



**STANDARD BRED BREEDERS ASSOCIATION**  
*of Pennsylvania*

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**Testimony: PA House Gaming Oversight / Agriculture Committees**

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The Standardbred Breeders Association represents over 500 breeders of Pennsylvania Standardbred racehorses, and appreciates the opportunity to present testimony about how slots legislation is impacting our industry.

The Pennsylvania Racehorse and Gaming Development Act (Act 71) designated a portion of slots revenue to benefit the PA racehorse industry. 80% of this revenue was legislated to support overnight racing purses at PA racetracks, 16% to PA farms through assistance to the PA racehorse breeding industry, and 4% to racetrack-based horsemen's associations through pensions and medical benefits. Of the 16% that is placed in the PA Standardbred Breeders Development Fund, half (8%) supports purses in the Pennsylvania Sire Stakes program for PA-sired 2 and 3 year old horses. The other half (8%) is reserved for direct Breeders Awards to breeders of successful PA-sired horses.

To date, the effect of slots legislation on the PA Standardbred breeding industry has been mixed at best. Commercial breeders operate their businesses from two sources of income: sales of their yearlings at public auction, and Breeders Awards from the PA Breeders Development Fund. By far the most important source of income to breeders is the sale of their yearlings. Breeders hoped that the prospect of a slots enhanced PA Sire Stakes program would increase the prices of their yearlings at public auction. Sadly, that has not proved to be the case.

In 2007, over 90% of the races at PA tracks were written to include aged (4 years old and up) horses. With the exception of PA Sire Stakes races, almost no races were written exclusively for PA-sired 2 and 3 year old horses. As a result, PA-sired yearlings have actually become less attractive in the auction marketplace. In 2007, PA-sired yearlings enjoyed only a 1.2% rise in auction prices, compared to a 9.8% rise in the prices for yearlings from outside of PA. Worse, the bottom half of the 2007 PA-sired yearling auction market showed a 10% decrease in average auction prices, when 32.5% more PA-sired yearlings were offered at auction. The vast majority of PA-sired yearlings sold in the bottom half of the auction market were sold at a major loss for their breeders. Instead of buying PA-sired yearlings, buyers fueled a 22.7% increase in prices for aged racehorses at the 2007 Harrisburg racehorse sale to compete in the massively slots-subsidized PA overnight racing program.

Breeders were very grateful to receive \$0.29 for every \$1 of PA racing earnings by their progeny in 2007 PA Breeders Awards. The average breeder received \$3,770 per horse in 2007 Breeders Awards for their eligible horses racing in PA. Unfortunately, Breeders Awards were not enough to cushion the losses in the bottom half of the PA yearling auction market. Accordingly, the number of mares bred in PA actually went down in 2008, as breeders either looked elsewhere for better opportunities, or simply didn't breed their mares at all.

The situation in 2008 is considerably worse. Breeders had been assured that PA trainers and owners, flush with cash from lucrative racing opportunities at PA tracks, would now be re-investing in PA yearlings in 2008. In fact, PA buyers have purchased 20% fewer PA-sired yearlings for 17% fewer dollars at the 2008 "PA Preferred" and New Jersey Classic Yearling Sales, both of which showcase PA yearlings of interest to regional PA buyers. PA buyers are evidently chasing lucrative overnight racing opportunities for older horses, and are simply not re-investing in PA-sired yearlings.

SBAP is actively voicing its concerns to the PA Harness Racing Commission, PA horsemen's organizations, and officials of the PA Department of Agriculture and PA racetracks to correct this serious imbalance in racing purses for young and older racehorses before the PA Standardbred breeding industry is irretrievably harmed. PA Standardbred breeders will continue to be under a great deal of economic pressure until these problems are resolved. Smaller breeders are disproportionately affected, as they breed mainly for the regional PA market.

Because of these ongoing financial setbacks, SBAP is extremely concerned about the provisions of HB 2121, which outlines the distribution of revenues from table games. I have submitted Attachment # 1 with this testimony that compares the language of Act 71 with the language of HB 2121 in regard to the distribution of slots revenues within the horse racing industry. HB 2121 completely eliminates any distribution of table game revenues to the PA racehorse breeding industry. Instead, HB 2121 adds the 16% of the equine portion of gaming revenues previously designated to assist PA breeding farms to horsemen's pensions and medical benefits, raising their portion of table games distributions to 20% (4% + 16%). SBAP does not understand why our legislators would write a table games bill that would abandon our PA farms at such a critical time.

At meetings of the PA Harness Racing Commission and during the House Gaming Oversight Committee tour of Mohegan Sun at Pocono Downs, officials of the Pennsylvania Harness Horsemen's Association reported that its members each received a 2007 pension contribution averaging \$27,000 as a result of slots legislation, as well as generous medical benefits. While SBAP is glad for the horsemen's prosperity, we cannot understand why such already generous medical and pension benefits need to be further supplemented to our detriment. Our concern is heightened by the fact that the hard working horsemen of PA horse farms have been excluded from these pension benefits under slots legislation.

In previous testimony before the House Gaming Oversight Committee, SBAP urged the Committee to use the same distribution of gaming revenues in HB 2121 as was enacted in Act 71. Stating this idea more clearly, SBAP advocates that HB 2121 and any future legislation regarding table games be written using identical language to Section 1406 of Act 71, in which the distributions of gaming revenues to the equine industry are divided 80% to overnight racing, 16% to breeders, and 4% to horsemen's pensions and medical benefits. SBAP also urges legislators to request that the PA Harness Racing Commission bring together officials of PA Standardbred racetracks, PA Standardbred horsemen's associations, and PA Standardbred breeders to address the gross imbalance in overnight racing opportunities between older horses and 2 and 3 year old horses at PA racetracks.

Unless something is done to address these problems, gaming legislation may have the paradoxical effect of driving breeders of PA Standardbred horses out of business, especially smaller breeders who sell in the lower half of the PA yearling market. PA horse breeders who have invested millions of dollars in their farms, and have already increased their investment as a result of slots legislation, are in danger of being put out of business by the very legislation that was supposed to be their salvation.

We are forming a coalition of interested legislators to work with us to correct the imbalance of racing opportunities for young PA sired horses at PA racetracks. If any legislators present today would like to join forces with us, please see me after this hearing.

Again, I thank you for including the Standardbred Breeders Association of Pennsylvania in the agenda today. I am happy to answer any of your questions.