Committee Meeting

of

ASSEMBLY TOURISM AND GAMING COMMITTEE

“Testimony to discuss the future of horse racing in New Jersey”

LOCATION: Committee Room 8
State House Annex
Trenton, New Jersey

DATE: May 5, 2003
2:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Gary L. Guear Sr., Chairman
Assemblyman Jeff Van Drew, Vice-Chairman
Assemblyman Jack Conners
Assemblywoman Linda Stender
Assemblyman Nicholas Asselta
Assemblyman Paul R. D’Amato

ALSO PRESENT:

Karlis Povisils  Beth Schroeder  Jerry Traino
Office of Legislative Service  Assembly Majority  Assembly Republican
Committee Aide  Committee Aide  Committee Aide
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ASSEMBLYMAN GARY L. GUEAR Sr. (Chairman): Good afternoon, ladies and gentlemen. Welcome to the Assembly Tourism and Gaming Committee.

I want to advise everyone this afternoon that we will be broadcasting live over the Internet. And you see the two smaller microphones on the front desk, here-- If you would speak, when you do speak -- speak into both mikes clearly so that our transcribers can be able to write down what you’re saying, so they can transcribe what’s being said, and we have a manner of record from today’s hearing.

What we’ll be doing today is -- we’re meeting to discuss the future of horse racing in New Jersey. The topics are going to include the economic health of the State’s horse racing industry, the status of the implementation of off-track and account wagering, and the feasibility and impact of selling or leasing the State’s two racetracks: that’s Meadowlands and Monmouth Park.

The first person we’re going to hear from -- first two people we’re going to hear from this afternoon: Art Winkler, the Senior Vice President of Legal Affairs for the New Jersey Sports and Expo Authority; and Bruce Garland, who is the Senior Vice President of Racing Operations.

Gentlemen, can you come forward?

Welcome to the Committee hearing.

BRUCE H. GARLAND: Thank you.

ASSEMBLYMAN GUEAR: Who’s going to go first?

ARTHUR WINKLER: Well, I will address off-track wagering. Bruce can address the other issues that you outlined.

What’s your preference, in terms of--
ASSEMBLYMAN GUEAR: Go right ahead. You can start. That’s fine.

MR. WINKLER: I think the status of off-track wagering was your concern. That’s a matter I’ve been handling.

ASSEMBLYMAN GUEAR: Would you just state your name?

MR. WINKLER: Sure. It’s Art Winkler, Senior--

ASSEMBLYMAN GUEAR: Push your button. (referring to PA microphone)

MR. WINKLER: It turned red.

ASSEMBLYMAN GUEAR: That’s good. We do things backwards here.

MR. WINKLER: Okay. Red means stop.

The off-track wagering and account wagering bill passed in -- was signed into law, August of 2001. It became effective six months later, in February of 2002.

The Sports Authority, under the terms of that law, is the only entity eligible to apply to the Racing Commission for either the account wagering license or for the off-track wagering licenses. And the law provides that there shall be, or may be, up to 15 off-track wagering facilities.

However, the law also provides that while we’re the only entity that can apply for a license, a precondition is that we reach a participation agreement with other parties. In the case of off-track wagering, we need to reach an agreement with the people who own and operate Freehold Raceway, and the people who own and operate Atlantic City Race Course. For account wagering,
we need to reach a participation agreement with the people who own and operate Freehold Raceway.

The participation agreement, in general form, is to account for how the parties will share in expense, revenue, operational, and management responsibilities.

When the law was passed and became effective, we negotiated with those parties for both systems. And the concept in the negotiations, at least for off-track wagering, was that the parties -- two of the parties would become partners in a certain number of the facilities. And one party, Atlantic City, would own and operate others by itself. In terms of account wagering, the concept was that we would -- because there can be only one account wagering system, and it would be a statewide system -- that we would have a joint venture with Pennwood.

To be frank, in the course of the negotiations on off-track wagering, we discovered that we couldn’t reach an accord as to how to become partners, what the economic arrangements would be between us, and what the management and operational issues would be, and how they would be resolved between us.

About that time, Mr. Zoffinger came to the Sports Authority. And we talked about it with him, and we decided to pursue a different course on off-track wagering -- and that is to determine whether there was a way of allocating the 15 facilities among us, so that we could each own and operate a certain number of them independently. And we believe we’ve reached an agreement, with regard to that. We have a concept that, we think, works. And at this point, we have lawyers trying to document our concept. And it would be as
follows: The law allows up to 15 off-track wagering facilities. The New Jersey Sports and Exposition Authority would, exclusively, own and operate nine of them. The company that owns Freehold Raceway, and also operated – held the racing license at Garden State Park in the year 2000, would own and operate, exclusively, four facilities. And the company Greenwood, that owns and operates Atlantic City Race Course, would exclusively own and operate two facilities.

We also reached an understanding as to where each of us would locate our facilities, essentially, on a county basis. And that-- As I said, that understanding is, now, in the process of having lawyers try to see whether it can be reduced to a specific agreement. There are some issues that, yet, have to be resolved regarding that concept. But that’s where we are with off-track wagering.

With account wagering, which some people call phone wagering, we’ve also reached an understanding with that one entity that we have to make a participation agreement with, and that’s Pennwood. And the understanding, at this point, is that we would have one phone system. It would likely be located at the Meadowlands. And we would have a joint venture or partnership that was a 70-30 partnership, with the Sports Authority being the 70 percent interest holder and the Pennwood company being a 30 percent interest holder.

And that, by way of outline, Mr. Chairman, is the status of off-track wagering and phone wagering.

ASSEMBLYMAN GUEAR: Okay.

Any questions from the members of the Committee?

ASSEMBLYMAN ASSELTA: Yes, Mr. Chairman.

ASSEMBLYMAN GUEAR: Assemblyman Asselta.
ASSEMBLYMAN ASSELTA: Good afternoon, Mr. Winkler. How are you?

MR. WINKLER: Good. How are you, Assemblyman?

ASSEMBLYMAN ASSELTA: A few questions and, eventually, get to the real difficult question.

You mentioned earlier, this -- the OTB and the account wagering was pretty much on track after the legislation was passed. You, kind of, knew where you were going to site these facilities. Arrangements, at that point, with the appropriate entities were in place at that point?

MR. WINKLER: Actually, if that’s what I said, I didn’t mean to say that. We were pursuing a concept where we would try and partner on many of the facilities. Twelve of the facilities would be a joint venture between us and Pennwood. And we had some thoughts about where some of them might be located, but no specific plans with regard to any specific venue.

As you know, we visited one of your communities and explored some opportunities there, but I don’t think there were any real specifics to doing that.

ASSEMBLYMAN ASSELTA: Well, staying with that theme, have you picked the sites yet? You mentioned sites earlier.

MR. WINKLER: On the basis of the Sports Authority’s nine sites, we have not.

ASSEMBLYMAN ASSELTA: So these are just theoretic sites around the State of New Jersey that you still haven’t located yet.

MR. WINKLER: The process is a bit complicated. If we reached this written agreement with the other parties -- this participation agreement -- we
would have to present it to the Racing Commission for its review and approval, and the review and approval of the Attorney General. If that, sort of, master agreement, if you will, was approved, we would then have to come in with specific site locations for the 15. And if that agreement was reached, the Sports Authority would be responsible for coming in with nine locations. The other parties would have their own locations.

Before doing that—If you recall, there are provisions in the law that require us to go to the municipalities that are affected, to the governing bodies, site where we want to locate them, present plans and specifications, and the municipal governing body has the opportunity to say no. So, because we haven’t reached this master agreement, we really haven’t pursued those locations.

ASSEMBLYMAN ASSELTA: So let’s take this step by step. The master agreement gets created. You then need to go to each individual municipality to begin siting these facilities.

MR. WINKLER: Actually, we have to first find the site.

ASSEMBLYMAN ASSELTA: Find it.

MR. WINKLER: Let’s say 100 Main Street.

ASSEMBLYMAN ASSELTA: Which I think you already have that geographic idea from two years ago. The demographics and geographic economic implications haven’t changed much, I don’t think, have they?

MR. WINKLER: No.

ASSEMBLYMAN ASSELTA: Okay. So then you must engage in municipal interaction that could take quite a bit of time.

MR. WINKLER: Right.
ASSEMBLYMAN ASSELTA: Meanwhile, what’s the per-year economic impact of these facilities on the State budget? What could it create for us?

MR. WINKLER: Well, frankly, I defer to Bruce, in terms of what we would anticipate economically from off-track wagering. Obviously, by not implementing it, there has been some-- The delay has caused us, at the racetrack, and others to lose the opportunity for some income. To tell you the truth, I have no--

ASSEMBLYMAN ASSELTA: Do we have an estimate as to--

MR. WINKLER: --analysis of that. The facilities, really, would require, depending on the size, probably $4 million to $6 million in capital costs. And thereafter, depending on whether the market was wisely chosen, some economic benefit going forward--

ASSEMBLYMAN ASSELTA: Substantial economic benefit.

MR. WINKLER: The real substantial benefit would come after the system has become mature. It really becomes an incremental growth. To some extent, some of the income would be offset by what might happen at the racetrack. You could lose business at your racetrack by operating off-track wagering.

ASSEMBLYMAN ASSELTA: Well, are we staying with that economic theme? Are we losing business, today, as we sit here? Are our New Jersey residents going across the bridge to Pennsylvania and spending their dollars over there, today?

MR. WINKLER: I don’t think any more are going across the river now than were--
ASSEMBLYMAN ASSELTA: I didn’t ask you any more. I asked you are there dollars being lost today -- as we sit here today -- going across the bridge every day -- Vets Stadium, Turf Club next to Vets Stadium, etc., etc.

MR. WINKLER: Yes, the answer is yes.

ASSEMBLYMAN ASSELTA: Okay, and it’s pretty substantial.

MR. WINKLER: I couldn’t--

ASSEMBLYMAN ASSELTA: We don’t have a way to quantify that?

MR. WINKLER: I don’t have it quantified.

ASSEMBLYMAN ASSELTA: So after two-plus years of signed legislation -- and I guess you’re using the reasoning that there was a changeover at the Authority -- Mr. Zoffinger came in and changed the philosophy on how this would be struck--

MR. WINKLER: I don’t think I said that. I said that when we tried to reach a participation agreement along certain conceptual lines, we were unable to do it. We were negotiating with the other parties and could not reach an agreement as to how we would own and operate, in a partnership, those facilities. We couldn’t. And that’s when we decided to pursue a different course of action, which, as I described, would be, essentially, allocating 15 among us so that we can own and operate independently of each other.

ASSEMBLYMAN ASSELTA: Okay. Through the Chairman-- Mr. Chairman, are we going to address the proposed sale of these particular facilities -- the racetracks -- in this particular testimony, or someone else? Or can we call them back?
ASSEMBLYMAN GUEAR: I believe we’re going to talk about that now. But I do have--

Are you through, Assemblyman?

ASSEMBLYMAN ASSELTA: Yes.

ASSEMBLYMAN GUEAR: One quick question. How are the counties divided between the Authority and Pennwood?

MR. WINKLER: The Atlantic City Race Course ownership would have the opportunity for two facilities to be located in any of the following counties: Atlantic County, Cumberland County, Cape May County, and Salem County.

The Pennwood Company, which owns and operates Freehold Raceway, would have the opportunity for up to four facilities to be located, as they see fit, subject to the regulatory approvals, in Burlington, Mercer, Camden, Gloucester, Southern Ocean, and Southern Middlesex counties.

The Sports Authority -- nine facilities would be located in Northern Middlesex, Northern Ocean, and all the other counties that went unmentioned, with the exception that we’ve agreed that no one will site a facility in Monmouth County, which is the home of two racetracks. And the thought is that we would not want to build one close to those facilities and jeopardize their business in a serious fashion.

ASSEMBLYMAN GUEAR: Okay.

Any other questions?

Assemblyman Van Drew.

ASSEMBLYMAN VAN DREW: Through the Chair, talking about that master agreement, can you be a little more specific what the problem is,
why the agreement can’t be met? I think what we’re all alluding to here, obviously, is— We’ve been challenged by the Governor, and challenged in general, to find sources of revenue. And the longer that we wait to do this, the less revenue, obviously, is coming to the State of New Jersey, and the less opportunity.

MR. WINKLER: I didn’t intend to say that it can’t be met. That’s a conceptual agreement that we’ve now reached, and we are exchanging drafts of contracts between us and trying to—

ASSEMBLYMAN VAN DREW: So do you have any guesstimate, estimate, on what time factor would be involved in that? Do you have any idea in the back of your head that—

MR. WINKLER: Do you know— I’m sorry.

Assemblyman, I’ve lived with this for three years and given guesstimates before, and they’ve never been right. Hopefully it can be worked out soon. We’re narrowing the issues, as you know.

ASSEMBLYMAN VAN DREW: Going back — excuse me — going back previously, through the Chair, what were the issues? I’m trying to — I’m just trying to understand a little bit better why it was such a problem, for such a long period of time, to get this done.

MR. WINKLER: In this particular arrangement?

ASSEMBLYMAN VAN DREW: Yes.

MR. WINKLER: There were other issues when our concept was different. We need to reach an accord on things like indemnifications, how to— The law provides that there’s a sharing of racing costs incurred by the Racing Commission. We have to decide how we’re going to allocate those costs among
us. We’re talking about the term of an agreement, and we’re talking about what happens in the event any party to the agreement divests itself of its racing interest. So I think those are the things that, at this point, probably need to be worked out.

ASSEMBLYMAN VAN DREW: Okay.

The other statement you made, as well, was, through the Chair, when the system is mature, there would be a significant financial benefit. Could you define, in your terms, what you mean by mature?

MR. WINKLER: By mature?

ASSEMBLYMAN VAN DREW: Yes.

MR. WINKLER: Mature means developing the whole system, or nearly the whole system.

ASSEMBLYMAN VAN DREW: Once that agreement was met -- and, again, I’m thinking in fiscal terms -- what this is going to bring, in revenue, to the State of New Jersey. Say the agreements were met today, and everything signed, and we’re ready to go, when do you believe the system would be mature? Do you have any sense of that?

MR. WINKLER: I don’t. I would defer to Bruce. I work for the Sports Authority, and if this agreement were signed, we would have the right and opportunity to develop nine facilities. We’d have to find a way to finance those nine facilities. So I think it would take not months, but years for us to work through all the approval -- find the sites, gain the approval of the municipal governing bodies, and then go to the Racing Commission for their approval. So it would not be a mature system in the immediate future.
ASSEMBLYMAN VAN DREW: Okay. Because of the fact of all the regulatory process and the bureaucracy that you would have to go through to reach the point of even building them and having them in place, we’re not-- In that answer, you didn’t really address once they were in place, when we would really start receiving some significant revenue back to the State of New Jersey. And do you have any projection of that at all? These aren’t numbers somebody’s going to come back to you in a few years-- The way we’re going, we won’t be coming back to you in a few years, because they won’t be here in a few years.

MR. WINKLER: I’m lawyering it. Bruce is the guy who operates the racing division for us. I would defer to him.

MR. GARLAND: In answer to both your questions, there are some considerations that we would want to take into account. One is to evaluate the impact of the first set of off-track wagering facilities on the live racetracks and the live racing, itself. The main part of any system’s business is the live racing. You want to preserve live racing. I’m sure there are horsemen in the audience who want to testify today to encourage you to help provide for even more live racing. But we want to make sure that the racetracks, themselves, aren’t negatively impacted, because there will be some cannibalization of your live handle by making it easier for people to go to these facilities. So we want to make sure of that impact.

So our intent would not be to build nine facilities immediately, but rather, to build them, probably, in general terms, in, like, a concentric circle, beginning further away from the racetracks and moving in. After each round of construction, having an evaluation process, at that point-- So I would say it
would probably take five years before a system was mature. We’d probably try and do four or five, initially. And then maybe a couple more after that, and a few more after that. And in terms--

ASSEMBLYMAN VAN DREW: Through the Chair, Bruce, when you say five years, do you mean it would be five years before it was even -- construction began, or--

MR. GARLAND: No, sir.

ASSEMBLYMAN VAN DREW: --five years, and we’re really starting to see some revenue return?

MR. GARLAND: Five years before you built nine of them. In other words, I think you’d probably want to build four or five initially, evaluate those further away from a racetrack -- evaluate the impact on the racing, and then move closer to the racetracks if that seems feasible. If the impact on the live racing was so severe, you might want to reconsider that.

But I would say, in racing terms, and in terms of Sports Authority revenue, you could be talking in the $15 million to $25 million range. That’s a broad number. And from purse money, probably somewhere in the $20 million range, of a fully mature system.

ASSEMBLYMAN VAN DREW: Okay.

May I, Mr. Chair?

ASSEMBLYMAN GUEAR: Sure.

ASSEMBLYMAN VAN DREW: Let me make sure I understand this properly. For example, in the most southern end of the state -- if we were to look at the Cumberland, Cape May, Atlantic area -- and somebody was to ask me, as an Assemblyman, when I thought we were going to see the first one,
and I called you up and said, “Could you give me a guesstimate of when that would be,” what would your answer be?

MR. GARLAND: Well, my answer would be that’s a different company, but I suspect that company will build them as fast as possible.

MR. WINKLER: Remember, under the concept that we’re working with, the Sports Authority--

ASSEMBLYMAN VAN DREW: Wouldn’t be doing -- I understand -- those down there.

MR. WINKLER: Wouldn’t be doing that.

ASSEMBLYMAN VAN DREW: That would be Atlantic City.

MR. WINKLER: Essentially south of Middlesex, Ocean.

ASSEMBLYMAN VAN DREW: So you wouldn’t be able -- we wouldn’t really be able to answer that at this point, right now.

MR. GARLAND: I believe that the concern that I have for the two Sports Authority racetracks would not be that applicable in that area, because Atlantic City doesn’t have the concern of a live racing or an extended live racing season. And I suspect that they would fast-track their facilities.

ASSEMBLYMAN VAN DREW: Chairman, this will be my last question.

What I’m trying to say is, wouldn’t it make sense, at the most extreme ends of the state -- where the farthest away -- to get those underway as soon as possible, because they aren’t going to have an effect on the live racing? They’re too far away.

MR. GARLAND: I would tend to agree with you, Assemblyman.
ASSEMBLYMAN VAN DREW: So what I would hope is that we would get those moving as soon as possible, or allow those that are going to do it to get it moving as soon as possible.

MR. GARLAND: Yes, sir.

ASSEMBLYMAN VAN DREW: Thank you, Chairman.

ASSEMBLYMAN GUEAR: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman. I apologize for coming in late, because I was at another Committee.

I know that I came in in the middle of a testimony, but when you’re speaking about getting these up and running, it strikes me that you sound like you’re talking about something that you’re in the thinking-about stages, or when it gets here. But didn’t we pass this two years ago?

MR. WINKLER: It was signed into law in August of 2001. It became effective in February of 2002. There was a six-month effective -- there was a six-month period before it became effective.

ASSEMBLYWOMAN STENDER: And at the time, what was the -- when it was passed, or approved -- what was the Legislature then told we could expect as a reasonable time frame before this would be in place?

MR. WINKLER: Frankly, I don’t recall that we offered a time frame. I think we said what Mr. Garland just said, and that is that it would require capital resources, and it would take time to build up 15 different facilities. And I think that time frame was, basically, what he just said now, that it would take approximately five or six years to fully develop a system.

ASSEMBLYWOMAN STENDER: Oh, I thought he had-- I’m sorry, I thought that I understand that it would take five or six years for it to be
fully mature. But there must have been some expectation of a window or time frame in which it would get started.

MR. GARLAND: The expectation was that the account wagering portion of it, which is just a relatively small portion of it, would be able to be done relatively quickly: six months or so from the time of participation agreement being fully implemented. An account wagering system could be started very shortly after -- as soon as a participation agreement is done, and we go through the process of application in the Racing Commission and follow the statutory time periods.

ASSEMBLYWOMAN STENDER: I guess my question, then, is that given this -- the crisis that we face with the horse racing industry in this state, and knowing that this is intended to help the industry, what’s the problem? How come we’re now a year and a half out, and there’s not even one up, if you thought you might be able to get one up in six months?

MR. GARLAND: That would not be the off-track wager site. That’s account wager. Account wagering is not a separate facility. But, again, I’m not part of the-- There’s something that needs to be done before I can get involved, and that’s a participation agreement, and that is not yet signed.

ASSEMBLYWOMAN STENDER: And who’s responsible for that?

MR. GARLAND: Well, Mr. Winkler represents the Sports Authority in that process.

MR. WINKLER: I think you, perhaps, didn’t hear--

ASSEMBLYWOMAN STENDER: I do apologize for coming in late. So I did miss that.
MR. WINKLER: The law requires that we can’t unilaterally do this at the Sports Authority. It requires entering into a contract for off-track wagering with two other parties, and for account wagering with one other party. I tried to explain that we tried to negotiate, in good faith, as did the other parties, that participation agreement, which involves sharing economic risk, economic gain, management and control responsibilities. And we initially tried to do it as, basically, a partnership or joint venture. And we discovered that we couldn’t reach that kind of agreement. We had too many issues that divided us about how it would be managed, controlled, who would determine which sites would be selected, which sites would go first. And so we changed course and came up with a different concept, which is to try and arrange that the 15 are allocated among us, and that we end up running our own, exclusively -- each party. In our case, at the Sports Authority, nine. And among the other two -- between the other two parties, a total of six. And we’re, now, exchanging drafts of contracts to try and pursue that.

ASSEMBLYWOMAN STENDER: So can you -- are you able to give us an idea of when the first one will then be done, having gone through -- gotten to this point?

MR. WINKLER: If we sign that agreement, it has to be presented to the Racing Commission and the Attorney General for their review and approval. If it is approved, it will be, sort of, a blueprint for how to go forward with the 15 specific sites. And then each party would present their site locations to the Racing Commission. And I think, as Bruce Garland indicated-- I believe that the private entities are prepared to go forward quite promptly with applications.
ASSEMBLYWOMAN STENDER: What does that all mean in time? (laughter)

ASSEMBLYMAN VAN DREW: They’re not going to tell you.

Respectfully, we’re going to have each Assembly person ask you this, until we get a more definitive answer. And then we’re going to go back to Assemblyman Asselta again. He’ll start all over again.

ASSEMBLYMAN ASSELTA: Welcome back.

I do have another question, Mr. Chairman.

MR. WINKLER: I’m not really trying to duck the question. It’s an answer that’s very difficult. If we piece it out, I think, hopefully, we can reach a contract with the other parties reasonably soon and present it to the Racing Commission and the Attorney General for approval. Again, that would be approval, by them, of a blueprint or a master plan. Then each party’s going to have to go out and find sites. And when they find the site -- let’s say they find an empty food market in town X, that that party thinks can become an off-track wagering site, we’ll have to go to the municipal governing body.

ASSEMBLYWOMAN STENDER: I heard that part.

MR. WINKLER: You have to reach an understanding with the landlord or the owner to rent it. Then you have to go to the governing body of that town and say, “We found a site at 100 Maple Avenue in your town. Here’s what the plans look like. Here’s the way it will be operated.” And then there’s likely to be hearings there. And should the municipal governing body approve, then we have to go to the Racing Commission, which has an obligation, under law, to hold public hearings.
So the best I could tell you is we’re hopeful of reaching an agreement soon, presenting it to the Racing Commission, and then, after that, trying to find sites in municipalities that are pleasing to the municipality, and then go to the State for its approvals.

MR. GARLAND: I’ll try and give you an operational answer. Once the participation agreement is done, it would be my goal to have an account wagering system up within three months of the signing of the participation agreement. And then, depending on whether or not we had to lease or build facilities, within six to eight months from the time period, try and be operational in at least three or four of the facilities as quickly as possible.

I can’t speak for the other entities involved, but my knowledge of the way they conduct their business -- they will have similar, if not faster, timetables for their areas. And I think everybody’s just anxious to get it moving forward. I don’t want there -- the impression that we’re not anxious to move forward. We are. We’d set goals. They’d be goals I hope we could meet.

ASSEMBLYWOMAN STENDER: Thank you.
ASSEMBLYMAN VAN DREW: Thank you.
Jack -- Assemblyman Conners, did you--
ASSEMBLYMAN CONNERS: No, I’m okay.
ASSEMBLYMAN VAN DREW: Assemblyman Asselta.
ASSEMBLYMAN ASSELTA: I’m fine. Thank you, Mr. Chairman.
ASSEMBLYMAN VAN DREW: Okay.
Any other questions on this subject? (no response)
We’re going to move forward now to the discussion of the sale of the racetracks. And I would let you proceed. You can begin.
MR. GARLAND: Sure.

I think the first thing that I should probably say on that regard -- and that is, that no decision has been made to sell or lease the racetracks. While there has been some publicity in that regard, and there have been some entities that have expressed interest, the Sports Authority hasn’t made any decision and, really, would not make a decision of that magnitude without consultation with the administration, the appropriate members of the Legislature, and all the various other bodies involved.

So I think with that as a preface, I’d be happy to answer any specific questions any of you might have on the sale or anything else. But no decision has been made.

ASSEMBLYMAN VAN DREW: I know there was a good deal of press and publicity regarding that. Could you explain what sparked all that activity?

MR. GARLAND: Well, I don’t know--

ASSEMBLYMAN VAN DREW: I assume you’re having discussions concerning the possible sale.

MR. GARLAND: I don’t know what sparked the activity. There has always been interest in our two racetracks. Frankly, the interest has been because the two racetracks are very successful entities. The Meadowlands is the largest single location for wagering -- pari-mutuel wagering in North America. And Monmouth Park does produce a positive revenue cash flow. It always has, under the Sports Authority operation, and is a high-quality meet. And to use, probably, a poor analogy -- but it’s, sort of, like the Fenway Park of racetracks.
It’s a beautiful facility -- seasonal facility. So there’s always been interest in our racetracks.

At the current time, there are two major entities that have been acquiring racetracks, and have been for the last several years. Churchill Downs is one of them. They have six racetracks currently. And Magna Corporation is the other entity -- major entities. And then, from time to time, there have been other people express interest.

At its last board meeting, the Sports Authority authorized a contact with investment banking firms to begin a process of getting somebody to help advise us on valuation, marketability, that type of thing. So that may have been what sparked it -- that, and just good, probably, reporters who are out seeking a good story.

ASSEMBLYMAN VAN DREW: They are profitable.

MR. GARLAND: Yes, sir.

ASSEMBLYMAN VAN DREW: They do well. They do well for the SEA. Why then would you sell them, just for the immediate--

MR. GARLAND: Well, again, no decision has been made to sell them.

ASSEMBLYMAN VAN DREW: I know no decision was made, but there was a decision to pursue this.

MR. GARLAND: Right, because there is interest.

ASSEMBLYMAN VAN DREW: And what sparked that decision?

MR. GARLAND: Just the interest, the fact that we are a public agency, we own two racetracks that are valuable commodities, they do produce positive cash flow for the Sports Authority, and we’d like to know what the
valuation and process would be if we were to actually go through the process of selling them. So this is just hiring an advisory investment banking firm to just help us in that regard and to determine what steps to take, were a decision to be made to actually pursue this.

ASSEMBLYWOMAN STENDER: I have a question.
ASSEMBLYMAN VAN DREW: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Thank you.

Aside from the fact that the money, apparently -- the interest is in the amount of money that can be secured to offset debt -- I mean, that's what the press says, anyway.

I'm interested in what the impact would be to people who go to the tracks. I mean, I am very concerned when I think about, for instance, selling the Garden State Arts Center, and the fact that people who now go there are mostly aggravated in dealing with getting tickets, and access, and all the rest of it. I would be concerned that an asset that was built by the taxpayers, and is used by our residents -- because it would now be in private hands -- would have their access changed, and the operation changed, in a bad way.

MR. GARLAND: Again, I would not be the decision-maker in that regard. That's not going to be -- way beyond me. But I would say, one of the considerations that the State should certainly be interested in is what the intent of the parties would be with regard to: harness and thoroughbred racing, horsemen, horsemen’s interest, the future of live racing in the State of New Jersey, and all the surrounding businesses that would be impacted; and what their concerns are with the employees who are currently employed at the various
locations, and what their concerns would be to the guests and the patrons and the fans of racing. I think those are things that should be considered.

But, again, no decision’s been made to enter into that process.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN VAN DREW: Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: Mr. Chairman.

This proposal has two more implications aside from horse racing, at least the way I see it. And I’ll just make this statement, because I don’t think you’ll answer my questions anyway. (laughter)

M R. GARLAND: I will certainly try, Assemblyman.

ASSEMBLYMAN ASSELTA: Two implications-- Number one, we know the Sports and Exposition Authority also owns the Atlantic City Convention Center and the Wildwood Convention Center -- which, normally, most convention centers operate in the red. Consequently, the Meadowlands, and the horse racing industry, and those facilities help prop up those two other facilities and entities to keep them, obviously, afloat and financed.

We’re already having a difficult time securing marketing funds for those facilities. So I see this as a possible problematic issue down the road in relationship to those two entities -- will they fall further in the red and must be propped back up by State government, number one.

Number two, I see the sale of these two facilities as a prelude to VLTs and video lottery. I don’t think, whoever is the negotiating agent here, with the appropriate partners -- I believe they’re using that as an enticement to purchase, with the hope that, someday -- and probably a pretty strong hope --
that VLTs will be placed in these facilities, which would, obviously, enhance the investment and the value.

So it’s much more than horse racing here -- this initiative. And there are deep concerns, on my part, on two fronts. Obviously, the Wildwood Convention Center is in our district -- the Chairman and myself -- and we have to make absolutely sure that facility remains viable. The Atlantic City Convention Center sits in the district above us and employs people in our legislative district. And, most importantly, the gaming industry is South Jersey’s number one industry, employing over 60,000 people right now. And VLTs, as testimony has come forward by casino executives, would absolutely kill further investment in the industry and currently cripple whatever new profits will be generated.

So this initiative, at least on the surface, seems to have two major negative impacts on South Jersey, and the first and second legislative district. And I’ll just make that statement.

You can respond, if you want.

MR. GARLAND: Sure. In regards to Atlantic City and Wildwood-- I’m the operator of the racing. It’s my goal and job--

ASSEMBLYMAN ASSELTA: Right.

MR. GARLAND: --to produce as much revenue as I can for the Sports Authority so that they can allocate it to any other purposes that our board sees fit. Racing does return a substantial revenue, and they have used it in the past for those types of things. But in terms of actual operation, or those things, it’s out of my realm.

ASSEMBLYMAN ASSELTA: I understand.
MR. GARLAND: In terms of VLTs, slot machines, that type of thing-- Right now, my focus is on how to deal with the competition of those things in other states. So I’m not really involved in the process of bringing them to New Jersey, or any of the issues surrounding that. What I’m trying to do is develop a plan so that we can survive being surrounded by them.

ASSEMBLYMAN ASSELTA: Great. Thank you.

ASSEMBLYMAN VAN DREW: Anybody else? (no response)
Thank you, both, for being here today.

MR. WINKLER: Thank you.

MR. GARLAND: Thank you, sir.

ASSEMBLYMAN VAN DREW: I guess the thought that we would leave you with -- many of them -- going back to the other subject, is offtrack betting-- It is a source of revenue. We are very short of funding in the State of New Jersey, and we would like to see this happen, as soon as possible, especially in those areas where there, obviously, aren’t any problems geographically, that are safe.

MR. GARLAND: Yes, sir. Thank you.

ASSEMBLYMAN VAN DREW: Thank you.
And we would appreciate if you could stay, because we might ask you to come up again if there are further questions.
Thank you.

MR. GARLAND: Certainly.

ASSEMBLYMAN VAN DREW: Now we have Barbara DeMarco, from the New Jersey Thoroughbred Horsemen; and Leon Zimmerman and Mike Izzo, from the Standardbreds. If you could all come up together -- I know
you'll speak separately with a different voice and a different vision -- but I think you can share the table together.

ASSEMBLYMAN ASSELTA: Share the love.

BARBARA DEMARCO: I think Leon is going to be a gentleman and let me start.

Thank you, Mr. Chairman, for dedicating an entire meeting to the important issue of the future of horse racing.

This weekend, while most horse racing enthusiasts were greeted with unlimited media coverage of the Kentucky Derby, and the unlikely win of a New York-bred by the name of Funny Cide, those of us in New Jersey were confronted with this: the sale of our racetracks, or the potential sale. To say the least, while New York and Kentucky were rejoicing, New Jersey horsemen were filled with overwhelming concern, because the sale of Monmouth Park -- and I’m speaking thoroughbreds -- could, potentially, be the last nail in the coffin for New Jersey’s industry.

However, before I address why New Jersey’s thoroughbred horsemen oppose the sale of the racetracks, let me touch on the first two issues. As I stated in my opening remarks, thoroughbred racing is thriving in those states that have made an economic commitment to it, states like Kentucky and New York. Unfortunately, New Jersey stopped taking an interest in this industry when it legalized the lottery and casino gaming in the 1970s. The casino industry killed a healthy New Jersey racing industry. We have seen the closure of two racetracks in southern New Jersey -- Atlantic City is all but closed, and Garden State is closed.
As John McLaughlin wrote yesterday in his column in the Star-Ledger, “As the casinos’ take sweetened, horse racing soured. Pari-mutuel machines are no match for one-armed bandits. Slot machines have dictated the personality of New Jersey’s casinos. They have sucked enough gambling dollars to cripple racing. Their presence in neighboring states have racing and casino interests here at each other’s throats. If the slots are permitted at the New Jersey tracks, customers get stolen away from Atlantic City. If not, racing dies, and the casinos still lose the customers to other states. The sale of the tracks will doubtlessly cause even more delay. Let’s hope there are still some racehorses available when all this is sorted out.” And that is a future we are dealing with, as horsemen in the state.

Let’s move to the second issue, OTB and Phone Bet. I want to dispel some information that appeared in this article in the Star-Ledger. In 2001, the Legislature determined that 141 days of thoroughbred racing was appropriate. Running these 141 days, as mandated by OTB and Phone Bet, is not the reason why OTB and Phone Bet is not up and running. Last year, the Sports Authority ran the 141 days. The thoroughbred meet closed in November. It doesn’t open again until this month. Therefore, they had six months to get the phone portion of it up and running. The OTB, as Art told you, is much more complicated.

With respect to this year’s meet, we’ve agreed to 120 days, but the remaining 21 of our days are now going to become harness-racing days. So the NJSEA isn’t saving any money by not racing thoroughbreds.

The real reason is the participation agreement. Our feeling is that the reason the participation agreement has taken so long is because the same
people, who own the racetracks and OTB parlors in Pennsylvania, own the privately owned racetracks here in New Jersey. Most people believe that the incentive -- there was no incentive to open the OTB quicker, because when Garden State Park closed -- located in Camden County -- the Garden State Park patrons, instead of driving to the race book rooms at the casinos, or to Freehold, or Monmouth, or Meadowlands, decided it was easier to cross the Ben Franklin bridge and bet at their OTB location in Philadelphia or at Philadelphia Park, the racetrack located about 15 minutes from here, and about a half an hour from Cherry Hill. As a result, the $90 million made yearly at Garden State Park is now going to the Pennsylvania track owners. And I think that was a question earlier.

We understand, now, that there are also delays because there are certain bigwigs out there who want to pick their own OTB locations. We also understand that there are other leading contenders who have some interest in the participation agreement, and they want to get a part -- and whether or not they sign it. All of this is all hearsay, and it’s not -- I cannot validate it.

The final issue is the sale or the lease of the racetracks. My comments will focus on Monmouth Park, because we are talking -- they’re strictly thoroughbreds. The horsemen oppose the sale, and I’ll tell you why. There’s no guarantee that the new owner won’t demolish Monmouth Park and replace it with high-priced condos or housing. The facility sits on a valuable piece of property less than one mile from the ocean, on a train stop with less than a hour commute to New York.

There is no guarantee that the facility will conduct live racing with a full calendar of dates so that New Jersey horsemen and breeders can make a
living. For this one, you need to think like a farmer. If a horse were a piece of produce -- an orange, an apple -- you would need a supermarket to sell your product. If your supermarket closes, or they start decreasing the number of hours they’re open, so that you can -- that the consumer can buy a product, there’s less incentive to go there, or there’s no incentive at all, because the market closes. Horse racing is the same. Our market is our racetrack. If they close, there’s nowhere to sell the product. And not only do the horsemen go, the wagerer goes. But many take their farms and their families with them to other, more profitable states.

Monmouth Park -- number 5 (sic) -- is over 50 years old and needs about $50 million in improvements to bring it up to 2003 standards. If the new owner decided to keep it as a racetrack, will they put the improvements into the facility so it doesn’t become another Atlantic City Race Course, where the concrete you stand on crumbles under your feet?

Four, the most likely bidders will be conglomerates from other states or countries. What vested interest do they have in New Jersey’s racing, farming, breeding, travel and tourism, and our State’s economy? Are they here just to take our bets and wagers?

Five, will the potential owner allocate enough money to keep New Jersey’s purses competitive with the region? As Bruce said, our biggest concern is that every state around us is a racing state. They will all have VLTs or slot machines within the next two years. What will that impact have on us? And if the new owner doesn’t put enough money into purses, we’re going to die anyway, because we won’t be able to compete, because racing is a regional sport, and the horses and the owners follow the money.
Six, will the sale be done on the horseman’s back? Will they do away with current incentives or reduce breeding incentives? Will the new owner pull a gimmick like they do at Gulf Stream, where they encourage the better to bet on an 800 number over a credit card, rather than with cash at the racetrack window? Every time this is done, a third of the money doesn’t go into purses.

Six, (sic) some of the potential bidders on the tracks have not proven themselves in other states, and I called most of the racing jurisdictions in the area to find this out. One of the examples that kept coming up was the Magna Corporation. Magna, which owns Gulf Stream and Santa Anita, bought the tracks, promising infrastructure improvements on both the front and back side of the track. They promised better purses and better conditions for horsemen. They’ve done very little of what they promised. As a result, their handle, the total amount wagered, and their attendance are down 10 percent. Their stock, when compared to some of the other corporations investing in racetracks, is down, reflecting a lack of consumer confidence. And I’ve included, for you, the stock comparison.

Will they improve New Jersey’s racing? They certainly aren’t improving it in other states. And is that a risk you want to take when your industry is so fragile?

And, finally, the procurement process is probably the most important issue. Last year, the State Commission on Investigation published a scathing review of bidding irregularities surrounding the Parsons infrastructure Motor Vehicle contract. The SCI reported these problems: a small universe of bidders, hiring of politically connected consultant/operatives and lobbyists, excessive campaign contributions, secret meetings with senior governmental
officials where inside information was exchanged, an open-ended bid process of poorly defined expectations, and a lack of government controls.

Given the monetary size, complexity, and nature of racetrack procurement, a repeat of this debacle is very possible. This is why the NJSEA, the Governor, and the Legislature should insist that, if they go forward with this, that it’s a transparent bid process, where all impacted parties are participating -- most importantly, the horsemen -- because it is the thoroughbred and the standardbred, or harness horsemen, in the state that make up the majority of voters, own the farms, and get the major benefit from this industry.

Finally, on the advice of our attorney, Dennis Drazin -- who is in the room with me today -- and he can answer questions. He’s one of the leading owners and breeders. He would like to advance a solution. Don’t sell either track. Rather, put into motion an idea advanced by Governor McGreevey some time ago. Preserve the racetracks with Green Acres funding, since they occupy valuable open space and promote the preservation of an additional 80,000 acres of equine-related farmland.

By doing this, you will also retire the debt on each of the tracks, which is around $250 million in the aggregate. By paying off the debt, you will then be able to put approximately $3.5 million back into Monmouth Park’s operational account yearly.

An amendment would have to be made to Green Acres to allow for a purchase of commercial open space. The amendment would be limited to racetracks. Once the racetracks were preserved, lease the facilities based on the highest bid and the best use. Model it along the lines of the Meadowlands Arena agreement. By requiring the potential bidder to put together a plan like
the one for the Arena site, they would be required to show what they are going to do and how. Further, they would be obliged to do it.

Finally, prior to any decision to lease or purchase, all impacted parties need to put together a package of legislation to address every aspect of racing. If there needs to be changes in the OTB and Phone Bet Law, or if we need to find a guaranteed new revenue source to bolster purses if we can’t have VLTs or slots, maybe the casinos will help us out. Who knows? We need help.

Everyone needs a clear idea of what is out there. The disposition of these racetracks is about much more than the facilities themselves. The transaction will impact gaming from the Meadowlands to Atlantic City, it will impact current and potential State and local revenues, it will impact travel and tourism, it will impact over 80,000 acres of open space dedicated to horse farms, and most importantly, it will impact 6,000 individuals who make their living directly from live racing and another 25,000 individuals who receive some ancillary benefit from an active horse racing industry.

This proposal should not be taken lightly, because what may be a short-term, quick, financial fix may turn out to be a long-term disaster for our State.

Thank you.

ASSEMBLYMAN VAN DREW: Thank you, Barbara.

Assemblyman Conners.

ASSEMBLYMAN CONNERS: Barbara, I just wanted to ask you a question. You were talking about purses. What size purse per day -- I guess, for a thoroughbred race or a standardbred -- is required?
M. S. DeMARCO: I would have to defer that to either Mr. Drazin or--

According to the horsemen, they'd like to see 300 a day for thoroughbred and--

LEON ZIMMERMAN: You mean 300,000.

M. S. DeMARCO: Three hundred thousand a day, sorry.

M. R. ZIMMERMAN: We would like to see 200,000 a day as an ideal purse structure, and the Meadowlands has been able to come pretty close to that, and has been at that, I believe.

Bruce, is that correct?

M. R. GARLAND: If I could-- Three hundred thousand a day is what we think, this year--

ASSEMBLYMAN VAN DREW: We have to have you come forward, please, so we can have you on the record.

Thank you.

M. R. GARLAND: We believe that 300,000 a day, this year, is what Monmouth Park needs, to be competitive. That number will change drastically in the next couple years, due to the competition from the surrounding states, as VLTs and slot machines are introduced in those states and money is then diverted to purse money in those states.

So the number will change. Three hundred is this year’s number for Monmouth Park. That’s for thoroughbred racing. For harness racing, we’re currently the highest purse structure in the world in harness racing. And that is reflected in the fact -- and symbolic of the fact, frankly, that we are the number one harness racing entity in the world.
So the idea is to have the highest purses possible in both sports. That number is just right around the $200,000-a-day level. That number will also change next year in order to be competitive, again, because the surrounding states will have -- introduce alternative sources of funding other than racing. So we’re trying to survive just on racing. They have racing and another product. And that’s what I referred to, during my testimony, as what I’m trying to concentrate on. How do we meet that competition?

This year, the Sports Authority has taken an extraordinary step in thoroughbred racing and guaranteed a $300,000-a-day purse structure for 72 days at the Monmouth Park meet. That’s an unheard of thing to do in racing. The board and our President, George Zoffinger, have backed that initiative.

In harness racing, we still are the best, so we don’t need to do anything this year with our harness purses. But, again, in the future years, we’ll only see those numbers increase in order for us to be competitive.

ASSEMBLYMAN CONNERS: Bruce, I’m sorry. I didn’t get your last name.

MR. GARLAND: Garland.

ASSEMBLYMAN CONNERS: I don’t know whether you, or Leon, or Barbara can answer a question. Do you know of farms that have been preserved with farmland preservation? Are there--

MR. ZIMMERMAN: To the best of my knowledge, there are several hundred thousand acres of farmland that are preserved now as horse farms. I was going to address part of that when I made my presentation.
I don’t think anybody knows the numbers precisely, to the point of -- would there not be horse racing, how many of those wouldn’t be there. But we expect that a lot of it would be lost.

See, that’s something I was going to address. The fact of the matter is, that the horse racing industry in New Jersey is not what you see as, what I like to call, the tip of the iceberg. It’s not those three racetracks. It’s far more than that, that you don’t see. It’s hundreds of thousands of acres that are being preserved, it’s tens of thousands of people that are being employed, and it’s a half a billion dollars in the State’s economy.

We recognize that the casino industry produces a lot to the State’s economy, but it doesn’t produce 400,000 acres of open space preservation. And that’s why we think it’s -- that the racing industry deserves some recognition.

And, as I said, I was going to address that, and I will in a moment.

Ms. DeMarco: There’s only been one thoroughbred farm that’s gone into farmland preservation, and there are people here from the Department of Ag who can probably expand on that. But we had our first thoroughbred farm preserved last year in Camden County.

Assemblyman Connors: Okay, thank you.

Assemblyman Van Drew: Thank you, Assemblyman.

Assemblyman Asselta: So we can’t build on it.

Assemblyman Van Drew: This is going to be a little bit more to Barbara, and then we’ll move on. It’s a little bit of a philosophical question here, just if you can answer this. Without-- I mean, there’s always going to be this argument. There’s going to be some of us who are just opposed to VLTs. So without getting into that discussion, what would you see, from your vantage
point, as a cure, other than what you just mentioned before? What do you see are the reasons other than the casinos -- why horse racing has gone down?

M.S. DeMARCO: Actually, I asked that question of the National Thoroughbred Racing Association, who hosted the Kentucky Derby. The numbers haven’t gone down, nationally. They actually have been increasing on a yearly basis. Why you don’t see it is that a lot of our patrons are dispersed now. They’re in casino race book rooms, they’re in OTBs, they’re betting from home on a phone, they’re in the racetracks. So it isn’t -- except for these big marquis events where you see 140,000, almost 150,000, as you did Saturday at Churchill Downs -- our people are all over, and they’re betting.

So I take exception to that. In fact, I got on the Internet, and the Nielsen Media Research group showed that viewership on horse racing was up 118 percent as of February of this year -- watching the prep races for the Kentucky Derby.

ASSEMBLYMAN VAN DREW: Specifically in New Jersey, you attribute the problems only to the casinos?

M.S. DeMARCO: I think you have competition from other states. I think the casinos, certainly, are the reason why there are no racetracks in Southern Jersey. I think I would feel very comfortable saying that. I think that it just became, almost because we’re not as big, or we’re not as such a quick satisfaction as you might get with a slot machine. People just dismiss us. We’re not important, because we’re 6,000 or maybe 30,000, in the aggregate, people. And our horse farms -- people don’t make the connection between the racetrack and the horse farm. And, actually, that’s a connection that has to be made.
ASSEMBLYMAN VAN DREW: Let me ask you this, just to be the devil’s advocate a little bit. Everybody wants to see the horse farms stay. Everybody wants to keep the farms. There’s no opportunity to keep the farms, to raise the horses, and yet, maybe, perhaps, not have the presence of the tracks as strong as they have been?

M.S. DeMARCO: Absolutely not.

ASSEMBLYMAN VAN DREW: They wouldn’t be.

M.S. DeMARCO: You would have no market. You’re closing your supermarket. If you have no market to sell your product, it’s--

ASSEMBLYMAN VAN DREW: The market for New Jersey horses is New Jersey.

MR. ZIMMERMAN: Yes. Assemblyman, why would you have a horse farm in New Jersey and not be able to race the horses nearby? I’m sure there’s breeding done from state to state and across states, but it would make no sense. You need the racetracks, the facilities nearby.

I would just point out to you-- I’d like to address VLT issue later. This is the second thing I’m going to address later. Our racing industry-- I mean, there are studies that are shown -- and it’s been documented before legislative hearings in the past. Racing began its decline when the lottery was implemented, and dropped even more severely when the casinos opened. Our racing industry did not oppose casinos in Atlantic City. We thought it would be a help the economy. And we later favored partnering with the casinos so that simulcasting of horse races were put into a lot of the casinos. And there are race books there. There are, in effect, OTBs in the casinos.
Now, with this great toll that the casinos have taken on the racing industry, we feel that they -- we need help from them. I ought to point out to you that in Illinois-- When riverboats were created by the legislature in Illinois, without any effort at all, they gave a percentage of the riverboat gambling money to the racing industry. Now, wouldn’t it be nice if the casino industry could give us a percentage or share with us, in some way, so that we could all benefit?

I mean, my feeling -- our feeling in the industry is that VLTs at racetracks, partnered with the State and the casino industry -- there’s enough money for everybody to benefit. And how long will our casino industry in Atlantic City last once Pennsylvania and New York are fully implemented, and people don’t have to get on the buses and go to Atlantic City from midtown Manhattan? I mean, how much longer are they going to continue? Wouldn’t it be wiser for them to be partners now with us so that we could both benefit? I think it’s increased revenue for the casinos, as well as increased revenue for the racetracks.

ASSEMBLYMAN VAN DREW: I’ll disagree with you in that I think there could be a very detrimental regional effect to the area surrounding Atlantic City.

But I’ll entertain further--

Assemblyman D’Amato.

M.S. DeMARCO: Assemblyman, before he speaks--

ASSEMBLYMAN VAN DREW: Yes.

M.S. DeMARCO: The only thing I’d like to say is, in the ’70s, we were the first test case. New Jersey was the first time we took a casino industry
and put it head to head with horse racing. Our horsemen, at that time, for whatever reason -- and Leon might know, because I was young-- (laughter) He's still young.

ASSEMBLYMAN ASSELTA: Mature.

MS. DeMARCO: They didn't make any protection for horse racing, and we had no idea what impact it was going to have. It had never been tested anywhere else in the country. As a result, now we're looking at it, and we're saying, “God, we should have put a protection in,” but we had nothing to learn from. Now every other state around us has learned from it, and they're putting that protection in for their horse racing industry.

ASSEMBLYMAN VAN DREW: I understand that. And just speaking for myself, I want to see horse racing survive. We want to see the industry stay here, but we have to protect what's a regional economy where there are very few other alternatives, and that's the casino industry. Those folks that are from that area are going to be extremely protective of that. It's a very broad industry that has a profound effect -- not only the economy of the state, but also of an entire region of the state.

So we're with you, but it has to be done in a way that's not going to hurt an existing industry. There's no point in doing that -- in competing with ourselves.

But I know Assemblyman D’Amato had a question, as well as Assemblyman Arnone. And we'll extend that courtesy to him, in the audience, to come forward.

MR. ZIMMERMAN: Assemblyman, just one question. I just hope I get to cover some of this.
ASSEMBLYMAN VAN DREW: You will.

MR. ZIMMERMAN: It may answer some of your questions.

ASSEMBLYMAN VAN DREW: You absolutely will. We’re going to come back to you.

ASSEMBLYMAN D’AMATO: I’m going to look for some help to my colleagues.

It’s my sense that about two-thirds of the states have casinos -- or some form of -- there’s a house, and there’s legal gaming. Am I right about that -- two-thirds of the states?

ASSEMBLYMAN ASSELTA: A third of the states.

ASSEMBLYMAN VAN DREW: About a third.

ASSEMBLYMAN D’AMATO: A third?

ASSEMBLYMAN ASSELTA: Well, whatever.

ASSEMBLYMAN VAN DREW: Do not.

ASSEMBLYMAN D’AMATO: A third do not.

What has happened to racing in those states, and how have those states -- if there has been an impact on gaming -- excuse me, an impact on racing -- what have the states done in those jurisdictions, do you know?

MR. ZIMMERMAN: I’m not an authority on this, but I can answer to some extent, and Barbara made reference to it.

New Jersey was the only state where racing was flourishing, and they brought casinos in. In the other states where casinos went in, there was no strong racing industry. For example, when they tried to introduce racing in Nevada, it failed, because the casinos were there and were strongly established.
To the best of my knowledge -- and I would defer to -- there are other people-- I know Bruce Garland is more up on this, and Art Winkler, because they’ve been in the racetrack management business for a long, long time. But I know there are other states in which the racing industries were not as established as New Jersey’s. So there probably is no analogy to be drawn to some of these other states.

When Delaware-- Delaware, I have to tell you-- In harness racing, their purses were about -- and I have Mike Izzo with me, Executive Director of the Standardbred Association -- Mike, help me out if I’m wrong -- something like 42nd in the nation in purses. They paid $80,000 a day, or night, for racing. And they put slot machines at their racetracks, and they zoomed up to second or third in the nation, and they’re paying more than double that.

M.S. DeMARCO: Same thing with the thoroughbreds. It mimics it, but with bigger numbers.

MR. ZIMMERMAN: And I appreciate what you’re saying about the regional concern in South Jersey, but your regional concern is going to be severely impacted by Philadelphia.

I’m sorry -- 8,000 to 160,000. I beg your pardon.

So you can see the significant -- what slot machines did. And the racing industry was not a big industry in Delaware, compared to New Jersey. And now horses go to race there, because the purses, particularly in thoroughbreds, are better. They’re not better in standardbreds, because we’ve had a very good commitment from the Sports Authority -- and the Sports Authority needs to be commended for that -- to keep our purses number one. But they’re not going to be able to do it. I read in the paper the other day,
Pennsylvania, when they get their slot machines, expect it to go to 600,000 a day in purses. Where’s New Jersey going to be? There’s not going to be any racing.

M.S. DeMARCO: There won’t be racing.

M.R. ZIMMERMAN: You won’t have anything left to save. And I really want to address a particular point.

ASSEMBLYMAN VAN DREW: You will. You’re going to absolutely have that chance. We’re just going to go through some other questions.

Assemblyman Asselta.

ASSEMBLYMAN D’AMATO: Thank you.

ASSEMBLYMAN ASSELTA: I don’t want to get in a debate with Barbara and Leon on the trade-off between horse racing and casinos, as far as the quality of jobs that have been created, and that everyone that works in the industry -- casino and gaming industry-- Obviously the level of compensation is so much higher than it was in the horse racing industry. And let’s just leave it at that, and that’s a matter of fact. And you can agree to that.

The best part of your testimony, Barbara, was really the part that you mentioned about account wagering -- that that was a quick opportunity for us to get running and get creating some interest back into horse racing in the state. That didn’t take a whole lot of -- building 10 facilities -- 16 facilities.

My question to Mr. Winkler -- real quick, Art. Can those agreements-- You, kind of, capsulized everything in one major agreement. He’ll have to come up -- but I know she’s shaking her head--

ASSEMBLYMAN VAN DREW: Mr. Winkler, come forward again.
ASSEMBLYMAN ASSELTA: You have one major agreement to get this deal moved forward, correct? That is a combined agreement between -- with OTBs and the account wagering -- two separate kind of operations, but it's one major agreement, correct?

MR. WINKLER: If I misled you, I'm sorry. There actually would be two agreements. One would be the master agreement for off-track wagering.

ASSEMBLYMAN ASSELTA: The master one.

MR. WINKLER: And one -- there would be a separate--

ASSEMBLYMAN ASSELTA: But you can't proceed forward without the master.

MR. WINKLER: Correct, but there would be a separate agreement for account wagering.

ASSEMBLYMAN ASSELTA: So I think my question is, can the account wagering agreement be severed--

MR. WINKLER: Yes, it can, from the off-track wagering.

ASSEMBLYMAN ASSELTA: --from the master--

MR. WINKLER: Yes.

ASSEMBLYMAN ASSELTA: --to be facilitated quicker? Because it seems like, Mr. Chairman, this is a quick, down and dirty creation of some resources that we're losing every day, when we're not being able to phone bet, correct?

MR. WINKLER: Yes, they can be separate agreements. The parties tried to negotiate them together, because the parties were looking as a mass as to what their economic interests would be, statewide, with both systems, but the agreements can, and will, be separated so that we could process the--
ASSEMBLYMAN ASSELTA: And account wagering could be processed much quicker and first, before OTB, so that we can begin to enjoy some revenue.

MR. WINKLER: Yes, you’re absolutely right.

ASSEMBLYMAN ASSELTA: That’s my only question.
Thank you.

MR. WINKLER: I kept it warm.

ASSEMBLYMAN VAN DREW: Next time, I think Leon has to get up. How come you have to get up and down every time?

MR. ZIMMERMAN: I haven’t spoken yet, that’s why.

ASSEMBLYMAN VAN DREW: I know.

I do know, and I want to extend that courtesy to him -- that Assemblyman Arnone is here.

Assemblyman, did you want to speak now?

ASSEMBLYMAN MICHAEL J. ARNONE: Well, I just--

ASSEMBLYMAN VAN DREW: Assemblyman, if you could come forward, as well. I’m sorry.

For those that don’t know, both Assemblyman Arnone and myself are dentists.

ASSEMBLYMAN ARNONE: Thank you very much.

I’d just like to touch, for just a brief moment, on the history of the problem with horse racing. As many of you know, the horse racing industry is in decline. Some might even say it’s in a free fall. And my perception is that there’s a saucering effect here, and it looks like it’s coming back a little. But one
might also say that a dead body will bounce if you drop it off the Empire State Building.

But let me say that horse racing, when it was legalized by the voters of this state in 1947, was done so for property tax relief. And at that time, believe it or not, the revenues from racing comprised 10 percent of the appropriations in the State of New Jersey.

What’s occurred with it -- it’s not the fault of the casinos. I mean, there’s been some fault that we can lay at the doorsteps of the racing industry itself, like in New York, for an example. They resisted television, for an example. They thought we were going to lose a few clients coming to the track. Maybe we wouldn’t sell as many hotdogs. They thought maybe it would open it up for bookmaking. So they resisted that and opened the door for pro basketball and other sports to take the scene. At that time, also, horses like Native Dancer -- they were as popular to the public as maybe Michael Jordan is today. So they were very popular at that time.

And, also, when OTB was questioned, in New York -- NYRA, especially -- New York Race Association -- didn’t want to get involved with OTB. They made another mistake. So the city and the state got the OTB going and made a lot of money with it -- or supposedly did. And we’re trying to sell, probably, the New York section of the OTB, which is eight of them in the state of New York -- for $400 million, I might add. NYRA wanted to buy that. They refused -- turned it down.

But in any event, racing has been a product where it cost too much to park your car, too much to get in, too much to get a hotdog, too much to get a seat. And God forbid you went to the window and you said something to the
guy behind the window. You know where he'd tell you to go. Whereas, the
 casinos treated people -- their clients -- in a much different manner. They'd give
 them free drinks, they'd give them free food at many times, comps, and treated
 them very nicely. If you went to a table, they'd wish you good luck. If you lost
 money, they'd tell you they felt bad that you lost your money, and what have you.

But racing, I think -- what they've done is, I think they've identified
their base. I think they've got a solid base out there. And they are, probably --
hopefully going to come back a little. But one of the concerns, I believe, that
the thoroughbred owners have -- which is a justifiable concern-- They recognize
that the decline of racing occurred for quite a few reasons. And I think the slide
probably started with the lottery approved, which was a very easy, convenient
form of gambling. And, of course, there is, what I'd like to refer to as, a dumbing
down of the gambling public. People do not understand complex gambling
methods. In fact, everything is, sort of, more of a rapid -- even the music is
faster and quicker. And the slot machine, of course, is a -- you can make quite
a few bets on a slot machine in a matter of a few hours.

Horse racing is eight races a day. To keep a horse in training can
range anywhere from $60 to $100 a day. And that's not even factoring in,
folding into that, veterinarians' fees. So the cost of conducting horse racing is
very, very expensive.

So one of the concerns they have -- and I'm going to ask the -- your
OLS, nonpartisan representative to jump in if I stray from accuracy on this--
But the structural problem that exists in the very bill itself, that approved OTB
and account wagering in the state, states that anyone, in the year 2001, that
holds a license automatically becomes a participant, by fiat of this, of OTB and account wagering for life.

So, in other words, there’s no guarantee there that live racing will continue in the State of New Jersey. Monmouth Park can discontinue racing, Freehold Raceway -- hopefully they don’t -- but they could discontinue racing. They still would be participants in the OTB and the account wagering system. Down at Atlantic City Race Track, Levy, of course, folded his track up, and he’s still a participant in the OTB; but I don’t think he had enough racing days to participate in account wagering. And I believe that the Camden facility -- the rights to the Camden facility were purchased by Pennwood, and they picked up those rights.

So I think that this provision, if it’s altered, would give some assurances to the thoroughbred industry that whomever conducts these facilities would continue to have live racing in the State of New Jersey; which, of course, one of their concerns is for the horse farms and the open spaces.

And there’s another little bit of a problem that, for some reason or another, the tracks -- or the license holders -- were the ones that were vested with the power to conduct OTB and account wagering. But yet, on the other hand -- back to the comment I made a moment before -- they’ve got the right, also, to fold up the track and still keep those rights.

So I would say that-- I was an advocate of, actually, just bidding -- the State of New Jersey bidding out account wagering. I think that’s where the dollar might be. I think the ability to conduct account wagering in the State of New Jersey -- which, if you step back and look at it, is probably the highest per capita income area in the country, if not probably in the world -- that large
stretch. That particular product could range anywhere from $300 million to $400 million -- just the rights to sell account wagering.

But here again, I’ll leave that to smarter people than I. We can get that kind of thing off the ground.

So thank you for your time. Thank you very much.

ASSEMBLYMAN VAN DREW: Thank you, Assemblyman.

My quest for power has come to a rapid conclusion. The Chairman is back.

ASSEMBLYMAN GUEAR: Ladies and gentlemen, I apologize. I had to step out. As the prime sponsor of another bill, I’m testifying in Law and Public Safety, but I’m back. I’m sure Assemblyman Van Drew did a wonderful job.

Leon, you’re on, again, I understand.

MR. ZIMMERMAN: Well, thank you very much. I feel like I’ve been commenting on everybody else’s things, and I wanted to-- There were a couple of points that I did want to make. And I’ve made some of them, sort of, throughout, so I’m going to try and pull it together.

The most important thing that I think the Legislature has to realize is that we’re dealing with thousands and thousands of peoples’ livelihood here, and hundreds of thousands of acres of open spaces. We’re not dealing just with the racetrack building where races are taking place, because the money that’s generated from there is keeping all this other stuff going. And we talked a little bit about the breeding end of things.
There are people who are involved in this industry because it’s their business. They’re independent, small business people. Or maybe their in it just for a hobby, and they love it.

I don’t know whether you realize -- I’m sure you know -- and if you look on the State seal, you see the horse’s head there, and you know that the State animal is the horse. And I have been around a long time. That was a bill that lobbied through in the ’70s, and it was passed by this Legislature and made the horse the State animal. And I’d like to think the Legislature would want to continue to do it justice and care about it in that sense.

I won’t go into all the numbers -- and I’m trying to summarize it -- but we have to realize that we have -- who needs to be protected here. And we have to help these people and their farmland. And it goes beyond the racetrack, as I said.

The other thing is, as was pointed out to you, of the Sports Authority’s profit last year, $25 million came from harness racing alone -- I’m sorry, $25 million came from racing, almost $21 million of which came from harness racing. So we’re protecting a lot here.

The biggest problem we face is the competition from our neighboring states. To our south, Delaware has already got the slot machines, and they’ve already boosted their purses where they’re among the most highly competitive racing states in the nation. Pennsylvania, soon, will implement it. There will be people in South Jersey, in your districts -- the gentlemen from South Jersey -- who have access to Pennsylvania, just as easily as they do to Atlantic City. And they’re going to be affected by that. New York is going to have it, and New York is going to have VLTs at its racetracks very soon.
I’d like to ask Mike Izzo, who is with me—He’s been studying this everyday.

Mike, what are we at now for New York and Pennsylvania?

Mike Izzo is the Executive Director. I wanted him to address, really, the kind of numbers we’re talking about here.

**MICHAEL IZZO:** Well, when you’re talking about numbers, we’re talking about purse money or percentages. The Pennsylvania—There’s two bills in Pennsylvania, now, that would give the horsemen 15 percent or 25 percent, and the estimate of purse money is anywhere from $230,000 a night, to $400,000, to $600,000 a night.

I know the percentages in New York. The horsemen gets 7.5 percent. I don’t know what that means in dollars. I don’t know what their projections have been. But both are going to cause a significant increase in purse money, which will definitely—Horses will race in Pennsylvania and New York. They won’t race at the Meadowlands.

**MR. ZIMMERMAN:** Incidentally, not only for harness racing---our biggest competition comes from Ontario, Canada, where they have slot machines at the racetracks. And their purses are comparable with the Meadowlands. They are in that—close to the $200,000 range. And that’s the next best venue.

Is that right, Mr. Garland?

**MR. GARLAND:** Yes, sir.

**MR. ZIMMERMAN:** I got that one right.

We’ve been hearing talk lately about VLTs at the racetrack. You’ve seen some articles about it. Some of your colleagues have introduced bills to do
it, and it’s just, sort of, come from out of nowhere. We in the racing industry have been talking about having slot machines and/or VLTs at our racetracks as a way of providing new revenue to help us compete with the neighboring states. All of a sudden some people in Trenton are talking about it.

But what we discovered was they were talking about it to help balance the State budget. They didn’t really care about the racetracks. And I have to tell you, that if you’re going to put -- if the Legislature’s going to vote -- and I assume Assemblyman Van Drew is not -- but I assume if you’re going to vote for VLTs at a racetrack, you’ve got to give a fair share of it to the racing industry, as well as to the people who manufacture and operate the machines, because a VLT is, just about, a slot machine. I mean, they’re called differently, but the way they’re manufactured today, they’re identical, and they would have the same competitive nature to them. And the State of New Jersey has to, obviously, have its share. But it can’t be just dominated by that.

I mean, I saw a bill -- the proposed piece of legislation for VLTs at the racetrack that talked about 5 percent to the horse industry. Well, that’s not enough. We’re going to have people betting on machines in our racetrack building, in our home, and not betting on the races. So we’re going to lose money. We’re not going to get, even, a fair percentage of it. So I would emphasize that if, in fact, VLTs come before you as a possibility, that you’ve got to consider compensating the racing industry fairly in that regard.

I heard you ask before about what other things can you do. In 2002, as you know -- and Assemblyman Asselta told me, the last time I sat here -- “Didn’t we appropriate money for you?” And -- $18 million was given in lieu of the fact that we didn’t have any other source of revenue. And that allowed
us to keep our purses competitive for one year. And then a second bill was implemented, and it was cut to $6 million, I believe.

In any event, Assemblyman Asselta said to me, “Well, how about we don’t worry about the VLTs? We’ll just appropriate the money to you, again.” Well, in lieu of your budgetary problems, I don’t think I’m going to --
the racing industry’s going to see revenue like that, although that’s fine, too. I mean, if you don’t want to give us VLTs at our racetrack, then appropriate another $18 million every year. I’m not being -- I’m being facetious, but I’m just trying to point out that that’s one of the alternatives.

Now, there was another alternative that floated out there a couple of years ago, and that was to establish a slot machine center in Atlantic City, owned and operated by the casinos, with revenue shared with the racing industry in the old convention hall, which is being remodeled, and put it in there. That’s something that never got enough serious attention, to my way of thinking, because I think that would be a way of solving the problem without having the competitive location. It would still be Atlantic City casinos operating slot machines, and dedicating a fair share of the revenue to the racing industry.

Remember, I said to you, in Illinois they put riverboats in, and they gave the racing industry money. Why did they do that? Because they didn’t want to hurt the racing industry, so they gave them some of the money. So maybe that’s something that we ought to reexamine -- someone ought to look at.

All I can tell you is, the vise is getting tighter and tighter every day. And we’re lucky, in a way, that harness racing has done so well. But it’s largely because the Meadowlands, as Mr. Garland pointed out to you, is the number
one, pari-mutuel wagering facility in North America. More money is wagered through that facility than anywhere else, and that has helped us.

And I have to, again, caution you. If Pennsylvania racetracks, right across the river, 15 minutes from here, are going to have slot machines; and New York racetracks, right across the river, are going to have VLTs; and the bulk of the business in Atlantic City is machines, how long will it be before the Atlantic City casino industry is in trouble? Maybe it would be wise for them to get a new partner, and go to the racetracks, and stop those people from midtown Manhattan, who can then go across the river to the Meadowlands and use those machines. And the casino industry would share in that money, obviously. Or Philadelphia could come across the river here. And I just think that it makes a lot of sense to look at it.

The life of New Jersey's very valuable equine industry is on the line, it really is. We've got to do something soon.

Thank you.

ASSEMBLYMAN GUEAR: Thank you.

Any other questions from Committee members?

Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: I’ll do the appropriation bill. (laughter) It will solve all our problems, right?

ASSEMBLYMAN GUEAR: Again.

MR. ZIMMERMAN: I don’t know if you’re serious or not, but I would certainly support it. (laughter)

ASSEMBLYMAN VAN DREW: That’s a real surprise.

ASSEMBLYMAN GUEAR: Thank you, gentlemen.
MR. ZIMMERMAN: Thank you.

ASSEMBLYMAN GUEAR: Next, Karyn Malinowski, from the Equine Science Center, Rutgers University.

KARYN MALINOWSKI, Ph.D.: Thank you, Mr. Chair.

I’ve asked my colleague, Dr. Ken McKeever, to join me up here this afternoon.

ASSEMBLYMAN VAN DREW: Mr. Chair, if I have a point of personal privilege for a second.

ASSEMBLYMAN GUEAR: Go ahead, Assemblyman.

ASSEMBLYMAN VAN DREW: She knew this was going to happen. I went to college with Karyn Malinowski.

Karyn, I won’t tell any of the stories.

DR. MALINOWSKI: Please don’t, sir.

ASSEMBLYMAN VAN DREW: It was a long, long time ago. But it’s really good to see you here and how well you’re doing at Rutgers.

DR. MALINOWSKI: Thank you, Assemblyman Van Drew.

ASSEMBLYMAN GUEAR: Ms. Malinowski, I would advise that it’s just about ten of four. I realize that you’ve waited for a couple hours to come up. But I would just request that you give us the thumbnail on your testimony, if at all possible.

DR. MALINOWSKI: We’ll make this very quick, Assemblyman. I have provided a written copy of testimony for you.

What’s very interesting, in listening to the almost two hours of testimony so far -- and to, kind of, give you some answers, other than VLTs, of
how we can bring the racing fans back is -- not one time was our product mentioned, and that is the horse.

I’ve been asked to come here to talk to you about the future of the New Jersey horse industry and, specifically in view of today, the racing industry.

Some of our colleagues have shared some of the numbers with you. We know that equine-related assets in New Jersey amount to $3.2 billion. The industry employs some 6,000 full-time men and women, and generates almost $700 million annually, and this is excluding, of course, pari-mutuel wagering.

Horses are the third-largest agricultural commodity in the State of New Jersey and the number one livestock commodity. We account for 49,000 animals, on 7,100 facilities, in every county, statewide.

Beside the economic importance of the industry, the 7,100 horse farms maintain open space of 81,000 acres in the state, and there are several -- Assemblyman Van Drew -- horse farms such as Walnridge, in Monmouth County, that have been in farmland preservation for a long time.

This, in turn, provides increased quality of life to New Jersey citizens. Horse operations tend to be more viable than other types of agricultural businesses, making the horse industry critical to the growth and land-use strategy, which is on all of our radar screens in the state.

Barbara has mentioned that horse racing in New Jersey, as we have heard today, is fragile, yet both thoroughbred and standardbred racing have a significant impact on State revenues, wages paid to employees, and quality of life for New Jerseyans through open space maintenance.

The racing industry deserves the State’s support in a number of areas, not the least of which is an extremely strong and powerful Equine Science
Center. Our Center, at Rutgers University, is recognized internationally for its research, teaching, and outreach. It is a unit of Cook College and the New Jersey Agricultural Experiment Station. It was created to identify problems, such as what’s being discussed today, in the horse industry; to find solutions through science-based inquiry; and to offer those solutions to the industry and horse owners -- and to influence public policy to ensure the viability of the horse industry. Our slogan is “Better horse care through research and education.”

The Equine Science Center is critical in the economic development, integrity, maintenance -- if you talk about bringing fans back to horse racing, when the integrity goes out the window, that’s when we lose our fans -- the quality standards, and sustainability of the racing industry in New Jersey.

Numerous Equine Science Center programs support thoroughbred and standardbred racing in our state. For instance, some of you may have heard recently of the two products that we’re presently drug testing for -- and again, to maintain integrity in racing -- one called Epogen, or Epo, and growth hormone, both tests which were developed at Rutgers, The State University. Dr. McKeever and colleagues perform exercise physiology studies to safely maximize equine performance, again enhancing the quality of the product that we’re trying to sell.

We also do a lot of work in detection of reproductive problems, which result in foal loss in mares; recommendations in pasture and manure management; and workforce preparation for future employees in this wonderful industry. We also have helped equine business develop through marketing assistant and financial management planning.
For the past 20 years, the essential, behind-the-scenes partner regarding horse industry issues of the New Jersey Department of Agriculture and the New Jersey Racing Commission has been the people at the Equine Science Center. We have provided unbiased, research-based solutions to challenges facing the New Jersey equine industry. The ESC has been described as the unbiased docking station for all aspects of New Jersey racing and other equine-related interests including -- and made public today -- humane standards for horse care.

New Jersey is the horse state, where the horse is recognized as the official State animal, and where more horses per square mile reside than any other state in the United States. Rutgers is looking at this in a very visionary manner, and our strategy of responding is this Equine Science Center. However, we believe the State of New Jersey has neglected the equine industry and now is the time to correct that oversight.

For example, why is there no economic development authority for the racing industry? Economic development processes have been developed for casinos, tourism, for agriculture and food industries, for health care, but not for equine. That needs to change. Other states are devoting substantial portions of racing revenues to the support of research and outreach for their equine industries. This is true in California, New York, and Michigan, to name a few. We believe that a racing industry recovery initiative is appropriate, at this time, for the State to launch at the Equine Science Center.

In New Jersey -- in addition to directing racing-generated revenues to regulation of the industry and breeding incentives -- it is necessary to begin utilizing the industry’s own moneys to such activities as proprietary research, to
enhance the economic competitiveness of the New Jersey racing industry, in relation to other states and to other leisure pursuits. It also is essential to direct outreach programs targeted to racehorse owners and to racetracks, again to enhance the quality of the product that makes up our industry. The Rutgers University Equine Science Center is the logical and ideal entity to perform these important economic development and outreach activities. These are part of our mission, that are consistent with the activities in which we already are engaged.

We propose that in order to accomplish these essential activities, and bearing in mind that New Jersey must expand revenue opportunities for the industry, New Jersey can devote a percentage of these expanded revenues to support the necessary work of the Equine Science Center.

It is our vision to catalyze the investment in the infrastructure and the future of the racing industry -- and the equine industry in its entirety -- in New Jersey, and to enhance the quality of the product that we're trying to sell.

Thank you, Mr. Chairman, Mr. Vice Chairman, for your attention.

ASSEMBLYMAN GUEAR: Thank you very much. That was brief, but quite informative.

Any questions from any Committee members?

Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: Doctor, it sounds like your testimony should be directed to the Appropriations or the Budget Committee, not really the Tourism and Gaming Committee, number one.

Number two, your mission, now, is to identify the problem and create solutions for that problem, currently. And you’re saying, without an
economic development component, the solutions you have come to know at this point can’t be implemented.

DR. MALINOWSKI: You’re correct. The mission of the Center, and everything that we do, is to ensure the viability and vitality of the New Jersey horse industry. We worked tirelessly -- and unbiasedly -- to ensure that horses remain very viable in the State of New Jersey.

We feel that, besides the hardcore physiology and research, the Equine Science Center can provide strategies. We have marketing people. Soji Adelaja, our Dean, is one of the top agricultural economists in the country. And we would be committed to looking at the economic development component of the horse racing industry. But not only the racing industry. I know that’s the primary focus of today’s discussion. But we really need to take a serious look at the horse industry in New Jersey in general, both recreation -- socioeconomic component, as well as the open space component.

ASSEMBLYMAN ASSELTA: Thank you.

DR. MALINOWSKI: You’re welcome.

ASSEMBLYMAN GUEAR: How long has the Center been operational?

DR. MALINOWSKI: Mr. Chairman, the Center was passed and formed by the Board of Governors at Rutgers University in February of 2001. Some of us have been there almost as long as Leon has. (laughter)

Leon, are you still in the room?

ASSEMBLYMAN VAN DREW: He never left.

DR. MALINOWSKI: We’ve been working for the industry approximately 25 years, but it’s only been the last two that the Center --
bringing in scientists from all different venues besides just horse interests -- economic people and marketing people -- have come together in one voice.

ASSEMBLYMAN GUEAR: Okay. Thank you.

Assemblyman Van Drew, you had a question.

ASSEMBLYMAN VAN DREW: I just wanted to commend Dr. Malinowski. They’re doing wonderful work there, and really are on the cutting edge in the country.

I think it’s an interesting avenue to pursue, actually. We’re always at odds here. We’re always arguing -- and we’re not, down in South Jersey, going to do anything that’s going to hurt one of the few industries that we have that make our communities thrive. And at the same time, I think it would be fruitful to pursue what avenues are there for the horse industry, in order to save it. If the only avenue to save it is to hurt the casino industry, they’re going to have a difficult time.

So I think we really do need to look at some of the issues that she’s brought up. I think this was valuable.

ASSEMBLYMAN GUEAR: Okay.

Any other questions?

Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: We could sure utilize that management study. We have a lot of use for that.

DR. MALINOWSKI: Some ideas.

ASSEMBLYMAN VAN DREW: That wasn’t in reference to me, was it? (laughter)

DR. MALINOWSKI: I’m taking you seriously, Assemblyman.
ASSEMBLYMAN VAN DREW: No, in the Legislature, we could use some hot air studies, too.

ASSEMBLYMAN GUEAR: It’s getting rather deep.

DR. MALINOWSKI: Thank you, folks.

ASSEMBLYMAN GUEAR: Okay.

Gregory Boehmer. Am I pronouncing it correctly?

GREGORY BOEHMER: That’s correct.

ASSEMBLYMAN GUEAR: Step right up, sir, and identify yourself, please.

MR. BOEHMER: I’m Greg Boehmer, Executive Director of the New Jersey Sires Stakes, and also head of the Equine Division for the Department of Agriculture.

I will try to follow my predecessor, Dr. Malinowski, and be very brief for you, as I know we are short on time.

Not only is the New Jersey racing industry at a crossroads, but this is a crossroads for the entire agricultural industry. The domino effect, which could happen, could have just a disastrous impact on all of agriculture in the State of New Jersey.

The domino effect could go something like this: The attraction of higher purses in neighboring states, most likely, would prompt New Jersey based owners and trainers to take their horses elsewhere. The State Stakes Program, which I run, along with thoroughbred stakes -- neighboring states will offer richer purses. Currently, as Bruce Garland mentioned, New Jersey standardbred purses -- number one in North America. That could soon change. And the
Meadowlands would be hard-pressed to, once again, keep raising the purses to keep up with states that have additional sources of revenue.

Breeding farms -- already seeing a problem with breeding farms keeping stallions, top stallions, here in New Jersey. The thoroughbreds have taken a beating, as far as their options of who they had to breed to. The standardbreds really haven’t lost anybody. But at the same time, to keep interest in the breeding industry, it’s the latest and the greatest: who’s hot, who’s not. And right now, Jersey got a boost from a couple edition of trotting stallions. Pacing stallions have been stagnant, and that has been very, very detrimental to the breeding industry of pacing mares in New Jersey, and that is a problem.

Obviously, some of the things that will happen cannot be undone. The farms that eventually do get sold that are not preserved, and they’re developed -- there’s no getting those back. And, obviously, we don’t want to see that happen.

Trainers-- There are some fans, customers, that follow particular trainers, that know that these trainers put out quality horses every time they race. And that’s -- whether or not the horse shows a whole heck of a lot on paper, these people will bet the trainers. And if Jersey loses these trainers to competitive jurisdictions, such as the Ontario circuit, which is offering rich purses; Pennsylvania and New York -- Maryland is not too far behind them. Obviously, we need to keep our trainers, our drivers, and our jockeys here, because these are the people that our fans go to wager on.

Loss in handle will definitely compromise the bottom line of all these racetracks and, once again, will shrink purses. The need for backstretch
employees -- such as caretakers, exercise riders -- will decline. Racetrack employees -- need for them decline. New Jersey hay farmers suffer. Grain producers suffer. Blacksmiths, equine dentists, veterinarians -- also going to move elsewhere to maximize their incomes. So, obviously, the domino effect that the continued downward spiraling of this industry could have, obviously, is very, very big.

I’m not going to hit, too much, the numbers. Dr. Malinowski did a fine job of that. One thing I will also commend Dr. Malinowski on -- their program that we have. And the Department of Agriculture strongly supports everything going on at the Equine Science Center.

If the racing industry is at fault for anything in particular -- we missed out on a generation. The 20- and 30-somethings, really, did not have the education needed to continue the interest in racing. And racing was at its peak at the time these 20- and 30-somethings were youngsters. The majesty of the horse, and all that, have, kind of, passed away, to Xbox and game station, too. And, to me, that’s a tragedy. And Horses 2003, the conference just held at the Cook College at Rutgers -- amazing to see the young people, and not all of them involved in the harness racing industry -- rather, in the racing industry -- many of them coming to see what this is all about. And I hope Dr. Malinowski’s able to continue to get the young people back into the sport of racing.

Money is not the only answer, and I know money solves a lot of problems, but it doesn’t solve all the problems. Strategies have to be in place to move the racing industry forward. Thirty million dollars can’t come from the casinos in Atlantic City, $18 million can’t come from the State Legislature, and
just money go to these purses. And the Department of Agriculture -- Secretary Kuperus feels very strongly that strategies need to be in place to invest in the future of racing.

New breeder programs, breeder award programs for the thoroughbred-- Projects are already being framed, for the future, to help the racing industry move forward -- and not just with the idea of taking money and just throwing it back into the purses, but really trying to expand everything that has gone on that’s made New Jersey racing so wonderful. Also, promoting the industry, providing better education efforts, and also assisting the breeding farms and all the major racing operations in their labor issues, as well.

ASSEMBLYMAN GUEAR: Thank you, sir.

Any questions or comments from Committee members? (no response)

The later it gets, the questions diminish. (laughter)

All right. Thank you, sir.

M R. BOEHMER: Thank you, Mr. Chairman.

ASSEMBLYMAN GUEAR: I appreciate your testimony.

Do I hear a motion to adjourn?

ASSEMBLYMAN VAN DREW: Motion.

ASSEMBLYMAN GUEAR: Second.

Thank you.

(MEETING CONCLUDED)