATO: All right. Well, I
2 thank you for your testimony. And I want to get that track
3 as soon as we can. It's in my district.

4 DR. SPEARS: I do as well. Thank you.

5 CHAIRMAN HANNA: Representative Moul.

6 REPRESENTATIVE MOUL: Good morning, Dr. Spears.
7 It's good to see you again.

8 DR. SPEARS: Good to see you.

9 REPRESENTATIVE MOUL: In your testimony you
10 mentioned future legislation regarding table games, and I
11 was just wondering if you might know something that we
12 don't.

13 DR. SPEARS: No. I was just referring to House
14 Bill 2121.

15 REPRESENTATIVE MOUL: This problem that we have
16 in the harness racing industry, is this something mirrored
17 over to the Thoroughbreds?

18 DR. SPEARS: Their industry is set up very
19 differently than ours. And I spent a lot of time recently
20 talking with Mark McDermott, the Executive Director of the
21 Pennsylvania Horse Breeders Association trying to learn more
22 about his industry and basically trying to teach him a
23 little bit about mine.

24 I believe they have their challenges as well.
25 Their situation is a little different than ours, and I think

1 I would be more comfortable having them speak for
2 themselves. But I think they have similar concerns.

3 REPRESENTATIVE MOUL: Okay. So we need to sit
4 down with the Harness Racing Commission, include Miss Tucker
5 in the mix here, and hammer out a solution to this. And as
6 someone who is very fond of the Standardbred racing industry
7 and also sits on the Ag Committee here, I'm in your corner.
8 Let me know what I can do. Thank you.

9 DR. SPEARS: Thank you.

10 CHAIRMAN HANNA: Representative Carroll.

11 REPRESENTATIVE CARROLL: Thank you, Mr.
12 Chairman.

13 Doctor, I'm a little confused by the testimony,
14 and I hope you can clear it up. You indicate in the
15 beginning of your testimony that the current distribution
16 structure has harmed the sale of yearlings to the extent
17 that it's causing a real problem. And then --

18 DR. SPEARS: In the lower half of the market.

19 REPRESENTATIVE CARROLL: Okay. And then later
20 in the testimony you indicate that you'd like House Bill
21 2121 to mirror the distribution included in Act 71.

22 So my question is wouldn't the mirroring of the
23 language in 2121 just exaggerate the problem even greater?

24 DR. SPEARS: No, I don't think so. The problem
25 that I think the breeders have with 2121 is that the

1 breeders have been completely cut out from all
2 distributions.

3 We're really not interested in going back and
4 fighting old battles again and trying to come up with a new
5 distribution within the industry. We'd be perfectly happy
6 to get along with what we had before. The -- it's really a
7 matter of how the money is used once it's on this side of
8 the table that we feel is the problem, not the actual split
9 itself.

10 So, in other words, what we're saying is is that
11 it's been commented to me time and time again that what has
12 been needed is a significant program for Pennsylvania-sired
13 two and three year olds that is outside the Sire Stakes
14 program, and that would really be best served within the
15 overnight racing program.

16 So the money can just go in the same pots, it
17 may just need to be looked at a little bit differently once
18 it's on this side of the table. And that can be done within
19 the industry I think probably more flexibly and better than
20 new legislation.

21 REPRESENTATIVE CARROLL: Thank you.

22 CHAIRMAN JAMES: Thank you for your testimony.
23 Okay. Next we're going to have Mr. Todd Mostoller,
24 Executive Director of the Pennsylvania Horsemen's Protective
25 and Benevolent Association.

1 MR. MOSTOLLER: Chairman James, Hanna, Hershey,
2 Clymer, members of the committee, on behalf of the
3 Pennsylvania Horsemen's Benevolent Protective Association,
4 board of directors and its membership, I thank you for the
5 opportunity to testify today.

6 My name is Todd Mostoller. I'm the Executive
7 Director of the Pennsylvania HBPA. The Pennsylvania HBPA
8 represents the owners and trainers at Hollywood Casino at
9 Penn National Race Course as well as those at Presque Isle
10 Downs Racetrack and Casino.

11 The passage of Act 71 has enabled the equine
12 industry in Pennsylvania to pursue the goal of becoming one
13 of the premier racing states in the United States. Since
14 the passage of Act 71, the industry has worked diligently to
15 achieve this goal.

16 Pennsylvania has been a leader in a number of
17 issues, including the abolishment of anabolic steroids. The
18 provisions that were put into place in April of 2008 have
19 clearly worked. Scientific results of the past few months
20 indicate that nearly 100 percent of those horses racing
21 within the Commonwealth are free of anabolic steroids. At
22 the most recent meeting of the Pennsylvania State Horse
23 Racing Commission meeting, the tolerance levels were
24 tightened even further to insure that our product is free of
25 anabolic steroids.

1 As I mentioned, I represent both Hollywood
2 Casino -- the horsemen at Hollywood Casino at Penn National
3 Race Course so I'll start there as far as the impact of Act
4 71.

5 Prior to the passage of Act 71, on an annual
6 basis at Penn National, it's now Hollywood Casino at Penn
7 National Race Course, the horsemen raced for total purses of
8 \$13 million on an annual basis. Total cost expenditures for
9 1200 horses, which is the capacity of our back side, were at
10 the bare minimum \$18 million. So before we ran one race on
11 any given year, there's going to be a five-million-dollar
12 loss distributed amongst the people I represent.

13 Through the purse allocation of the Racehorse
14 Development Fund, we currently -- we're racing for \$125,000
15 a day which would equate to about \$25 million on an annual
16 basis. As the other Category Two licensees come on line,
17 that will increase and purses will continue to increase that
18 will enable the membership which I represent to earn a
19 living.

20 The Act 71 also included provisions for the
21 back-side improvements. We reached a deal with Hollywood
22 Casino at Penn National Race Course in August of 2007 for
23 \$10 million in back-side improvements over the ten-year
24 period. That included the construction of nineteen new
25 barns and six refurbished barns. Earlier this summer we

1 opened our first barn after completion of construction. Our
2 second barn was opened last week. Our trainers moved into
3 that barn. And our third barn to be completely
4 reconstructed is due for demolition today.

5 In late August an analysis by an independent
6 track dirt expert revealed deficiencies in the racing
7 surface at Penn National Race Course. The report from the
8 expert recommended a complete new surface be placed on the
9 racetrack prior to the onset of winter. The project to
10 completely resurface the racetrack commenced on September
11 22nd. The resurfacing project is expected to be completed
12 by October 22nd with racing to resume October 31st.

13 At Presque Isle Downs the 2008 racing season
14 ended yesterday. The meet has become a summer racing venue
15 choice of a number of top trainers in North America. The
16 purses are excellent. The racing surface, Redi-footing, is
17 regarded by many as the best in North America.

18 The popularity of the meet has exposed a
19 stabling deficiency at Presque Isle Downs. At the start of
20 the meet, our racing secretary at Presque Isle Downs had a
21 request for over 1500 stalls. We currently only have 500
22 stalls available. The lack of adequate number of stalls has
23 negatively impacted field size, the overall racing business
24 at Presque Isle Downs, and the local economy. It is
25 estimated the local economy lost a total of \$10 million due

1 to the inability to house the additional 500 horses.

2 The PA HBPA has held lengthy discussions with
3 both the Pennsylvania State Horse Racing Commission and the
4 Presque Isle Downs management on this issue. The issue was
5 discussed in detail at the recent Pennsylvania State Horse
6 Racing Commission meeting. Architectural plans for two
7 additional barns have been submitted. The completion of
8 these two additional barns will yield an additional 200
9 stalls.

10 After the completion of the 200 stalls for the
11 next meet, which will be 2009, there has been a commitment
12 for the three additional barns to be built after the
13 completion of the 2009 meet, which would meet the original
14 commitment that was made by Mountaineer Gaming in their
15 original racing license application. The Pennsylvania HBPA
16 looks forward to working with Presque Isle Downs in
17 improving the design and layout of the last three barns to
18 be constructed.

19 At the Pennsylvania State Horse Racing
20 Commission meeting, Presque Isle Downs submitted plans for a
21 33-room groom quarters facility to be completed prior to the
22 2009 racing meet. The commitment is encouraging. With the
23 length of the meet and it being a boutique meet so to speak
24 from a six-month standpoint, the number of rooms that will
25 be required to house the workforce at Presque Isle Downs is

1 going to exceed 33 rooms. You can basically house 66
2 individuals. They have made a commitment in the last State
3 Horse Racing Commission meeting that if that need exists,
4 which it will, that they will expand those grooms' quarters.
5 The grooms' quarters in the plans were very nice. They were
6 dormitory style, much like they have at Mountaineer
7 currently, which is in West Virginia. We're pleased with
8 the plans. It's just that they are inadequate from a
9 standpoint of the number of rooms that will house the
10 workers.

11 The passage of Act 71 has given the racing
12 industry in Pennsylvania a great opportunity to become the
13 premier racing state in the country. To achieve that goal
14 all facets of the industry must work together and share the
15 vision. The PA HBPA is committed to the vision and welcomes
16 the Pennsylvania Legislature, the Pennsylvania Gaming
17 Control Board, the State Horse Racing Commission, Hollywood
18 Commission at Penn National Race Course and Presque Isle
19 Downs to join us in this endeavor.

20 I thank you for your time and entertain any
21 questions.

22 CHAIRMAN JAMES: Thank you. I just want to get
23 one thing clear, and I also want to thank you for when we
24 was up there, the Gaming Oversight Committee, they were a
25 great host in terms of showing us around and showing us the

1 back side.

2 Now, you said something about 33 rooms and
3 you're saying that's not enough?

4 MR. MOSTOLLER: Correct. If you're going to
5 stable a thousand horses at Presque Isle, industry standard
6 is about one groom for every five or six horses. So you can
7 see when you only have 66 rooms -- 66 beds that you have a
8 severe deficiency from the standpoint of the amount of
9 people that you need to care for the horses. And they have
10 indicated they will expand that.

11 CHAIRMAN JAMES: So there have been some
12 discussions that they're willing to work to expand that?

13 MR. MOSTOLLER: Yes.

14 CHAIRMAN JAMES: Are they basing that on any
15 conditions?

16 MR. MOSTOLLER: It hasn't been developed to that
17 point.

18 CHAIRMAN JAMES: Okay. Thank you.

19 REPRESENTATIVE CLYMER: I thank you, Mr.
20 Chairman. And good morning or good afternoon -- it's still
21 good morning, Mr. Mostoller. I thank you for joining us.

22 I just have a two-part question. And that is
23 how many people are employed at Penn National Racetrack,
24 that's in the back side that we're talking about here, how
25 many are employed at Presque Isle racetrack and what are the

1 benefits, the salary and the benefits of those employees?

2 MR. MOSTOLLER: Well, at Penn National the
3 estimates are about 300 individuals that would care for the
4 horses. Groom's salaries can vary greatly. I would say at
5 a minimum you're looking at 350 a week, to the top at Penn
6 National probably in the neighborhood of 500 a week for
7 those individuals.

8 At Presque Isle with only 500 stalls on the
9 grounds, obviously the work force is smaller. I have heard
10 that there are individuals making substantially more money
11 at Presque Isle simply because the competition for workers
12 by the trainers is great because of the inability for
13 individuals to house on the grounds. I've heard one trainer
14 actually is paying \$750 a week to get the best grooms out of
15 necessity.

16 REPRESENTATIVE CLYMER: What about the other
17 people who take care of the barns, who clean the barns,
18 those individuals, how are they treated financially and with
19 benefits?

20 MR. MOSTOLLER: The people that take care of the
21 barns would be the trainers. And the trainers are
22 independent businessmen. They're not paid a salary. They
23 have clients that they train horses for that race and
24 they'll receive -- that's how they are paid. They're paid
25 by the owners that make an investment in horses, those

1 trainers, and they would be responsible for their area on
2 the back side and clean. Now, the grooms would do the
3 stalls, but the trainer is the only that's ultimately
4 responsible for his area and upkeep and they are independent
5 businessmen. They are not salaried.

6 REPRESENTATIVE CLYMER: Thank you.

7 CHAIRMAN JAMES: Representative Fabrizio.

8 REPRESENTATIVE FABRIZIO: Thank you, Mr.
9 Chairman. And thank you, Mr. Mostoller.

10 As you know, we talked this summer on some of
11 these issues when the committee was touring Presque Isle
12 Downs. And I'm glad to see there is some movement towards
13 the commitment of MTR to go to a thousand-stall facility.

14 I'm a little concerned on two issues though.
15 When we were up there, the trainers and some of the other
16 people involved were talking about the design and layout of
17 the existing stalls and that they're problematic and they
18 would like to have some input.

19 And I notice in your testimony you're talking
20 about -- you're talking about having some input into the
21 design and layout of the last 300. But the 200 that they're
22 going to be building this year, question one, are you having
23 some input on the design and layout of those facilities?

24 And sneaking my half a second question, Mr.
25 Chairman, you indicated that we lost \$10 million -- you

1 know, there was an economic impact of a loss of \$10 million
2 by only having 500 stalls. Can you project -- can you
3 delineate that \$10 million as to, you know, what kind of
4 impact that would have had across the board within the
5 community and can you project what might happen if we move
6 to a total of 1500 stalls?

7 MR. MOSTOLLER: Well, the first question from a
8 barn standpoint, we've been engaged -- we engaged in
9 conversation with Presque Isle at the beginning of the meet
10 last year, actually, as to what the deficiencies in the
11 barns from a horseman's standpoint were.

12 They moved forward with plans. Unfortunately,
13 the plans that were unveiled to us at the State Horse Racing
14 Commission meeting last week were exact replicas of the
15 existing barns. In discussion it became clear that if we
16 are going to have two additional barns for our 2009 meet
17 that changes, unfortunately, could not be made due to the
18 timing to start construction to be available for '09.

19 They did make a commitment that the three
20 remaining barns they would take into consideration, but
21 unfortunately we were at a point where you either move on
22 and you have 200 additional stalls or you don't move on and
23 you conduct the meet with 500 stalls, which is unacceptable.

24 Your second question, that ten-million-dollar
25 number comes from an economic impact study that was done by

1 the University of Arizona. It's dated. I believe it's four
2 or five years old so the ten-million-dollar number is
3 probably actually larger at this point just from an
4 inflationary standpoint. And that \$10 million incorporates
5 not only the salaries of the people who care for those
6 horses, the vets, the farmers in the area, the feed mills,
7 everything from a total economic standpoint, they estimate
8 for every 500 horses at a given racetrack you're looking at
9 \$10 million in total economic impact.

10 REPRESENTATIVE FABRIZIO: Thank you.

11 CHAIRMAN JAMES: Representative Sainato.

12 REPRESENTATIVE SAINATO: Thank you, Mr.
13 Chairman.

14 I just have a brief question. You said earlier
15 that as of this year there's no more steroid use --

16 MR. MOSTOLLER: That's correct.

17 REPRESENTATIVE SAINATO: -- in the industry.
18 Was that Lasix?

19 MR. MOSTOLLER: No. The anabolic steroids are
20 steroids, there's four that were approved for use in the
21 equine athlete. They have been -- there's a national
22 movement. Pennsylvania has become a leader. We were one of
23 the first states to institute regulations regarding the
24 regulation of anabolic steroids.

25 Lasix is a diuretic that is used to -- to help

1 horses from not bleeding while exercising. It's a
2 completely different --

3 REPRESENTATIVE SAINATO: So Lasix is not a
4 steroid at all?

5 MR. MOSTOLLER: From a pharmacological
6 standpoint, I wouldn't be qualified to answer that question
7 whether there's any anabolic effects of Lasix or not.

8 REPRESENTATIVE SAINATO: All right. Thank you.

9 CHAIRMAN JAMES: Thank you. Thank you so much
10 for your testimony.

11 MR. MOSTOLLER: Thank you.

12 CHAIRMAN JAMES: I'm sorry. Representative
13 Waters, you had a question?

14 REPRESENTATIVE WATERS: I missed part of your
15 testimony. I had to step out for a minute. But you was
16 talking about the increase in the amount of people who care
17 for the horses, you said it has to go up?

18 MR. MOSTOLLER: I'm sorry. Could you repeat --

19 REPRESENTATIVE WATERS: You were speaking about
20 the percentage or the ratio for 1,000 horses, you said you
21 said you only had like 66 people per 1,000?

22 MR. MOSTOLLER: Right.

23 REPRESENTATIVE WATERS: It would need to be like
24 five per horse?

25 MR. MOSTOLLER: In a perfect world you would

1 want one groom for every five animals on the back side. In
2 the past in Pennsylvania, because of the poor economic
3 environment, we have been forced to cut corners and you'll
4 see individuals that cared for ten horses. I can tell you
5 that caring for ten horses is a job that can't be done. But
6 the economics of racing in Pennsylvania in the past has
7 dictated that. That's no longer the case from a standpoint
8 of the purses that are available.

9 But that was the commitment thus far that
10 Presque Isle Downs has made to build grooms' quarters that
11 will house the workers on the back side. We've gone through
12 this last meet for the summertime without any grooms'
13 quarters on the back side. Actually, there was a room at a
14 local motel that the individuals reside, and then they were
15 bused over to the racetrack to work.

16 In an ideal situation you want the living
17 quarters on the back side. The commitment has been made for
18 66 beds or 33 rooms with expansion as needed, and we will
19 need a significant expansion, obviously, as we expand the
20 number of stalls at Presque Isle.

21 REPRESENTATIVE WATERS: The qualifications for a
22 person to gain that kind of employment, is there people out
23 there that you could recruit if you were able to move more
24 towards a perfect world?

25 MR. MOSTOLLER: A lot of these people become

1 involved because of their love of the animal. This is a
2 passion. We try to recruit individuals, but it's the
3 special person that gets up at five o'clock in the morning
4 and then potentially concludes their night at 9:30, 10:00
5 after they pull a horse out and at Penn National even later.

6 So while we're able to increase the amount of
7 dollars that are paid to these individuals, it really needs
8 to be a passion and a love of the game. And you'll find the
9 majority of individuals on every back side it's about their
10 love of the game and their love for the animal. You know,
11 obviously, everybody likes to get paid, and they are
12 receiving wages more so than they were previously, but it
13 really comes down to the passion.

14 REPRESENTATIVE WATERS: Okay. Thank you, Mr.
15 Chairman. Thank you.

16 CHAIRMAN JAMES: Okay. Thanks again for your
17 testimony. All right.

18 Now we're going to call Mr. Mike Tanner,
19 Director of Racing Operations for Harrah's Chester Downs.
20 And to change the agenda, there's been a little change.
21 It's going to be instead of Ron Battoni, it's going to be
22 Mike Izzo, President -- he can't be president. But Mike
23 Izzo, you can just tell us your title when you give your
24 testimony.

25 MR. IZZO: No problem.

1 CHAIRMAN JAMES: And the third person, you could
2 just introduce yourself.

3 MR. TANNER: Joe Tyrrell from Harrah's. Joe, I'm
4 not even sure what your title is.

5 MR. TYRRELL: Regional Vice President for
6 Government Relations for Harrah's Entertainment and
7 Operating Company.

8 MR. TANNER: I should know that. Good morning,
9 everybody. Talking points pertaining to my presentation
10 have been distributed. They're available here today. A
11 complete transcript of my testimony will be provided
12 subsequent to the statement.

13 CHAIRMAN JAMES: All right. State your name for
14 the record.

15 MR. TANNER: My name is Mike Tanner. I am the
16 Director of Racing Operations at Harrah's Chester Casino and
17 Racetrack.

18 Mr. Chairman James, House Gaming Oversight
19 Committee, and Agricultural and Rural Affairs Committee,
20 thank you for the opportunity to present an update on the
21 progress of the Harrah's Chester Casino and Racetrack
22 project and its impact on Pennsylvania harness racing.

23 To put my remarks in perspective, I want to
24 highlight Harrah's code of commitment as I believe it sets
25 the tone for what our project in Chester stands for and a

1 roadmap of commitments to Chester and the Commonwealth.

2 Under our code we have pledged that we will
3 uphold very high standards in our relationships with our
4 communities, our guests, and our employees. And I'll
5 address today, we're proud of what we've done for these key
6 stakeholders.

7 The Harrah's Chester project has converted the
8 once-abandoned 64-acre brown site -- brownfield site to what
9 is now the central point of a local economic boom. Over
10 1,000 union laborers were utilized to build the only
11 state-of-the-art facility which now houses over 1,000
12 permanent employees. Together those 1,000 employees will
13 earn over \$27 million in wages in 2008 with all full-time
14 employees being eligible for full benefits packages.

15 The Harrah's Chester project has become a
16 win-win situation for the people of Chester, Delaware
17 County, the State of Pennsylvania, and Harrah's
18 Entertainment. In 2007 the City of Chester benefited from
19 \$11.5 million in gaming tax and land lease revenues, and
20 Delaware County earned another \$11.5 million as well.

21 Harrah's Chester paid over \$155 million in total
22 gaming taxes to the city, county and state in 2007. And in
23 addition, Harrah's generated close to \$300,000 in wage tax
24 revenue for the City of Chester in 2007.

25 To begin our good neighbor efforts in Chester,

1 we launched the five-hundred-thousand-dollar Chester
2 Challenge, a donation presented to the Delaware County Work
3 Force Investment Board dedicated to job training in the
4 area. Harrah's also donated our fifty-thousand-dollar
5 gaming test day after-tax proceeds to the United Way of
6 Southeast Delaware County and another \$50,000 to the
7 Alzheimer's Association. In fact, Harrah's Chester was
8 recognized as the corporate partner of the year by the
9 Alzheimer's Association of the Delaware Valley.

10 Among other things, these donations funded a
11 three-day summit hosted by the United Way aimed at aligning
12 stakeholder groups to set a vision for education in the City
13 of Chester.

14 We've also lent our hands to such organizations
15 as the Community Action Agency of Delaware County, Elwin
16 Institute, Habitat for Humanity, Riddle Hospital, Susan G.
17 Komen Foundation, the Chester Domestic Abuse Walk, Ches-Penn
18 Mercy Health systems, Crozier Medical Center and Widener
19 University just to name a few.

20 In January of 2008 Harrah's Chester announced a
21 two-hundred-thousand-dollar scholarship program aimed at
22 Chester residents seeking a higher education. The program
23 set up to distribute funds over two years recently rewarded
24 28 Chester residents with funds from \$500 to \$5,000 based on
25 merit and need. To support the very idea of the importance

1 of higher education, Harrah's Chester also donated an all
2 new college resource center equipped with Dell PCs, all new
3 furniture, a laptop and overhead projector for the
4 instructor, and refurbished the Chester YWCA computer lab as
5 well.

6 Throughout the development of our project and
7 continuing today, Harrah's has employed a Chester first
8 approach to employee recruitment and vendor purchasing.

9 During our pre-opening recruitment phase,
10 Chester residents were considered first. Twelve job fairs
11 were held in the city as we recruited for positions ranging
12 from management to front line. In the end 20 percent of
13 Harrah's Chester employees came from the city and another 45
14 percent were generated from other surrounding communities in
15 Delaware County.

16 Local vendors have also benefited from the
17 positive impact of the project. Prior our opening multiple
18 vendor fairs were held in conjunction with the Pennsylvania
19 Gaming Control Board, CEDA, and the Minority Suppliers
20 Development Council to introduce local and minority
21 businesses to Harrah's buyers.

22 Since opening Harrah's has spent \$11 million
23 buying everything from pastries to hardware supplies
24 locally. Some of our area partners include Chester Light
25 and Sound, Suburban Electric, Buono Brothers Bakery, Elinder

1 Printing, Chester Hardware, Radio Communications and more.

2 We have successfully partnered with women-owned
3 and minority businesses, as well as including women-based
4 enterprise T. Frank McCall's who supplies the property with
5 janitorial supplies, and Chester Hardware.

6 With close to 10,000 visitors a day in the
7 casino and the racetrack, it's important to make sure every
8 Harrah's Chester employee is trained and understands our
9 corporate policies on responsible gaming. When employees
10 are hired, they are immediately introduced to programs such
11 as Operation Bet Smart and Project 21 during new-hire
12 orientation.

13 Harrah's Chester also has a zero-tolerance
14 policy for unattended children and keeps a constant lookout
15 for violators. Since our slot opening, our security staff
16 has checked the identification credentials of 13,565
17 individuals who appeared to be younger than 30 years of age.
18 Of those, 775 were denied access to the casino.

19 Harrah's Chester has reintroduced world-class
20 harness racing to the Delaware Valley. On April 20th we
21 launched our third season of action-packed harness racing.
22 Our facility features a state-of-the-art thirteen-race
23 paddock that has been hailed as the best in the industry.

24 The ultra-modern 1500-seat grandstand looks down
25 upon a five-eighths-of-a-mile track and puts nearly every

1 fan on top of the action with the dramatic backdrop of the
2 Delaware River providing one of the best views in racing.

3 Our track surface and configuration is widely
4 regarded as being one of the best in the business in terms
5 of safety and design.

6 This season we're racing every Sunday and
7 Monday, Wednesday and Thursday through December 17th. And
8 on any day of the week, fans can expect to see hall-of-fame
9 drivers like Cat Manzi, to national leader Tim Tedrick who
10 set a world record last year for most driving victories in
11 one season, 1,188.

12 Our simulcast area has over 300 seats. It's
13 state of the art. It features the latest in race-betting
14 technology. And in just two years Harrah's Chester has
15 generated nearly \$1 million in pari-mutuel taxes for the
16 Commonwealth.

17 Along with Mohegan Sun at Pocono Downs, Harrah's
18 Chester Racetrack has served to create an Eastern
19 Pennsylvania racing circuit that has attracted horsemen from
20 around North America to base their racing operations in the
21 Commonwealth. With an average daily purse distribution that
22 exceeds more than \$250,000 per day, there is no more
23 lucrative place to race a harness horse in America than
24 Harrah's Chester.

25 Severn current world records have been set at

1 Harrah's Chester since September 2006, including Artistic
2 Fella's scintillating 1:48 mile in the Ben Franklin final
3 earlier this year. No aged horse of any gender has ever
4 gone faster on a five-eighths-of-a-mile oval.

5 Harrah's Chester's Super Stakes Sunday card was
6 held on Sunday, August 17th. We offered greater than \$2.3
7 million in prize money, making it the richest single racing
8 day Thoroughbred or Standardbred in the history of
9 Pennsylvania. The race card featured the renewals of the
10 Colonial and the Battle of Brandywine, two storied races
11 from years past uniquely identified with Delaware Valley
12 Racing.

13 Horsemen and fans alike are also excited about
14 the installation of lights scheduled to begin December 18th
15 of this year, thus allowing nighttime racing for the 2009
16 season. This will bring a whole new dynamic to our
17 racetrack not seen since the nighttime races at Liberty Bell
18 Park almost 25 years ago.

19 As I noted at the outset, the initial results of
20 Harrah's Chester have been reflective of our very own
21 corporate code of commitment. We've put forth every effort
22 to help make our community to be a vibrant place in which to
23 live and work. Our casino marketing has been accomplished
24 responsibly, and we've promoted responsible gaming to our
25 guests. Our employees are treated with respect and have

1 been provided with opportunities to build satisfying
2 careers.

3 We've succeeded in attracting a diverse
4 workforce and a diverse vendor pull. We have converted a
5 brownfield site into a beautiful entertainment venue,
6 created jobs, made local purchases, and generated enormous
7 tax dollars. In short, we are fulfilling the vision of Act
8 71 to create economic stimulation for the city, county and
9 state.

10 I thank you and I welcome your questions.

11 CHAIRMAN JAMES: Go ahead. Next. We're going
12 to go to do the whole panel.

13 MR. IZZO: Good morning, Chairman James, members
14 of the committee, ladies and gentlemen. I'm here in place
15 of Ron Battoni who due to circumstances was unable to
16 attend.

17 I currently serve as Chief Executive Officer of
18 the Pennsylvania Harness Horsemen's Association, but my
19 experience with Pennsylvania racing goes far beyond that. I
20 was first exposed in 1958 when at the age of nine my father
21 bought his first horse right here in Harrisburg at the sale.

22 Since that time I've raced and stabled horses
23 through the '70s and '80s at Liberty Bell Park in
24 Philadelphia and Brandywine Raceway and other tracks around
25 the East Coast. And I can say that most of those horses

1 were purchased right here in Harrisburg. So I did my part
2 to aid the breeders in their plights.

3 After that I served as Executive Director of the
4 National Horsemen's Association and have been exposed to
5 racing in many venues throughout the country.

6 With that mind, I am pleased to testify here
7 today about the impact of Act 71 on the Pennsylvania
8 Standardbred industry. It pleases me even more to report
9 that this legislation has exceeded our expectations and
10 defied the negative voices who regarded it as nothing more
11 than temporary life support for a dying industry.

12 I can tell you what those of us inside the
13 industry knew all along, Pennsylvania has always possessed
14 the talent and the stock to compete nationally and
15 internationally. What we've lacked since the late '80s was
16 the financial incentives required to stimulate investment in
17 the Standardbred industry. Act 71 created the proper
18 conditions for increased investment and development of farms
19 facilities, breeding programs and virtually every aspect of
20 the sport. Harness horse racing and all of its related
21 industries is better for it.

22 To cite some examples, Pennsylvania is now
23 arguably the top destination in the United States for
24 Standardbred racing. The media of both industry
25 publications and mass media have recognized and reported

1 extensively on Pennsylvania's new place of prominence on the
2 national racing scene.

3 In addition, the racing surfaces of both tracks
4 have been singled out for praise by some of the country's
5 most successful and experienced trainers and drivers. In
6 2008 Harrah's Chester Racetrack and Casino will award an
7 estimated 30 million in purses. Mohegan Sun at Pocono Downs
8 was able to offer close to 15 million in total purses. It
9 should be noted that this is for an abbreviated 95-day meet
10 that was scheduled to make way for the construction of the
11 state-of-the-art five-million-dollar paddock.

12 Both tracks have an abundance of horses. Not
13 since the '70s and early '80s in Pennsylvania history have
14 we seen such healthy competition. Healthy competition leads
15 to a beneficial cycle of improvement season after season.
16 Breeders must improve their programs to keep up, trainers
17 must do the same. Only the best drivers can effectively
18 compete as well. Even the tools and technology of harness
19 racing improve when fractions of a second make all the
20 difference between a win or another place finish. The
21 result of this competition attracts new spectators and helps
22 maintain the interest of longtime fans.

23 Collectively, these positive developments have
24 led to increased interest everywhere Pennsylvania racing is
25 simulcast. You can see the effect in handle. Total handles

1 increased substantially each year since the passage of
2 Act 71. In 2008 year-to-year handle increase at Mohegan Sun
3 and Pocono Downs was up approximately 40 percent, while
4 Harrah's Chester racetrack and Casino have seen a 60 percent
5 increased.

6 Pennsylvania horses set records on almost a
7 weekly basis, and it seems as if we're making history with
8 each passing meet. This year's highlight was undoubtedly
9 Super Stakes Sunday at Harrah's Chester which offered the
10 single largest total combined purse in Pennsylvania racing
11 history, \$2.3 million. The facility was packed with
12 spectators along with media from surrounding states. It was
13 truly a day to remember.

14 Act 71 has also allowed our organization to
15 increase the health benefits we offer our members and create
16 a retirement savings program which some of our members are
17 already vested in. Make no mistake, harness racing like any
18 other professional sport has its share of risks, and these
19 programs allow us to provide the same security to our
20 members that other professional athletes, coaches and
21 support personnel enjoy. They make it that much more
22 appealing for young talent to become part of the industry.

23 In summary, I am pleased to report that from our
24 vantage point Act 71 has gone further than any previous
25 legislation to stimulate the Standardbred horse racing

1 industry, as well as the many businesses large and small
2 connected to it. Quite simply, Pennsylvania is now setting
3 the standard for other states to follow, and the people
4 involved in our sport have no intention of resting on their
5 laurels when there's so much left to accomplish and so many
6 benefits to be had in doing so.

7 In closing I would like to thank the Harrah's
8 Chester management and the Mohegan Sun management for their
9 cooperation in helping us achieve all of this.

10 CHAIRMAN JAMES: Thank you. Chairman Clymer.

11 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.
12 Greetings everyone.

13 Mr. Tanner, I have a question for you. How many
14 people are employed at Harrah's Chester Casino?

15 MR. TANNER: Approximately a thousand are
16 employed at Harrah's Chester.

17 REPRESENTATIVE CLYMER: So that would mean 200
18 employees come from the City of Chester if 20 percent have
19 been recruited from Chester?

20 MR. TANNER: Using that figure, that would be
21 approximately correct.

22 REPRESENTATIVE CLYMER: With the -- with the
23 economic benefits that you had mentioned throughout your
24 testimony that have accrued to the City of Chester, can you
25 point to any small businesses or any new businesses that

1 have opened in the City of Chester since the establishment
2 of Harrah's Chester?

3 MR. TANNER: Off the top of my head, I know
4 there's a taxi service that opened that did not exist
5 before. I would have to check with our folks to get more
6 specific to you. I do know obviously a lot of Chester
7 businesses are involved with this. I personally could not
8 tell you whether they were start-ups or whether they had
9 been in existence prior to our relationship.

10 REPRESENTATIVE CLYMER: Have you experienced any
11 crime, any increase in crime with the opening of the casino?

12 MR. TANNER: No.

13 REPRESENTATIVE CLYMER: None whatsoever. That
14 finishes my testimony -- I mean my questioning.

15 I have a question for the other presenter, if I
16 may, just one question.

17 Mr. Michael Izzo, thank you for your testimony.
18 You had mentioned the harness racing that has taken place
19 and Thoroughbred racing that has taken place at the casino
20 there. You heard the testimony, maybe you didn't, from Dr.
21 Spears about the fact that the two to three yearlings are
22 only getting 3 to 5 percent of the races. How does that
23 dovetail into your report?

24 MR. IZZO: Well, I would like to comment on that
25 since you asked.

1 If you're not familiar with young horses,
2 approximately 2 percent of all young horses sold make the
3 races as a two year old. It's very difficult for a young
4 horse to race competitively, and most of them are given a
5 very limited number of starts.

6 We have written races at Harrisburg -- or at
7 Harrah's, okay, that did not fill because there was not
8 enough two year olds to fill those classes. And most of the
9 older horses that you see racing, they were at one time
10 young horses. They probably didn't get there as a young
11 horse. Like I stated in my testimony, I bought all of my
12 young horses basically from Harrisburg, didn't buy or claim
13 older horses. It just takes longer to get a yearling to the
14 races than it does for someone to go buy an older horse.

15 I don't see things the same way as Mr. Spears
16 does. I think there's -- that people that buy young horses,
17 they stake them extensively throughout the country. I did
18 the same. Okay. You try and maximize what you can earn,
19 but those horses don't always hold up. You press them to
20 get to these stake races, and like young athletes they
21 develop problems. You have growth plates in young horses'
22 knees and other places that just aren't mature. They're
23 not capable of racing as many starts or as early as the
24 older horses. Those older horses were all yearlings at one
25 time.

1 So I don't think that we're neglecting them. I
2 think a lot of them are incapable of racing that often as
3 two year olds.

4 REPRESENTATIVE CLYMER: My final question. But
5 the point was made very clear by Dr. Spears that these
6 smaller breeder farms are not doing well, that the prices
7 for the yearlings are decreasing. And so how is that going
8 to make these breeder farms profitable if they can't secure
9 the necessary funding?

10 MR. IZZO: I would ask a question. In 2007 I
11 think he stated there was a 1 percent increase or something.
12 But as a buyer and someone who was in the market, there was
13 I think a substantial increase in the price of the yearlings
14 at Harrisburg prior to this act being passed in anticipation
15 of this act.

16 So I think they were ahead of the curve. I
17 think their horses brought more money before this act in
18 anticipation of it.

19 As for small breeders, the same -- the same fate
20 is applied to small trainers. Okay. You have to upgrade
21 your stock. You have to anticipate and you have to run your
22 business accordingly and anticipate increasing the quality
23 of what you're doing.

24 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.

25 CHAIRMAN JAMES: Thank you. Representative

1 Moul.

2 REPRESENTATIVE MOUL: Thank you, Mr. Chairman.
3 Representative Clymer just asked the exact same two
4 questions that I was going to ask. But I'll follow up on
5 that. What would be your recommendation in order to save
6 these small breeder farms?

7 MR. IZZO: Not being a breeder, I really don't
8 know how you would do it. I once bred a few horses when I
9 was racing for a living, and it's a difficult business.
10 Breeding is a difficult business. You don't know what
11 you're going to get. A horse is fouled, they may have a
12 crooked leg or they may have something else. It's a very,
13 very difficult thing to do.

14 Upgrade. All I can say is upgrade. Where a
15 trainer raced ten horses, maybe had ten, five claimers, ten
16 claimers, he had to condense that. Buy three horses of a
17 higher quality. Okay. Competition forces that. Okay.
18 Breeders that -- small breeders that are breeding ten
19 horses -- and I don't know what constitutes by his
20 definition of small breeder. But if a small breeder is
21 breeding ten horses of lesser quality, then he should go
22 back and breed five of better quality so he's more able to
23 compete in the competitive market. That would be my
24 suggestion.

25 REPRESENTATIVE MOUL: From someone sitting over

1 here, I certainly couldn't tell you if that would be viable
2 for them to do ten --

3 MR. IZZO: Neither could I.

4 REPRESENTATIVE MOUL: But I know without those
5 smaller breeder farms you don't exist.

6 MR. IZZO: I understand that.

7 REPRESENTATIVE MOUL: So we've got to -- we've
8 got to work on whatever it takes to make them a viable
9 industry and a part of this equation.

10 MR. IZZO: Well, I understand that.

11 REPRESENTATIVE MOUL: Thank you.

12 CHAIRMAN HANNA: Representative Millard.

13 REPRESENTATIVE MILLARD: Thank you, Mr.
14 Chairman.

15 Mr. Izzo, I'm looking here and I see that you're
16 the chief financial officer of the Pennsylvania Harness
17 Horsemen's Association. And you obviously have a -- you are
18 impacted directly by what happens with harness racing in
19 Pennsylvania, and specifically hopefully you're aware
20 that -- again, we're going back to those facilities at some
21 of our county fairs that are the incubator, the support
22 structure for harness racing.

23 We just completed harness racing last week at
24 Bloomsburg Fair. As the purses have increased, there's a
25 great deal more interest in racing. And that, of course,

1 equates to more heats, more races, to go after those large
2 purses.

3 And I'm going back to what my previous comments
4 were that the fair funding at present is inadequate and
5 grossly inadequate and that at least those 14 facilities
6 involved across the state of Pennsylvania that are county
7 fairs that are very supportive of the harness racing
8 industry are in dire need of infrastructure repairs and it
9 takes money to do that.

10 So my question to you is either Act 71 by
11 agreement or by legislative change, would your organization
12 be supportive of a dedicated percent of the money that's
13 coming in for harness racing to be utilized to upgrade these
14 facilities?

15 MR. IZZO: Well, when you say coming in from
16 harness racing, are you speaking of purse money?

17 REPRESENTATIVE MILLARD: Well, not purse money.
18 I'm looking at the percentages that were detailed here
19 previously, 80 percent for this, 17 percent for something
20 else. I'm talking about the money that Act 71 dedicates to
21 racing in Pennsylvania. Do you support any type of a change
22 there percentage-wise?

23 Put all the money into purses that you have,
24 which is great, you're encouraging more participation. But
25 if you do not support the infrastructure or that background

1 structure, it's very problematic.

2 MR. IZZO: Well, if you're talking about opening
3 the legislation, I would be more acceptable to seeing the
4 groups get together and ask for funding rather than to get
5 back into that legislation. Perhaps you could get together
6 with members of the industry and ask for some kind of
7 donation or something like that. I don't know exactly how
8 to do it, but I would be hesitant to get back into
9 legislation.

10 REPRESENTATIVE MILLARD: And I would suspect
11 that most would be, so I'm happy to hear that you would be
12 entertaining to some type of an agreement outside of that.
13 Thank you.

14 Thank you, Mr. Chairman.

15 CHAIRMAN HANNA: Mr. Izzo, just recognizing that
16 your perspective is different than Dr. Spears' was, let me
17 just ask you this question. You don't object to your
18 association participating in the discussions that Dr. Spears
19 suggested need to take place?

20 MR. IZZO: Absolutely not. We would request it.

21 CHAIRMAN HANNA: Thank you.

22 CHAIRMAN JAMES: Okay. We'd like to thank you
23 for your testimony. Thank you.

24 And now we're going to call Mr. Jeffrey
25 Firmstone, Vice President of Quaker State Racing

1 Association, Pennsylvania State Association of County Fairs.

2 MR. FIRMSTONE: On behalf of the Pennsylvania
3 county fairs that sponsor harness racing, I would like to
4 thank the chairmen present and the combined committees here
5 today for this opportunity to review the state of county
6 fair harness racing throughout the Commonwealth.

7 By way of introduction, on a personal note, I am
8 on the executive board of directors at the Wayne County
9 Fair, Honesdale, Pennsylvania. I am a director of harness
10 racing at our fair and also the track announcer and chairman
11 of the building and grounds subcommittee of our fair.

12 I'm also Vice President of the Quaker State Fair
13 Circuit which serves the harness racing fairs throughout the
14 state. I'm also a member of the United States Trotting
15 Association, the Pennsylvania Harness Horsemen's
16 Association, and I am a licensed Standardbred owner,
17 probably not on the scale of the rest of the folks that are
18 here today but I'm a small-time scale.

19 County fairs are the very fabric of what
20 agriculture of Pennsylvania represents, and the county fairs
21 are a great showcase for everything agricultural across the
22 state. Part of that agriculture is harness racing.

23 The roots to the sport of harness racing can be
24 traced back to before the beginning of the 20th Century in
25 the infancy of the agricultural fairs. In fact, the

1 agricultural fairs across the state largely were developed
2 in order for the farmers to race their horses.

3 County fair harness racing represents a purist's
4 dream for the sport. Sunny summer afternoons, Ferris
5 wheels, cotton candy, and harness racing are longtime
6 fixtures across the Commonwealth.

7 County fair harness racing acts as a great
8 incubator for harness racing horses, allowing the equine
9 athlete to gain experience and maturity far away from the
10 bright lights and top performances provided by our state's
11 pari-mutuel racetracks.

12 Evidence of the value of county fair racing is
13 shown with the great gelding trotter Vivid Photo. He was
14 the 2004 Hambletonian champion. Vivid Photo was owned,
15 trained and driven by Pennsylvanians Roger Hammer and Todd
16 Schadel. Vivid Photo competed at the county fairs during
17 his formative two-year-old year, developing into the best
18 three-year-old trotter in the country.

19 More recently, please take note of the article
20 at the end of the report published by the United States
21 Trotting Association. In that article they talk about a
22 Pennsylvania horseman, David Wade, and his great success
23 this summer at the Pennsylvania county fairs.

24 2008 represents the first year that gaming
25 moneys have filtered down into purses for the Sire Stakes at

1 the county fairs. After more than 25 years of stagnant
2 purses, the gaming funds have provided a dazzling infusion
3 of purses for racing at the fairs. In 2008 the Sire Stakes
4 purses more than doubled from the previous year.

5 The infusion of gaming funds into harness racing
6 has been a boon to the sport's owners, drivers and trainers.
7 Increased participation in county fair racing was seen
8 across the state this summer. My fair in Honesdale in Wayne
9 County, where in the past we have struggled to attract
10 enough horses to fill our race cards, often only having five
11 or six races each day and maybe 20 to 25 horses competing,
12 this summer in the first week in August we experienced nine
13 or ten races each day, averaging nearly 50 horses competing.

14 Gaming revenues have created the desired effect
15 for the harness racing industry, creating a boon to the
16 owners and the drivers and trainers, a boon to the breeders
17 through the breeders awards that are funded by the gaming
18 funds, and increased demand for Pennsylvania bred and raised
19 horses, and a boon to the pari-mutuel facilities throughout
20 the state by virtue of the licensing of the racinos at our
21 raceways. Unfortunately, the odd men out in all of this
22 good news are the county fair boards.

23 As we've discussed before in previous
24 testimonies, all agricultural fairs in the Commonwealth are
25 funded through the Pennsylvania Agricultural Fair Act of

1 1986. This act contains specific mechanisms with specific
2 amounts for harness racing fairs. The act calls for funding
3 the fair racing meets with a grand total of \$20,600 per
4 fair. Of this amount the act is specific in that 7,600 must
5 be used for purses to fund what has become the Quaker State
6 Early Closing Races for two- and three-year-old horses.
7 \$4,000 must be used to fund purses for overnight races for
8 older horses, leaving the fairs \$9,000 for all the other
9 costs to run the fair race meets.

10 Since its inception in 1986, the Fair Act's
11 funding for fairs racing horses has been at a fixed amount.
12 What possibly costs the same now as it did in 1986? Well,
13 there really isn't anything. All of the costs have
14 increased and in some cases by large amounts since the
15 inception of the Fair Act.

16 Typically the \$9,000 does not cover the
17 operational-type expenses experienced by the fairs which
18 included requirements for a licensed starter along with a
19 starting gate, a licensed presiding judge, a race secretary,
20 clerk of course and a racetrack announcer. These are just
21 the professional personnel involved in a typical county fair
22 racing meet. There is also the necessity for equipment and
23 materials to condition and water the track, along with the
24 personnel to operate the equipment.

25 Other necessary costs that are not reimbursable

1 under the Fair Act yet are certainly an expense to county
2 fair racing include, but are not limited to, the costs of
3 the public address systems, insurance, ambulance service,
4 racing programs, trophies, et cetera, et cetera.

5 All of the costs mentioned have one thing in
6 common, they are operating costs, a burden that although
7 inadequately funded by the Fair Act are at least partially
8 funded by the act.

9 Attempts to soften this operational burden on
10 the fairs have been made by the Pennsylvania Racing
11 Commission via their willingness to provide presiding judges
12 from their current staff to judge at the fairs. Also, cash
13 donations from the Pennsylvania Breeders and the State
14 Harness Horsemen's Associations and the pari-mutuel tracks
15 have helped with other operational costs at the fairs.
16 These contributions have been eagerly accepted by the fairs.
17 There is widespread concern though that these voluntary
18 donations may disappear in future years, leaving the fairs
19 with only the Fair Act as a source of funding.

20 The other major area of concern, and Acting
21 Secretary Cheryl Cook in her -- and echoing Cheryl Cook in
22 her testimony -- for the county fairs that sponsor harness
23 racing is infrastructure needs. Many, if not most, of the
24 fairgrounds that race horses are long overdue for major
25 infrastructure improvements, not unlike our raceways.

1 The Standardbred Breeders Association of
2 Pennsylvania has reported and testified today their concerns
3 about sale prices for yearlings, especially the low-end
4 yearlings. The report states that the Pennsylvania yearling
5 market will only improve with better racing opportunities
6 for Pennsylvania-sired two and three year olds.

7 One of the prime opportunities for this type of
8 horse to race is at the county fairs across the
9 Commonwealth. Perhaps one reason that these yearlings are
10 not as appealing to prospective buyers as they might be is
11 that Pennsylvania owners are hesitant to race their horses
12 at the county fairs because of the poor condition of the
13 facilities at many of the fairgrounds. Shortage of stalls,
14 worn out stable areas, less than ideal track conditions are
15 all problems that fair boards face in conducting their
16 annual racing meets.

17 As stated previously, purses at the county fairs
18 for Pennsylvania-sired two and three year olds have doubled
19 this year, yet the physical plants of the fairs often remain
20 hopelessly outdated and inadequate to handle the increased
21 demands created by the increased purses.

22 Keep in mind this is only the first year of
23 slots-enhanced purses at the fairs. The future is flush
24 with opportunity with the possible development of a second
25 division of fair stakes.

1 Once again, everyone's needs are being
2 considered with the exception of the fair boards. It is the
3 fair boards that may possibly be charged with additional
4 racing without any means to pay for the increased expenses
5 that are inherent with additional racing. More races means
6 more race days, which means higher operating costs and more
7 stress on the outdated Fair Fund and already exhausted
8 infrastructures at the fairs.

9 Through the Department of Agriculture there are
10 limited capital improvement matching funds grants available
11 to all fairs participating in the Fair Act. Regrettably,
12 the availability of these funds are directly affected by the
13 whims of the state budget and have come under amplified
14 budget pressure in recent years. These grants have a limit
15 of \$25,000 and must be matched dollar for dollar by the
16 local fair boards.

17 From the harness racing perspective, these
18 grants can be problematic at harness racing fairs because
19 they're competing with a hundred-plus other fairs across the
20 state for the limited grants that are available.

21 A further deterrent is that many fairs are
22 unable to fund their matching share of the funds to make
23 truly effective improvements to their grounds. And then if
24 they do obtain matching funds, there are typically more
25 fundamental needs on their fairgrounds that the funds are

1 utilized for. In many cases asking fair boards to
2 prioritize their capital needs forces harness racing to take
3 a back seat to other priorities at the county fairs.

4 The vast majority of county fairs that hold
5 harness racing meets stand ready to partner in the new world
6 of Pennsylvania harness racing, but we are in need of help.
7 Being legislatively and operationally excluded from the
8 direct funding via gaming revenues has put the fairs in an
9 unenviable position. The fairs are incurring additional
10 overhead and capital costs in order to meet the demands of
11 increased participation that the increase in purses has and
12 will bring.

13 Voluntary donations by industry groups have been
14 greatly appreciated by the horse racing fairs, but to
15 realize the full potential of what county fairs can mean to
16 the sport dedicated county fair horse racing funding needs
17 to be created. Thank you.

18 CHAIRMAN JAMES: Any questions? Chairman Hanna.

19 CHAIRMAN HANNA: Thank you, Mr. Chairman. You
20 conclude by indicating that dedicated funding needs to
21 exist. Recognizing that the only funding now is through the
22 state budget and recognizing the difficulty of getting
23 additional funding there, does it appear that the only
24 answer would be to open up the gaming act and try and secure
25 money for the county fairs as part of that?

1 MR. FIRMSTONE: That would certainly be my
2 estimation of the situation. And you folks as the
3 legislators, you're the experts. When the gambling laws
4 were being developed several years ago, one of the
5 primaries, the folks that were leading the charge to have
6 the casinos in the state, they came to the county fairs and
7 talked to them and looked for our support and our contacts
8 with our local legislators, certainly with the impression
9 that we were going to be part of the -- part of the
10 situation.

11 In fact, what ended up happening through the
12 sausage maker I suppose you could say was that we did not
13 get included. Again, it's the things that I've talked about
14 as far as increased races and things, the expenses have
15 just -- were always problematic, but they've become more of
16 an issue as we go on.

17 My concern is that some of the fair boards will
18 say that's enough. We've already experienced that through
19 the years. Well, since I've been going around as a child
20 and going around to the fairs in Pennsylvania, I can think
21 of five or six fairs that have dropped harness racing
22 because of the expenses involved.

23 We're hoping to see that stopped. And certainly
24 when we're talking the millions of dollars we're looking at
25 through the act and through gambling, the fairs are hopeful

1 that there might be some crumbs that we'll get.

2 CHAIRMAN HANNA: Thank you.

3 CHAIRMAN JAMES: Representative Sainato.

4 REPRESENTATIVE SAINATO: Thank you, Mr.

5 Chairman. How many races -- or how many fairs right now do
6 harness racing?

7 MR. FIRMSTONE: There is 14 or 15 fairs across
8 the state. My fair is in the extreme northeast corner of
9 the state. It covers -- in the middle of the state
10 Bloomsburg obviously, all the way to the western part of the
11 state. They are probably more centered in the western part
12 of the state currently.

13 REPRESENTATIVE SAINATO: You say out of 100 plus
14 there's 14 that do it now. Has there been a major decline
15 in this over the years?

16 MR. FIRMSTONE: Yeah. Through the years there's
17 been. I can think of -- well, Bedford County Fair, the Troy
18 Fair, I think that's Bradford County, they dropped racing.
19 The Allentown Fair at one time raced horses. That was a
20 famous horse racing fair that dropped it. I'm sure there's
21 other that I'm not remembering.

22 So that all happened pretty much -- the ones
23 that are left are the ones that really are pro horse racing
24 fairs. The ones that have dropped kind of were long before
25 there was any slots legislation.

1 REPRESENTATIVE SAINATO: I have the Lawrence
2 County Fair in my district, and I just don't recall harness
3 racing taking place. It may be before my time. But I mean
4 it's been many, many years since it's been there.

5 I'm just wondering if something could be done if
6 this would expand to county fairs if the revenue stream
7 would be there to help the local fairs.

8 MR. FIRMSTONE: I think that's a very good
9 point. And as hopefully the sport grows in the state, the
10 opportunity would be there. But the expenses to just
11 improve the condition of the 14 or 15 of us that there is,
12 let alone a fair that would have to bite off constructing a
13 track and stable areas in order to race horses, I mean
14 that -- I mean I don't know about Lawrence County Fair, but
15 for Wayne County that would be a very, very large task to
16 undertake.

17 REPRESENTATIVE SAINATO: I think they struggle
18 for every dollar that they can get because we're a small
19 county of 96,000, and I understand that most counties are
20 hurting financially, especially the fairs, and I know many
21 times they're looking for anything they can get out there.
22 But, you know, what does it cost, I mean to do something
23 like this? I mean you're saying you're getting \$9600.

24 MR. FIRMSTONE: The 9600 might come close to
25 paying professionals that I listed in my testimony for the

1 week. You might have a little bit left for some track
2 maintenance and things. But just the typical, common items
3 at the races at some of the fairs, the specialized track
4 conditioner that's made in Ohio, that machine itself cost
5 well over \$10,000. So I mean it's not unlike most things in
6 our world these days, the expenses have just gone through
7 the roof, and because legislatively what the fair can and
8 cannot do, we're still stuck with 1986 dollars.

9 REPRESENTATIVE SAINATO: All right. Thank you,
10 Mr. Chairman.

11 CHAIRMAN JAMES: Thank you. Representative
12 Clymer.

13 REPRESENTATIVE CLYMER: Thank you. Mr.
14 Firmstone, good afternoon. I have maybe an interesting
15 proposal for you to help you with economic development. And
16 that is in Act 71 of 2004 there is provided in there a 5
17 percent economic development moneys that I'm not sure you're
18 aware of. Currently the moneys are used to fund projects in
19 western Pennsylvania and eastern Pennsylvania. And we heard
20 earlier this testimony this morning that revenues will
21 probably continue to increase, that is, as casinos go on
22 line.

23 Now think about this. Five percent increase,
24 that means there's going to be more money for somebody.
25 Fifteen county fairs that have horse racing, that's spread

1 in the middle of the state. That's more equity of the
2 money. So you may want to consider contacting some
3 legislators.

4 I'm not in a position to do that, but there may
5 be some legislators that would be in a position to
6 introduce -- when the time comes to introduce an amendment
7 that would certainly help you with that situation because
8 think about that, and the money is really available whenever
9 it goes to budget, the general fund budget.

10 MR. FIRMSTONE: Yeah. Correct me if I'm wrong,
11 wasn't a lot of that funding centered on the host
12 municipalities?

13 REPRESENTATIVE CLYMER: No. No. Not the
14 economic development money.

15 MR. FIRMSTONE: Okay.

16 CHAIRMAN HANNA: Representative Peifer.

17 REPRESENTATIVE PEIFER: Thank you, Mr. Chairman.
18 I'd like to thank both chairs today for sponsoring these
19 hearings. It's great to have everyone here from the horse
20 industry, and we've heard the gaming board talk about what
21 this is doing for agriculture, the money going into the
22 horse industry in the state.

23 I'd also like to thank Mr. Firmstone. Mr.
24 Firmstone wears many hats in Wayne County. He's also the
25 business manager of Wayne County School District so

1 typically you're talking about school funding, but we may
2 have to bring him down another day for that.

3 But he does volunteer. He does a great job.
4 He's got the respect of all his people so I think his
5 numbers are pretty accurate when it comes to the horse
6 racing industry.

7 I too would like to just echo some of the
8 sentiments of our fair caucus chairman, and that's
9 Representative Millard. He is someone that has really been
10 fighting to keep the funding for our fairs since day one.
11 Like he said when he made the comment earlier, we're
12 constantly fighting to maintain that funding for the fairs,
13 and I think that number Dave said was \$4.4 million. And it
14 just would seem to me that there's a natural fit here that
15 out of \$270 million we can't find some money for our fairs.

16 And the fact of the matter is when you think
17 about the county fairs, I mean what better way to promote
18 the industry. I did meet with the gaming board with several
19 people here about funding our fairs because if you're going
20 to promote this industry the best way -- the best way is to
21 introduce families and children to these animals. And they
22 are beautiful animals and they are athletic.

23 And I can tell you when I do visit two fairs in
24 my area, sometimes three or four if I can get there, no
25 matter what display where there's a horse, whether it be a

1 draft horse or a Thoroughbred or a Standardbred horse, I can
2 tell you that it's two to three deep in children just
3 wanting to look at that horse, to reach out and touch that
4 horse because they're amazed at the size of that horse.

5 And it just would seem to me that the gaming
6 board with the money that's being generated it would be
7 great PR, and the fair association has a great need, the two
8 would come together.

9 Now, I do understand Act 71. I talked with the
10 fair caucus a number of times about trying to get this
11 allocation, but it doesn't seem to be quite as easy as we
12 would think.

13 I will say from a tourist standpoint the number
14 of people -- Wayne County's got about 50,000 residents, and
15 I think the Wayne County Fair brings in like 90,000 plus
16 over a seven-day event. The Bloomsburg Fair I think does a
17 half million plus. Okay. So what we're seeing here is
18 tourism in our area as well.

19 And they will tell you in the tourism industry
20 the number one thing that you're looking for is positive
21 experience of the people who come. And the way we bring
22 people out to the Poconos is we give them a positive
23 experience, and that means good safe parking, reliable
24 facilities, better grandstands. We want everyone to have a
25 good time.

1 And the last thing I'd like to say from a fair
2 standpoint is it's really a community event. Our nonprofits
3 make a lot of money selling their product. Our businesses
4 get time to expose many people to their products that they
5 never had the chance to. And it just would seem to me that
6 we've got to try to blend these two together.

7 And I don't know just how we're going to do it,
8 but if we have to open up Act 71 I think we have to, but it
9 just seems to me that the losers here are our fairs. And if
10 we could somehow give that a dedicated percentage or a
11 dedicated funding amount, we're all winners. We wouldn't
12 have to fight the general fund anymore to go into that, and
13 it would promote agriculture throughout the state as Mr.
14 Clymer alluded to.

15 So thank you for coming down today. I
16 appreciate your testimony.

17 CHAIRMAN HANNA: Representative Millard, is
18 there anything?

19 REPRESENTATIVE MILLARD: Thank you, Mr.
20 Chairman. I would just like to thank Mr. Firmstone for his
21 presentation and testimony today.

22 To echo some of the comments of my colleague,
23 Representative Peifer, that to give you a scenario, the
24 fairs are really family-oriented fun, and we try and bring
25 people in, it doesn't matter what their age is, that they

1 come to the fair and they can enjoy a day out and do all
2 types of things. And harness racing is one of those events
3 at the fairs that people can enjoy.

4 But, Mr. Chairman, you mentioned about funding
5 through the Fair Fund. You asked some questions on that.
6 The capital improvements amount to the Fair Fund is a
7 25,000-dollar matching fund, meaning that the maximum amount
8 you can get in a high-mark, high-water year as far as fully
9 funded funds for fairs would be \$25,000. The fair provides
10 25, the fund provides 25.

11 At Bloomsburg we replaced two horse stalls over
12 the past eight years. Those stalls cost us between eighty
13 and a hundred thousand dollars. Maintaining our track
14 there, of this arbitrary figure of \$10,000 in the harness
15 racing for maintenance and those types of things, I don't
16 think that I would be incorrect in stating that we spent
17 every nickel of that maintaining the track with the laser
18 and all the fine gravel that has to be on it and everything
19 else.

20 So there is a tremendous expense there. There's
21 a tremendous unfunded expense. And I'll share the
22 sentiments of Representative Peifer that if we can take some
23 of this money and dedicate it toward funding our fairs,
24 especially those that have harness racing, and we're willing
25 to share with all the other 102 fairs, 116 fairs, 14 that

1 have harness racing, we're willing to share.

2 We're not asking, you know, for a Taj Mahal
3 facility or anything. We're just asking for enough money to
4 help continue harness racing in Pennsylvania with our
5 infrastructure.

6 Thank you, Mr. Chairman.

7 CHAIRMAN HANNA: Next we were to have Mr. Sal
8 DeBunda, the President of the Pennsylvania Thoroughbred
9 Horsemen's Association, but due to an emergency in his house
10 and family, Mike Ballezzi, Executive Director of the PA
11 Thoroughbred Horsemen's Association will be presenting the
12 testimony. Welcome, Michael.

13 MR. BALLEZZI: Thank you. Good morning.
14 Actually, good afternoon now. Good afternoon, Chairman
15 Hanna, Chairman James, Chairman Hershey, and Chairman
16 Clymer, and members of the Gaming Oversight Committee and
17 the Agricultural and Rural Affairs Committee.

18 My name is Michael Ballezzi. I am the executive
19 director and attorney for the Pennsylvania Thoroughbred
20 Horsemen's Association at Philadelphia Park, proud to own
21 the one-million-dollar Pennsylvania Derby and Kentucky and
22 Preakness Stakes winner, Smarty Jones.

23 The Pennsylvania Thoroughbred Horsemen's
24 Association, commonly referred to as the PTHA, represents
25 over 4,000 horsemen and women who race and breed

1 Thoroughbred racehorses in Pennsylvania. Thank you for this
2 opportunity to share with you our thoughts on racehorse
3 development in Pennsylvania.

4 It is our belief that we have a tremendous
5 opportunity to grow the sport of live horse racing within
6 Pennsylvania. It is not unrealistic to believe that we can
7 move Pennsylvania into the top tier of racing to stand next
8 to Kentucky, California, Florida, New York as one of the
9 preeminent racing states in the country.

10 Factually, the business of conducting live
11 Thoroughbred and Standardbred racing within Pennsylvania
12 provides tens of thousands of job opportunities in
13 Pennsylvania and preserves tens of thousands of acres of
14 pasture for care, feeding, training and stabling of horses.

15 Virtually everyone who has advocated for the
16 expansion of slot machines at racetracks cited the need to
17 save this important Pennsylvania agricultural-based
18 industry. Allocation of revenues from gaming proceeds to
19 support live horse racing is the best and most effective
20 means to help stimulate broad-based economic benefits within
21 the Commonwealth.

22 Horsemen are dispersed throughout the
23 Commonwealth in numerous communities, not in just the few
24 municipalities who host racetracks. Through the allocation
25 of gaming revenues through purses, breeder fund awards and

1 health care benefits, within the equine industry, the
2 economic impact of gaming is spread throughout the immediate
3 sites where the racetracks are located. So there's
4 thousands of Pennsylvanians who make their living within the
5 state's equine industry, the vast majority derive all or a
6 significant portion of their incomes through the
7 distribution of purse winnings and breeder fund payments.

8 Thousands of hardworking men and women are
9 dependent upon purse earnings and breeder funds to care for
10 themselves and their families. It is through the allocation
11 of purse winnings that horse owners and breeders pay their
12 trainers, jockeys, hot walkers, grooms, feed dealers,
13 veterinarians, as well as for the purchase and preservation
14 of open spaces for pasture and feed crops.

15 Make no mistake, the gaming program established
16 by this legislature has saved our industry and has brought
17 much needed purse increases and improvements to our
18 racetracks.

19 At Philadelphia Park, for example, overnight
20 purses have increased from a hundred thousand dollars per
21 day in 2004 to over \$200,000 a day at present. On an
22 annualized basis that's an increase from \$22 million to
23 \$43 million. This money will stay in the Commonwealth and
24 circulate throughout the economy as horsemen, breeders,
25 trainers, grooms, and all other jobs associated with the

1 horse side of the business pay their bills and their taxes
2 and reinvest in the Commonwealth's live horse racing
3 industry.

4 As you are aware, Act 71 requires track
5 management to spend a maximum of \$10 million over a ten-year
6 period on back-side improvements. Philadelphia Park
7 management, recognizing the importance of our horsemen's
8 community at Philadelphia Park, has partnered with the PTHA
9 to spend in excess of \$25 million over the next seven years.
10 During this period of seven years, we will rebuild the back
11 side which will include the rebuilding and renovating of all
12 36 barns, refurbishing all 12 dormitories, repaving all
13 roads and byways, and the creation and beautification of
14 green spaces.

15 Further, Act 71 requires that 4 percent of
16 revenues paid to horsemen be allocated for health care and
17 pensions. The PTHA is proud to inform this joint committee
18 that we were one of the first horsemen's associations to
19 implement a comprehensive broad-based health care program
20 anchored by Blue Cross Keystone Health Plan for
21 hospitalization, doctor visits, and prescriptions; as well
22 as Delta Dental for dental and orthodontic care; Vision
23 Services, Inc., which provides optical care and services;
24 Sun Life Insurance which pays a 5,000-dollar death and
25 burial benefit; as well as the Benefit Trust which is a

1 supplemental health care program for all back-side
2 employees; and the Aetna Medicaid and Medicare supplemental
3 health care for our senior members.

4 Additionally, the PTHA is actively evaluating
5 perspective pension alternatives with a view towards
6 implementing a pension plan in the near future.

7 Finally, one of the hidden benefits of Act 71
8 was the formation of the PTHA sponsored Turning for Home,
9 Inc., the first horsemen's association sponsored horse
10 rescue and retirement program in the nation. I'm sure many
11 of you have read of the deplorable and inexcusable slaughter
12 of horses. The PTHA, in partnership with Philadelphia Park
13 management, the Philadelphia Park Jockeys' Association, our
14 owners and breeders who race at Philadelphia Park, have made
15 the slot-generated investment to ensure that horses that
16 race at Philadelphia Park will have a safe and healthy
17 alternative life when our equine athletes' racing days are
18 over. This vitally needed and humane program would not have
19 been possible except for your vision in the passage of
20 Act 71.

21 There's no question that slot legislation has
22 had a significant positive benefit on purses, health care
23 and back-side improvements. However, horsemen and breeders
24 throughout the Commonwealth are concerned that track
25 operators will direct the vast majority of their resources

1 to the promotion of their gaming facilities and not to
2 promoting live racing. Promoting and advertising our live
3 racing product is essential to the continued growth and
4 prosperity of our industry. The PTHA clearly understands
5 this need and has committed a portion of our limited
6 resources towards attempting to fill to some degree the
7 promotional and advertising void that exists within our
8 industry.

9 With your permission, please view with me
10 highlights of the few promotional programs produced and
11 funded by my association, PTHA. With your permission, Mr.
12 Chairman.

13 (Whereupon, the video was shown.)

14 MR. BALLEZZI: Thank you, Mr. Chairman. The
15 PTHA suggests that the Legislature establish and direct a
16 portion of the gaming proceeds to a statewide horse racing
17 marketing fund. If we want to grow the investment our
18 Commonwealth has made to the equine industry into an
19 economic driver like it is in Kentucky, Florida, California
20 and New York, we must have the will to promote our industry.

21 Since the track operators, the horsemen and the
22 Commonwealth all benefit from increased pari-mutuel
23 wagering, the PTHA believes all three parties should
24 contribute to this fund. In fact, just recently in West
25 Virginia, West Virginia tourism grants totaling nearly \$1

1 million were made payable to the three racetracks in West
2 Virginia in an effort to attract racing and gaming fans from
3 Pennsylvania. This is a potential threat that must not go
4 unanswered.

5 We envision this fund being administered and
6 directed by a joint panel of governmental and industry
7 representatives. The goal would be to leverage the moneys
8 within the fund to promote Pennsylvania's outstanding racing
9 programs and grow our industry to an even greater economic
10 driver than it is today.

11 To gain just a glimpse of the positive potential
12 such investment could mean to Pennsylvania, I call your
13 attention to a recently completed study of the equine
14 industry in New Jersey. This study was jointly funded by
15 the State of New Jersey and industry participants and
16 completed by Rutgers University. The results showed an
17 industry that generated \$1.1 billion in annual economic
18 activity.

19 Ladies and gentlemen, New Jersey's equine
20 industry is but a fraction of our own and does not feature
21 year-round racing. Clearly Pennsylvania's potential is
22 significantly greater.

23 The Pennsylvania Thoroughbred Horsemen's
24 Association believes we have a moment in time to capture
25 remarkable growth for our Commonwealth's equine industry,

1 growth that will position us as the best equine program in
2 the nation, provide thousands of jobs, preserve more
3 farmland for feed crops and pasture, and more broadly
4 disperse those benefits throughout our Commonwealth. But we
5 need the Commonwealth and this legislature as a working
6 partner if we are to capture that moment. Help us capture
7 the growth potential that you have started. Help us
8 complete the job.

9 Thank you for your time and attention. I'd be
10 happy to respond to any questions.

11 CHAIRMAN JAMES: All right. Thank you so much
12 for your testimony and also giving our stenographer a break.
13 Okay. Chairman Clymer.

14 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.
15 And good afternoon, sir.

16 MR. BALLEZZI: Good afternoon.

17 REPRESENTATIVE CLYMER: You talk about
18 Philadelphia Park and the fact that there is renovation
19 going on so that the racing grandstands will be moved from
20 its present facility, the lower facility to ground level.
21 Is that my understanding?

22 MR. BALLEZZI: Well, it's more complex than
23 that. What we've done is by way of history is management
24 came to the horsemen and indicated that we could begin
25 receiving stock revenue much quicker if we would turn the

1 grandstands into a temporary casino. Understanding that we
2 also need to care for our patrons and our fans, we reached
3 an agreement whereby we took the first and second floors of
4 the grandstand and made them basically the casino, turned
5 the fifth floor into -- for our fans and our horsemen where
6 we have dining, et cetera, and then made a portion of the
7 apron in the first floor also for racing fans.

8 This is a temporary understanding -- a temporary
9 facility, and hopefully within the next year and a half we
10 will have the grandstand back to its original grandeur with
11 the new opening of our casino.

12 REPRESENTATIVE CLYMER: And how many patrons
13 will that new grandstand hold?

14 MR. BALLEZZI: Well, the new grandstand will be
15 the same grandstand we had originally. It can hold up to
16 20,000 if need be. It's the original plans. It will be the
17 first and second floors of the grandstand as it was prior to
18 our introduction of a temporary facility for slots.

19 REPRESENTATIVE CLYMER: And has attendance at
20 racing increased or decreased since the approval of the
21 slots?

22 MR. BALLEZZI: Well, currently there's no
23 question on-site live attendance is down, as well as on-site
24 live handle. I think it's a combination of factors, not the
25 least of which is the fact that we've eliminated a good deal

1 of the grandstand temporarily.

2 I think there are also economic factors, the way
3 the economy is working today, and other factors which affect
4 our overall handle and live racing. I believe currently
5 that once we have the grandstand return in its original
6 condition that we will once again have live racing back to
7 where it was and our handle will likewise increase.

8 REPRESENTATIVE CLYMER: To your knowledge is
9 attendance at live racing across the Commonwealth at the
10 existing four racetracks, are they also experiencing an
11 increase in attendance? Are more people coming out to view
12 the racing, the live racing?

13 MR. BALLEZZI: I cannot speak for the other
14 horsemen's associations. I can speak to Philadelphia Park,
15 and due to our temporary facility our attendance is down.
16 However, I don't believe that's symptomatic of the industry
17 as a whole. I believe it's because of the conditions at
18 Philadelphia Park.

19 I think you've listened to much other testimony
20 where they've indicated with growing purses you're going to
21 have better racing, better horses. I think fan
22 participation will increase, but I think we can still grow
23 live racing if we continue to promote live racing.

24 REPRESENTATIVE CLYMER: How many racing days do
25 you have at Philadelphia Park?

1 MR. BALLEZZI: At the present time we're racing
2 approximately 210 days per year.

3 REPRESENTATIVE CLYMER: I guess my final
4 question is an observation, is that if the fans do not come
5 out, if you don't get more customers to come out, I can see
6 how that revenue is not going to be increased even though
7 the purses have gone up. I don't see how the excitement and
8 the expansion of horse racing in the Commonwealth is going
9 to be a reality if more people do not -- you know, if the
10 Phillies cease to get a good attendance at their games or
11 the Philadelphia Eagles just don't have the enthusiasm, then
12 you don't have the financial support. So I think that's
13 important.

14 We'll watch it very closely in the future as to
15 how many people begin to -- are now attending live racing,
16 and especially at Philadelphia Park, how many more people
17 will attend once the new grandstand is completed.

18 MR. BALLEZZI: If I may just make an
19 observation, and I think it's important, Mr. Chairman, that
20 you understand, it is our belief that we can grow live
21 racing. We can grow it for a number of reasons. Number
22 one, the slot revenue has enhanced our product. The slot
23 revenue has generated funds where horsemen can go out and
24 purchase horses, better racing stock. There's no question
25 that we can compete with New York, Florida, California.

1 There's no question we can bring fans back into the
2 grandstands. We have to promote racing.

3 If we sit down, the Legislature and with
4 management, we can come up with a sure-shot plan to improve
5 our live racing in Pennsylvania. It's doable. What's
6 required is the will to do it, the promotion and the
7 facilities. We will have the facilities. We have the will.
8 What we need is the Legislature to help us promote our
9 industry.

10 REPRESENTATIVE CLYMER: And, finally, the most
11 recent reports from the Pennsylvania Harness Racing
12 Association -- Thoroughbred Association shows that
13 attendance is down across Pennsylvania. But if you're
14 optimistic, time will tell.

15 MR. BALLEZZI: I am. Thank you.

16 CHAIRMAN JAMES: And I thought you also said
17 that one of the reasons it's down is because of the
18 facility.

19 MR. BALLEZZI: Absolutely.

20 CHAIRMAN JAMES: The temporary facility.

21 MR. BALLEZZI: Absolutely.

22 CHAIRMAN JAMES: And that you look forward to as
23 that facility is improved that everything will grow.

24 MR. BALLEZZI: As a matter of fact, our facility
25 will be much improved over where we were in 2004. We had a

1 beautiful facility to start with. Now we have the lower
2 lure and enhancement of gaming. We have the infrastructure
3 that's being updated completely. We will probably spend an
4 additional six to ten million dollars just on our grandstand
5 to improve an already, in our opinion, excellent facility.

6 CHAIRMAN JAMES: Thank you. Chairman Hanna.

7 CHAIRMAN HANNA: Thank you, Mr. Chairman. Mike,
8 early on you said the economic impact of gaming is spread
9 beyond the immediate sites where tracks are located. Can I
10 ask you to expand a little bit upon that?

11 MR. BALLEZZI: Yeah. I think we cited a fact
12 that commercial racing isn't simply the racetrack, the
13 trainers and the horses. There's a tremendous
14 infrastructure that is required to take care of our horses.

15 For example, start with farmland. Without the
16 individuals who grow the hay and straw, the feed products,
17 we don't have the ability to feed our animals. Pennsylvania
18 is blessed with an agricultural bounty of opportunities for
19 pastures and feed stocks. Already we're finding that real
20 estate values are increasing. Folks that come into the
21 state looking to establish breeding farms, they're looking
22 to establish boarding farms. I think there's an economic
23 impact there that hasn't even been felt yet that's just
24 beginning.

25 In addition, we have other ancillary needs. We

1 have needs to care for the horses through the various
2 occupations that are involved in producing the products that
3 are needed for horses. Those things go beyond just the
4 racetrack.

5 For example, our health care services are going
6 beyond that. One of the offshoots, the New Bolton Center I
7 think is improving and expanding their facility. Horsemen's
8 organizations are now able to contribute. We've been asked
9 to contribute \$50,000 to research at New Bolton. In the
10 past, 5,000 would have been a stretch. Now 50,000 for
11 horsemen contributed in our region.

12 That also expands the importance of New Bolton
13 as a leading center for equine care. It helps other -- to
14 bring in other horses from other states that also seek our
15 care.

16 So there are many ancillary opportunities to
17 grow the business, as well as the opportunity for our folks
18 themselves to spend more money in the community, to reinvest
19 in Pennsylvania, and I think it's a cycle that continues to
20 feed itself, it grows, it feeds itself and it grows.

21 CHAIRMAN HANNA: Thank you.

22 CHAIRMAN JAMES: All right. Thank you. I would
23 like to thank you for your testimony. I appreciate it.

24 MR. BALLEZZI: My pleasure. Thanks.

25 CHAIRMAN JAMES: Now we're going to hear from

1 our last testifier, Gary Luderitz, Vice President and
2 General Manager of Hollywood Casino at Penn National Race
3 Course. And can you identify --

4 MR. LUDERITZ: My note says to say good morning,
5 but it is afternoon. And good afternoon, Chairmen, and
6 members of the committee. My name is Gary Luderitz. I'm
7 Vice President and General Manager of Hollywood Casino at
8 Penn National Race Course.

9 I'm joined by Chris McErlean, Vice President of
10 Racing for Penn National Gaming, Inc. And he's available to
11 assist me with any questions you may have following my
12 testimony.

13 First and foremost, I want to reiterate to the
14 committee Penn National's long-standing and established
15 commitment to the horse racing industry. The proud roots of
16 our company stretch back to the early 1970s with a
17 family-owned business that operated one of Pennsylvania's
18 original Thoroughbred licenses at Penn National Race Course
19 in Grantville, Pennsylvania.

20 As I am sure you are well aware, from those
21 beginnings the company that still bears the original track
22 name has grown into one of the largest racing and gaming
23 companies in North America. Penn National Gaming currently
24 operates 19 casinos, riverboats, racetracks and off-track
25 wagering locations in 15 jurisdictions.

1 Now, widely known is the fact that Penn National
2 Gaming is also North America's second largest operator of
3 pari-mutuel facilities with seven wholly- or partially-owned
4 racetracks that conduct thoroughbred, quarter horse, harness
5 and greyhound racing. In addition, we operate five
6 off-track wagering facilities, as well as a successful
7 Internet and telephone wagering operation. Our racing
8 facilities conducted over 1,000 live racing performances in
9 2007, and total pari-mutuel wagering through our operations
10 totaled over \$850 million.

11 As you can clearly see, Penn National Gaming has
12 a deep history in racing and we envision racing as an
13 important part of the overall success and future growth for
14 the company.

15 We are especially proud of our most recent
16 success story, the new Hollywood Casino at Penn National
17 Race Course. Penn National Gaming made the bold step to
18 completely tear down the existing racetrack structure and
19 replace it with a one-hundred-and-thirty-million-dollar
20 showcase that took the intent of Act 71 and put it into
21 practice with the full integration of racing and gaming
22 within one spectacular facility.

23 Evidencing our continued and established
24 commitment to racing in Pennsylvania, in mid-2007 Penn
25 National signed a ten-year agreement with its horsemen's

1 group which included a commitment of \$10 million for
2 backstretch improvements, an amount that was \$3.75 million
3 more than required under Act 71. And following the opening
4 of our casino operations earlier this year, Penn National
5 moved quickly to implement its backstretch improvement
6 program with anticipated spending to reach nearly \$3 million
7 for this year alone.

8 The results of these capital expenditures speak
9 for themselves, three brand new horse barns, a new manure
10 storage facility to meet strict federal and state
11 requirements, a renovated receiving barn to ship in horses,
12 exterior track kitchen renovations, a new stable gate
13 entrance building and other related projects.

14 Within the past year Penn National has spent
15 over and above the requirements of Act 71 more than \$400,000
16 for vehicles and equipment dedicated to live racing,
17 including new tractors, a new state-of-the-art equine
18 ambulance and new equipment to improve and maintain the
19 track surface.

20 Our 2008 capital plans currently pending
21 approval from our board include four new horse barns,
22 continued backstretch site work, a new backstretch public
23 address system, new fencing and additional track kitchen
24 upgrades.

25 The health and welfare of our equine and human

1 participants is also a top priority not only for Hollywood
2 Casino at Penn National Race Course but for all of Penn
3 National Gaming's racing facilities. Penn Gaming has taken
4 a proactive approach in this area and was in fact the first
5 racing association in North America to adopt the safety
6 recommendations as set forth by the Jockey Club's safety
7 committee as it related to the use of toe grabs, that is,
8 horseshoes which have added traction devices identified in
9 past studies as causing higher rates of injuries on horses.
10 We were the first racing organization to sign up for the
11 Equine Injury Database, an effort to bring consistency and
12 accountability for the reporting of racing and training
13 injuries.

14 Penn Gaming has also notified horsemen and
15 owners at our respective properties regarding the issue of
16 equine slaughter in identifying and taking action against
17 individuals attempting to enter our property to haul horses
18 to their untimely demise.

19 This past July Penn Gaming issued a complete
20 report on its efforts and ongoing goals and objectives as it
21 relates to equine health and safety, a copy of which I have
22 provided to this committee for its review. We are pleased
23 that since that announcement so many other well-known racing
24 associations have followed our lead in implementing similar
25 plans.

1 Finally, as has been recently reported, Penn
2 National Race Course ceased live racing on September 20 to
3 begin a six-week renovation program of its current dirt
4 racing surface. Penn National employs a dedication and
5 experienced track maintenance team and also has the benefit
6 of regular input from an industry expert who happens to be
7 the original track designer of Penn National Race Course.

8 In addition, Penn National also engaged an
9 independent third-party track expert to evaluate the racing
10 surface. The overall assessment, both internally and
11 externally, was that the track was safe, but that the
12 introduction of new material would help the overall
13 maintenance of the track surface going into the difficult
14 winter months period.

15 In light of the fact that a full track
16 resurfacing project was already in the planning stages for
17 2009, we felt that it was in everyone's interest to combine
18 these initiatives and maximize track improvements in one
19 fell swoop now.

20 I wish to conclude by touching on some figures
21 which reflect the positive aspects of the introduction of
22 gaming at Hollywood Casino at Penn National Race Course.
23 Average daily purses are in excess of \$120,000 per day, the
24 highest in the history of the racetrack, and 70 percent
25 higher than this time period last year. I am happy to

1 report that this is the largest purse increase for any
2 racetrack in North America this year.

3 Our average field size is over 8.4 horses per
4 race this year, a figure which places us second behind our
5 sister track, Charles Town Races and Slots, in terms of
6 average field size among racetracks in the competitive
7 Mid-Atlantic region.

8 Average daily handle on our live races at the
9 track is up 91 percent through the end of August versus the
10 same time period in 2007, showing the move to the new
11 facility has helped generate increased interest in our
12 races. Even in the face of economic headwinds, wagering at
13 locations across the country on Penn National's races during
14 that same period has increased 13 percent, bucking an
15 industry trend.

16 These are all positive signs which we hope to
17 capitalize on in 2009, given a continued strong purse
18 structure, a reasonable amount of racing dates so as not to
19 dilute the quality of the racing product or affect the
20 health and safety of the horse, and a continued emphasis on
21 personal responsibility by all participants in our sport.

22 Thank you for your time. Mr. McErlean and I
23 will be happy to answer any questions you might have.

24 CHAIRMAN JAMES: Okay. Chairman Clymer.

25 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.

1 I'll be very brief. How many racing days do you have at
2 Penn National?

3 MR. LUDERITZ: This year 207 dates, although
4 that's been disrupted by the racetrack maintenance that's
5 going on.

6 REPRESENTATIVE CLYMER: And what is the average
7 attendance at the racetrack, and is that up from the
8 previous year as indicated in your testimony?

9 MR. LUDERITZ: Attendance is up, but I don't
10 have those attendance figures with me today.

11 REPRESENTATIVE CLYMER: Is it under 500, over
12 500, 200?

13 MR. LUDERITZ: It's over 500.

14 REPRESENTATIVE CLYMER: Over 500. And my last
15 question is, the last testifier on behalf of Philadelphia
16 Park indicated the very lucrative -- and this is
17 wonderful -- health care benefits that have been provided
18 for their employees. And I congratulate Philadelphia Park
19 to help those employees who are in horse racing industry at
20 the park with those benefits. Do you have something very
21 similar at Penn National?

22 MR. LUDERITZ: The testimony earlier was
23 regarding the trainers and owners and groomsmen and the
24 benefits they get on the back side. I think, you know, one
25 of the things that we look forward to with increased purses

1 is that the trainers and owners can pay a living wage to
2 those individuals who are working and hot walking and caring
3 for, cleaning stables on the back side. Although I don't
4 have those figures as to what those individuals are paid,
5 I'm sure the benefits have been realized since we opened the
6 new facility in February.

7 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.

8 CHAIRMAN JAMES: Thank you. Chairman Hanna.

9 CHAIRMAN HANNA: Thank you, Mr. Chairman. In
10 your testimony you note this past July Penn Gaming issued a
11 complete report on its efforts and ongoing goals and
12 objectives as it relates to equine health and safety, a copy
13 of which I provided to the committee for review. I'm not
14 sure that the Ag Committee got a copy of that. I haven't
15 seen that.

16 What I'd like you to do though now is make sure
17 that we do get a copy of it. And can you update us on that
18 safety and health record since the time of the report?

19 MR. MCERLEAN: I'd happy to. Again, my name is
20 Chris McErlean. I'm Corporate Vice President for Racing for
21 Penn National Gaming. In July Penn National Gaming issued a
22 report on its various initiatives, and first and foremost
23 was its recommendation of the Jockey Club Safety Committee
24 which had come out just a few weeks before regarding the
25 issue of special shoes for horses' toe grasps and

1 elimination of that in racing. We instituted that at all of
2 our racetracks and that is in place.

3 Also, we're very supportive of the efforts of
4 Pennsylvania being a trailblazer with the steroid policy.
5 We encourage every jurisdiction that we operate in to adopt
6 similar policies in that respect, as well as overall
7 medication regulation.

8 We personally as a company would like to see as
9 much regulation on medication -- on race day medication in
10 horse racing as much as possible. In that respect it
11 definitely impacts on equine safety in all regards.

12 We also have been very supportive in industry
13 efforts. There's a number of them going on right now in
14 terms of other policies in regards to whether it's training
15 horses, medication of horses, racetrack surfaces. So we are
16 working with the industry in general in terms of moving
17 those initiatives along.

18 There's a lot of different industry players that
19 have to be brought into that mix, whether it's racing
20 commissions, horsemen's organizations, other racetracks
21 making that happen. We're going to be part of those
22 initiatives and fully support them.

23 CHAIRMAN HANNA: Thank you. You also note I
24 believe a ten-million-dollar commitment over ten years, I
25 think your testimony indicated you expect to seed that. Is

1 there any way that that commitment can be accelerated? Ten
2 years is a long time for improvements at facilities. Is
3 there any way that that timeline can be accelerated?

4 MR. LUDERITZ: Well, I think part of my
5 testimony also noted that we've been open since February
6 12th and in that time -- or actually by the time of the year
7 it is done, we will have spent nearly \$3 million toward that
8 commitment in the first nine months.

9 So we've already greatly accelerated it well
10 beyond the five year -- or five million in five years
11 commitment that the act requires. So I think that we do
12 believe in accelerating that and have done so.

13 CHAIRMAN HANNA: Thank you. Thank you, Mr.
14 Chairman.

15 CHAIRMAN JAMES: Thank you. Also, my staff
16 indicated that we don't have a copy of the report either so
17 we will need -- I don't know who --

18 MR. LUDERITZ: We'll get it. I didn't send it
19 with this testimony here. I apologize. It got lost in the
20 shuffle. I'll make sure that that gets sent to you
21 immediately.

22 CHAIRMAN JAMES: Okay. Thank you. Also, recent
23 reports indicated that they were 14 breakdowns, and within
24 the different media outlets, including magazines. Can you
25 tell us what steps are -- what that was or what steps are

1 being done to not repeat it?

2 MR. MCERLEAN: I'd be happy to speak on that.

3 In regards to the specific media outlet, those numbers were
4 incorrect. And I will categorically state that the numbers
5 in there are not correct in that the time of year they're
6 talking about was from early August until late August there
7 were a total of I believe five breakdowns during racing
8 during the time period.

9 In terms of overall statistics at Penn National
10 Race Course, the breakdown rate is a total of 26 for the
11 current year. That is higher than last year's number for
12 the same time period this year. However, I give credit to
13 the Pennsylvania State Horse Racing Commission, two of their
14 leading veterinarians here, they keep impeccable records and
15 statistics on breakdowns, one of the best in the country.
16 This is a breakdown number which is within the range of what
17 has happened at Penn National over past years, so it's
18 higher than last year, but it is within what the range has
19 been over the past few years.

20 The racetrack surface was brought into question.
21 I think that we've taken pride in the step of bringing in
22 outside people to take a look at it. Also, our internal
23 experts, we felt the racetrack surface was safe. However,
24 given that the horsemen felt it was an issue, we did take
25 the private step. We're doing resurfacing which was already

1 scheduled for next year, but we do take the issue seriously,
2 and again we're all for the accountability. And we have no
3 problem with putting out numbers. I just want them to be
4 the correct numbers.

5 I will state again for the record that from the
6 standpoint of from when we announced our resurfacing there
7 were 1200 starters and one reported breakdown, which is much
8 lower than the national average. So again these numbers can
9 rise up at certain periods and also be under average as
10 well.

11 So those are the numbers if you'd like to verify
12 them with the Racing Commission, I'm sure that they would be
13 more than happy to provide them for verification.

14 CHAIRMAN JAMES: Okay. Have you researched
15 utilizing synthetic surfaces? Would that help?

16 MR. MCERLEAN: I personally have been involved.
17 As I mentioned before, I oversee all the racetracks that
18 Penn National has. We've had every company that develops
19 synthetic surfaces that have installations in the country.
20 We've been evaluating it. Our opinion as an overall company
21 is right now we're not comfortable in terms of installation
22 at Penn National Race Course.

23 We think there is still a lot of trial and error
24 of these different surfaces. In some cases they've done
25 well in certain installations and others there's still very

1 much a learning process and, in fact, sometimes a failure
2 issue.

3 And, also, in terms of the injury factor, there
4 have been positive results at a number of tracks regarding
5 injuries, but also at other installation the injuries have
6 not gone down. In some cases it may have increased. So
7 we're not comfortable right now as a company overall in the
8 installation of the synthetic.

9 That's not to say we won't see a resurgence, we
10 won't continue to look at it very seriously, and we're
11 hopeful that it's something that down the road may be a very
12 viable option. Right now we just do not feel that that's
13 the case.

14 CHAIRMAN JAMES: Thank you. Representative
15 Sainato.

16 REPRESENTATIVE SAINATO: Thank you, Mr.
17 Chairman.

18 Just briefly. What has the smoking ban effect
19 had on your business?

20 MR. LUDERITZ: I think it's way to early to
21 tell. I think we may have seen a modest decrease in
22 business early on, but it's only been a couple of weeks and
23 too soon to make any kind of meaningful judgment.

24 REPRESENTATIVE SAINATO: Have you noticed that
25 your smoking section -- the only smoking section you have

1 right now is the 25 percent?

2 MR. LUDERITZ: I'm sorry.

3 REPRESENTATIVE SAINATO: The 25 percent of the
4 casino area, is that filled, the 25 percent?

5 MR. LUDERITZ: Filled?

6 REPRESENTATIVE SAINATO: Yes.

7 MR. LUDERITZ: Yes. Yes, it is.

8 REPRESENTATIVE SAINATO: Okay. So the customers
9 are going to that section. But is it enough to handle your
10 customers at this point or do you need to go for the
11 exception?

12 MR. LUDERITZ: Well, I think we will look at the
13 results as they go through our initial 90-day period to see
14 what the differences are. But I would anticipate that we
15 would see a significant difference between the smoking area
16 and the non-smoking area in favor of the smoking area.

17 REPRESENTATIVE SAINATO: All right. Thank you.
18 Thank you, Mr. Chairman.

19 CHAIRMAN JAMES: Thank you. Okay.
20 Representative Moul.

21 REPRESENTATIVE MOUL: Thank you, Mr. Chairman.
22 Just very quickly.

23 I think I'm correct in saying that the average
24 age of the person that is going to attend horse racing, be
25 it Standardbred or Thoroughbreds, is getting older? Is that

1 correct? And if I am correct about that, what are you
2 doing, what program are you putting in place to attract
3 young people to develop and take an interest in horse
4 racing?

5 MR. LUDERITZ: Well, I'll answer that. Chris
6 may have something to add, but we've done some promotional
7 activities at the casino. For example, we had an
8 interactive program during the Triple Crown events where
9 patrons could cross-wager. They could put wagers on horse
10 racing and get free slot play on the slot side. So we tried
11 to do some things to capitalize on some of that younger
12 interest.

13 I can't say that it's been overly successful
14 right now. Although we did have some nice results from
15 those promotions at least in terms of having people use both
16 sides of the facility so to speak. But I don't know -- I
17 don't know what the long-term result of that will be. I
18 think time will tell.

19 REPRESENTATIVE MOUL: Thank you.

20 CHAIRMAN JAMES: Okay. I would like to thank
21 you. No more questions. Okay. I would like to thank you
22 for your testimony. And, Chairman Hanna, any closing
23 statement?

24 CHAIRMAN HANNA: Just I'd like to thank all of
25 the participants. I think this has been very valuable for

1 us. It's certainly given us a lot of insight as to the
2 effectiveness of Act 71 and its impacts on agriculture in
3 particular.

4 I look forward to more input on this, and I look
5 forward to working with all of you as we try and address
6 some of the issues that were brought up here today.

7 Again, I want to thank all the participants and
8 thank all the members that came out today for this hearing.

9 CHAIRMAN JAMES: Chairman Hershey.

10 REPRESENTATIVE HERSHEY: I have no concluding
11 remarks. Thank you.

12 CHAIRMAN JAMES: Chairman Clymer.

13 REPRESENTATIVE CLYMER: Thank you, Mr. Chairman.
14 I too echo my appreciation to all the testifiers. The
15 information was very helpful and very knowledgeable, and I
16 hope Chairman Hanna and Chairman James will continue this
17 dialogue.

18 CHAIRMAN JAMES: Thank you. My closing
19 comments, I'd like to take this opportunity to thank
20 everyone for attending this hearing. The purpose of this
21 hearing was not to point fingers or to speak praises so much
22 but rather an opportunity to bring all the concerned players
23 together in one forum to discuss the issues that are
24 referable to the horse racing industry in the Commonwealth.

25 We do not expect to solve all the problems

1 within a few short moments we have spent here together
2 today. Instead, the goal of today's hearing is to utilize
3 these moments as a starting point for which a dialogue can
4 begin.

5 And I can say with the utmost sincerity that I
6 am proud that gaming has helped to revitalize what many
7 considered to be a dying industry in Pennsylvania.

8 I would like to end my remarks here today by
9 recounting what I saw at the last racetrack we visited as a
10 committee in mid-August. We had the opportunity to visit
11 the racetrack at Presque Isle Downs in Erie, and on
12 Wednesday evening the spectator area outside of the track
13 was absolutely packed. As myself and many of my staff tried
14 to get close to the rail, we found hundreds of people
15 standing shoulder to shoulder in hopes of getting a glimpse
16 of horses who they hope to be I guess the next Secretariat
17 or Winning Colors. But what I saw for certain was not an
18 industry in its death, but rather I saw a sport with fans
19 old and new excited about watching their favorite athletes
20 and the horses.

21 I hope this sport continues to flourish and its
22 fans continue to be excited as we look forward to the
23 Breeder's Cup and next year's Triple Crown and Triple Crown
24 and beyond.

25 And, again, I would like to thank Chairman Hanna

1 and Hershey and all the members of both committees of
2 Agriculture and the Gaming Oversight Committee and
3 particularly all the staff of the Agriculture and the staff
4 of the Gaming Committee for their hard work in putting
5 this -- and dedication in putting this hearing together.

6 And last for certain, but not least, I thank all
7 of the testifiers for providing a unique perspective into
8 the sport. Thank you.

9 This hearing is thereby adjourned.

10 (Whereupon, the hearing concluded at 1:07 p.m.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings, and that this copy is
a correct transcript of the same.

Pamela L. Packer
Court Reporter-Notary Public