APPENDIX
STATE OF RACING

Chairman Whelan and members of the committee, including Monmouth's own Senator Beck...

Thank you all for being here on what is always an exciting day for racing sports, and entertainment in New Jersey...the opening of a new season at historic Monmouth Park...

When I came before the committee before I spoke mostly of the extraordinary renaissance underway at the Meadowlands Sports Complex....

Billions of dollars of private investment are bringing the new Giants/Jets Stadium, the spectacular Meadowlands Xanadu family entertainment complex to life and the construction of rail link will make the Complex easily accessible to the entire State and region by heavy rail. By the fall of 2010, the Sports Complex will be well positioned to compete in the sports and entertainment marketplace for decades to come.

Today I want to focus on an industry in need of its own renaissance...and maybe in need of some revolutionary thinking at the State level.
Luckily for New Jersey you can still enjoy the history and majesty of this great facility. The beauty and athleticism of thoroughbred racehorses, the exceptional grounds and family atmosphere of Monmouth Park, combine to make this summer time experience unlike any other in the State.

The awarding of the Breeder’s Cup to Monmouth Park brought about a capital renaissance to this storied racetrack as we made a profound investment from new racing surfaces to dramatically improved patron services....we know the public will continue to enjoy the improvements we have made.

First and foremost I want to thank the Administration but especially this Committee for its efforts in bringing the purse supplement to pass. We are actively working with to complete those negotiations and are grateful for the cooperation of the thoroughbred and standardbred horsemen to date.

But was we have discussed Chairman, we all know this is a three year window. Any industry needs continuing long-term investment to survive and prosper. ....as you know from Atlantic City. Horsemen and track operators both have substantial capital needs to stay competitive. We simply cannot expect investment in this industry in New Jersey when uncertainty waits a short four years away.

Honestly, what truly needs a transformation is the State’s approach to the racing industry. I am a glass half full guy so let’s look at the positive...with the Administration’s commitment and your support the purse supplement legislation passed and we are hammering out that agreement virtually as we speak. That $30 million in annual purse subsidies is absolutely critical to keeping racing viable for the next three years.
Additionally, the Off Track Wagering facility, Favorites at Woodbridge, is doing extremely well and we have made substantial progress in siting our next facility. It is a highest priority of racing management to get the Authority OTW’s up and running. The OTW’s will certainly help the racing industry but it cannot be expected to be the industry’s silver bullet.

As everyone in this room already knows, racing in New Jersey is at a crossroads...it certainly is not alone among American industries. We absolutely must be prepared to reach our existing customers in new and better ways and reach out to potentially new customers on platforms that reflect marketing in 2008...comfortable off-site facilities, the internet, account wagering. It is our job to better distribute our product.

If the Kentucky Derby is any indication, our distribution strategy is working, as we set records at the Meadowlands, Monmouth, Favorites at Woodbridge, as well as via 4NJBETS, our internet platform and phone wagering.

But we need the partnership of government to develop a long-term solution. No one can be expected to invest in an industry with a three-year time frame, and without additional investment the industry will continue to decline. The racing industry must change and diversify its product mix if it is going to operate in an increasingly competitive gaming marketplace.

As Dennis Drazin of the thoroughbred horsemen’s association wrote in an op/ed piece recently, it’s a four-year commitment from the time a mare is bred until the first opportunity that a horse has to race.
Without assurances that racing in New Jersey has a solid future – including breeding incentives - those mares will foal in other states which have a more stable, more profitable and more secure future.

And that goes at least equally for the racetrack operators.

We are thankful for the hard work by the governor and this committee to facilitate an agreement between the casinos and racetracks – I am more grateful about your commitment to help us start now on a long-term industry plan.

It isn’t falling on deaf ears that racing in New Jersey is a $1 billion a year industry and provides thousands of jobs and has the potential to provide even more jobs as we build out the OTW network. Jobs mean more state revenue and more state revenue means a better quality of life for New Jerseyans.

And of equal importance, racing and its agricultural support services, provide green acres and open spaces while preventing sprawl.

Racetracks in the nearby states of New York, Pennsylvania and Delaware have been allowed to diversify their gaming product mix by adding VLT’s. That in turn has allowed them to attract a wider audience, resulting in drastically improved purse programs and profitability. Profitability allows for continuing investment in improving physical plants. With increased purses and improved plants. Competition for horse grows even stronger leaving New Jersey at a distinct competitive disadvantage. Needless to say the increased gaming competition from nearby states is not only impacting racing but also all forms of gaming in New Jersey.
My intent is not to stand up here and offer a future of “doom and gloom” – it’s not doom and gloom. I do believe that we control our future. While the introduction of VLT’s may be one option, I believe it is one of many options that must be fully explored in the months ahead. We must all be committed to working together to insure the future success of racing...I can assure you that the Sports and Exposition Authority is ready to do its part.

While I’m confident that this season at Monmouth Park under the leadership of Dennis Dowd and Bob Kulina will be a great success, it’s the long-term future that concerns us all.

We must have a long-term solution to spur long-term investment.

MONMOUTH PARK ENVIRONMENTAL TALKING POINTS

The Monmouth Park opening press conference is Tuesday May 6. There will certainly be reporter questions regarding environmental matters. We will not discuss the ACO negotiations but there are certain steps we have taken that have been part of press covered open meetings of the NJSEA Board that we would like Dennis Robinson to be prepared to reiterate. These items are not part of the ongoing negotiations:

As of May 7 the Elkwood barn area run-off mitigation project is complete. We have installed gutters and drains in this barn area.

In March approximately two acres of impervious pavement was removed and replaced by pervious coverage that will reduce runoff.

Silt sacks have been installed at all existing storm drains within the feedlot area in order to reduce sediment runoff in the feedlot area.
A road-sweeping program will be implemented and the silt sacks regularly inspected.

Total costs of our investments so far are approximately $700,000 for design, engineering and construction not including additional legal fees.
New Jersey Senate Wagering, Tourism and Historic Preservation Committee

Testimony of Dr. Karyn Malinowski, Rutgers University

May 9, 2008

Good morning Senator Whelan and distinguished members of the Senate Wagering, Tourism and Historic Preservation Committee. I am Dr. Karyn Malinowski, and am Director of Rutgers Equine Science Center at the New Jersey Agricultural Experiment Station, and I thank you for providing me the opportunity to address this body.

The Equine Science Center’s mission is, first, to ensure the well-being and quality of life of equine athletes, but equally important, to support the viability and vitality of the New Jersey horse industry.

Horse racing and the horse industry are essential to the well-being of New Jersey in many ways. In January, 2006 I published a whitepaper describing the delicate balance between the future of horse racing, the preservation of the equine industry and the importance of the equine industry to traditional agriculture. It may not seem obvious at first glance, but the equine industry impacts virtually every New Jersey resident by stimulating the economy, preserving open space, providing outdoor sport and recreation, by building a solid foundation for youth development, and by providing mental and physical therapy to adjudicated youth and handicapped persons. Let me share a few examples. Today we are here in Long Branch celebrating the spring opening of the newly renovated Monmouth Park and some of the finest Thoroughbred racing on the east coast. But this is not the only opportunity that residents of our state have to enjoy equestrian sport at its best. In Sussex County, the Garden State Horse Show is currently underway with 1500 entries competing in 8 rings over 5 days featuring Olympic level riders competing in a $50,000 Grand Prix show jumping class. Today at our own Horse Park of New Jersey the Jersey Fresh Three-Day event is underway with Olympic committee members from both the United States and Canada in attendance with the aim of selecting 2008 Olympic team members. Equestrian sport of this caliber is standard for every weekend from April through October in the Garden State.

Today you will hear from many articulate advocates who will address the important reasons why the casino industry and the racing industry must be partners to ensure the continuation of horse racing. You will hear solid data describing the impact that video lottery terminals and slot machines at racing facilities in neighboring states have had on our gaming industries. You also will hear about the impact the 2007 Breeders Cup races at Monmouth Park last fall had on the local, regional and state economy. You will also hear why the legislature must insist that racing be promoted and nurtured.
Importance of the Horse Industry to New Jersey Economy, Tourism, Traditional Agriculture and Quality of Life

However I am here to talk about the horse industry as a whole and its beneficial impact on tourism, traditional agriculture and the quality of life for the people of New Jersey.

Last year, the Rutgers Equine Science Center released the report – “The New Jersey Equine Industry, 2007” – the result of eighteen months of work led by the center, involving a true partnership of government agencies on the federal and state level and several equine-related organizations and private individuals. It was the first of its kind for New Jersey’s equine industry in that unlike previous censes which were simply enumerations, this was a comprehensive analysis which included direct and indirect economic impacts, and an analysis of land metrics as well. It came at a time when policy decision makers needed new data since the last enumeration took place in 1996.

The NJ equine industry is valued at $4 billion and includes the value of the horses and the land and buildings on and in which they are housed (including the racetracks). It generates $1.1 billion annually in positive impact on New Jersey’s economy. Of that total annual impact, $647 million is generated by horse and horse farm owners, including almost $477 million of direct expenditures on items such as feed, forage, services, supplies, fees, and equipment, and an additional $170 million “ripple effect” that is produced by those expenditures. Of that $647 million, $278.2 million (43%) is generated annually by racing-related operations, not including racetracks; $262.4 million (40%) by non-racing operations; and $117.8 million (17%) by equine owners who do not own facilities. The four racing venues in New Jersey generate over $500 million annually and that does not including the pari-mutuel handle. In terms of the big picture, the horse industry is comparable to such other widely recognized sectors as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, to name a few.

Regarding employment, almost 13,000 jobs are generated by the horse industry in the state: 5,670 are direct jobs on equine farms and operations, 2,080 are direct jobs at our racetracks, and 5,220 reflect additional employment in related industries.

176,000 acres of agricultural land are home to 42,500 equine animals (nearly 30% are involved in racing-related activities). These animals are housed on 7,200 facilities located in all 21 counties. Hunterdon County, with 1,100 operations, and Monmouth County, with 960, are the leading horse counties, followed by Burlington, Sussex, Salem and Warren counties. In New Jersey the total agricultural working landscape (actively productive farms) is estimated at 790,000 acres. This means that the horse industry occupies more than one-fifth of the farmland in the state. The horse industry continues to demonstrate that it is an economically viable commodity of agriculture because a remarkable number of today’s horse farms previously were other types of agricultural operation. For example, 24 percent were used for other types of livestock; 13 percent were in field crops, fruits or vegetables; and 18 percent were used for other traditional agricultural activities. In addition, another 46,000 acres of non-equine related acres
remain in the traditional agricultural production of hay and grain because of New Jersey equine animals which rely on these acres for food.

Horse and horse-related operations, referred to as “working agricultural landscape,” compare favorably to other types of open space, such as federal recreation areas (109,700 acres), federal forest and wildlife acres (112,400), state and local land trust acres (213,000) and overall Green Acres land (600,000). The best part is that these equine-related acres cost taxpayers nothing to support, but their activities actually generate an estimated $160 million annually in federal, state and local taxes. This is a win-win for the people of New Jersey.

Far from an industry that some people feel is dying, these numbers verify that the New Jersey equine industry is alive and well! However, it also suggests two very important points: the racing subset is an economic driver for the entire industry and, since it is no secret that racing is facing tough competition from neighboring states that have added gaming operations to their racing venues, any further erosion of racing in New Jersey will have disastrous consequences for the state’s economy and the rest of the equine industry.

**Effect on Recreational and Non-Racing Horse Industry**

Racing is not the only equine discipline that will be harmed if New Jersey racing does not receive the “shot in the arm” it so desperately needs. Sport competition and recreational horse users stand to suffer, as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space due to the fact that their major customers are horse owners. The New Jersey Equine Advisory Board’s (EAB) annual budget to support the Horse Park of New Jersey and the sport and recreation segments of the horse industry, predominantly, is correlated to a percentage of the pari-mutuel handle from racing. The EAB annual budget which was $498,000 in 1990, declined to a new low of $322,750 in fiscal year 2008.

As the state speaks about economic growth and the retention of our best and brightest, the future of young people who would like to make a living in the horse industry in New Jersey is in jeopardy. They might ask “Why stay”?

The “top shelf” level of services New Jersey horse enthusiasts have come to expect such as equine veterinary clinics and feed and supply stores are at risk, because, while they are frequented and supported by sport horse competition and recreational users, a predominant economic flow to these entities is from the racing industry.

The entire infrastructure supporting ALL segments of the horse industry is in jeopardy.

The Equine Science Center believes that the state of New Jersey, where there are still more horses per square mile than in any other state, has minimized the importance of the equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, tourism, agriculture and food industries, and health care, but not for equine. That needs to change. Still under discussion is another agreement
between the Atlantic City hotel-casino and horse-racing industries that commits casinos to an annual subsidy to supplement purses at racetracks in the Garden State. While this will help ensure that the best equine athletes continue to compete at New Jersey tracks, it does not address the major concerns regarding the fragile infrastructure of the industry or its critical need to substantially increase promotion, research and analysis, and public awareness of the value and impact of the horse industry.

We strongly encourage that the legislature take concerted action to address long-term solutions for this vital New Jersey industry.

Thank you for the opportunity to address this committee.
There is a reason the state animal of New Jersey is the horse. The residents of New Jersey recognize the long and meaningful relationship they have had with horses for more than two centuries and the impact the equine industry has had on the economy of the state, on traditional agriculture, and on the preservation and maintenance of open space. They are aware of the role of the horse in sport, recreation, youth development, therapy for the handicapped, and rehabilitation of adults and children who are troubled or in trouble.

Acknowledging the complexity of the industry and the need for an updated assessment of its value, the Rutgers Equine Science Center led an effort beginning in July 2006 to analyze the economic impact of the horse industry in New Jersey. The Center partnered with several government agencies, industry groups, and private individuals to accomplish this task – the result of which is the “New Jersey Equine Industry - 2007.”

Much more than providing a census of animals and facilities, the research team employed economic modeling to determine the direct and indirect impacts of the horse industry on the state’s economy, on traditional agricultural enterprises, and on the maintenance of the working agricultural landscape – that is, open space that is cared for by the private sector rather than taxpayer dollars.

The result of more than 12 months of work is reported in this document. The numbers show that the horse industry – which generates $1.1 billion in economic impact annually – is comparable to such widely recognized sectors as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, and many others. In terms of impact on working agriculture, the horse industry accounts for one in five agricultural acres, more than any other segment of agriculture.

In addition to the impressive numbers, the impact on the quality of life in New Jersey is, undoubtedly, the most important contribution the horse industry makes. Horses are in every county in New Jersey and, by all accounts, are one of the top attractions for residents from the cities and suburbs when they tour the state. Clearly New Jersey is horse country, and this report provides the numbers to show why this is true.

Sponsors of this study included the New Jersey Department of Agriculture and its Equine Advisory Board and Sire Stakes units; The New Jersey Sports and Exposition Authority; the Standardbred Breeders and Owners Association of New Jersey; the Thoroughbred Breeders Association of New Jersey; and several private individuals.
Economic impact of the equine industry

- Total economic impact of $1.1 billion annually
  - $278.2 million annually for racing-related operations, not including racetracks
  - $262.4 million annually for non-racing operations
  - $117.8 million annually for equine owners without operations
  - $647 million annually for the three preceding categories combined
  - $502.3 million annually for New Jersey racetracks

Employment

- Nearly 13,000 jobs generated
  - 9,150 jobs generated by equine operations, not including racetracks
  - 3,820 jobs generated by racetracks

Taxes generated

- An estimated $160 million annually paid in federal, state, and local taxes
  - $85 million generated by equine operations and owners
  - $75 million generated by New Jersey racetracks

Acres to support equine facilities

- 176,000 total acres reported by equine operations
  - 96,000 of these acres are directly related to equine activities
    - 78,000 of these acres are devoted to pasture and hay production
  - 46,000 additional acres in New Jersey produce hay and grain for horses
  - New Jersey equine-related acres represent about one-fifth of the state's 790,000 acres in agriculture

Animals and operations

- 42,500 equine animals housed in New Jersey
  - 30,000 in non-racing activities
  - 12,500 in racing-related activities
    - 8,200 racing-related Standardbreds
    - 4,300 racing-related Thoroughbreds
- 7,200 equine operations in New Jersey
- $4 billion in equine-related assets
  - $582 million in equine animals
  - $2.9 billion in land and buildings (not including racetracks)
  - $476 million in racetrack assets (land and buildings)
Annual economic impact of New Jersey equine operations and owners

Of the $1.1 billion annual economic impact of the horse industry in New Jersey, $647 million or 59 percent is generated by equine operations (farms and stables that house equine animals) and by horse owners who board their animals on equine operations. Racing-related operations – although fewer in number than non-racing entities – produce $278.2 million in impact, and non-racing operations account for $262.4 million in impact. The total economic impact is composed of two parts: (1) direct dollars spent by the equine industry, and (2) the “ripple effect” of those expenditures on other related industries.

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Direct Annual Impact ($ Millions)</th>
<th>Indirect/Induced Impact ($ Millions)</th>
<th>Total Economic Impact ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing-Related Operations</td>
<td>200.0</td>
<td>78.2</td>
<td>278.2</td>
</tr>
<tr>
<td>Non-Racing Operations</td>
<td>187.9</td>
<td>74.5</td>
<td>262.4</td>
</tr>
<tr>
<td>Horse Owners</td>
<td>88.9</td>
<td>28.9</td>
<td>117.8</td>
</tr>
<tr>
<td><strong>Total Operations &amp; Owners</strong></td>
<td><strong>476.8</strong></td>
<td><strong>170.2</strong></td>
<td><strong>647.0</strong></td>
</tr>
</tbody>
</table>

* Total economic impact has been adjusted downward to eliminate double counting impacts between operations and horse owners.

Annual economic impact of New Jersey racetracks

Racetracks located at the Meadowlands, Monmouth Park, Freehold Raceway and the Atlantic City Race Course represent an important economic engine in New Jersey. Together, they produce an annual economic impact of $502.3 million. This does not include wagering (the “pari-mutuel handle”) at racetracks or the effects of travel and tourism-related contributions to the economy. Other reports have shown that a major one-time event at a racetrack, such as the Breeders Cup, can generate upwards of $50 million in incremental impact for the surrounding communities and the state.

<table>
<thead>
<tr>
<th></th>
<th>Annual Impact ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Annual Impact</td>
<td>282.4</td>
</tr>
<tr>
<td>Indirect/Induced Impact</td>
<td>219.9</td>
</tr>
<tr>
<td><strong>Total Racetrack Industry Impact</strong></td>
<td><strong>502.3</strong></td>
</tr>
</tbody>
</table>
Top sources of income for equine operations and owners

Although a large number of equine operations are not businesses pursuing income, other sectors – especially the racing-related and professional boarding and show horse operations – do generate revenues. The main income sources are boarding, racing purses, sale of horses, training, and lessons.

* Other Income category includes income from breeding, sale of hay & forage, leasing, non-racing competition, shows, trail riding, and other.

Top 10 annual expense categories for equine operations and owners

Expenditures affect all segments of the horse community, with nearly $377 million paid out annually, excluding labor costs. The top expenditure categories are equipment purchases and depreciation ($40 million), capital improvements ($34 million), horse health costs ($32 million), training fees ($31 million), boarding ($30 million), feed and supplements ($23 million), hay and forage ($22 million), and taxes ($21 million).

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Annual Expenses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ Millions)</td>
</tr>
<tr>
<td>Equipment Purchase &amp; Depreciation</td>
<td>40.0</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>33.6</td>
</tr>
<tr>
<td>Health</td>
<td>32.2</td>
</tr>
<tr>
<td>Training Fees</td>
<td>30.8</td>
</tr>
<tr>
<td>Boarding</td>
<td>30.1</td>
</tr>
<tr>
<td>Grain and Supplements</td>
<td>23.2</td>
</tr>
<tr>
<td>Hay/Forage</td>
<td>22.2</td>
</tr>
<tr>
<td>Taxes</td>
<td>21.4</td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>15.7</td>
</tr>
<tr>
<td>Farrier</td>
<td>13.6</td>
</tr>
<tr>
<td>All Other Expenses**</td>
<td>114.1</td>
</tr>
<tr>
<td>Total Expenses</td>
<td><strong>376.8</strong></td>
</tr>
</tbody>
</table>

* Excludes labor expenses. ** Other category includes expenses for insurance, breeding, bedding, competitive events, travel, utilities, grazing and cropland maintenance, tack and clothing, supplies, rent, professional fees, contract services, advertising, and other.
Employment impact of the New Jersey equine industry

An estimated 13,000 jobs are generated by the equine industry in New Jersey, including a total of 5,670 directly employed by equine operations and horse owners and another 2,048 by the racetracks. In addition, 5,252 jobs are generated by the equine industry through the ripple effect on other industries.

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Directly Employed</th>
<th>Indirect/Induced # Jobs Generated</th>
<th>Total #Jobs Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing-Related Operations</td>
<td>1,480</td>
<td>1,711</td>
<td>3,191</td>
</tr>
<tr>
<td>Non-Racing Operations</td>
<td>3,805</td>
<td>1,359</td>
<td>5,164</td>
</tr>
<tr>
<td>Horse Owners</td>
<td>386</td>
<td>764</td>
<td>1,150</td>
</tr>
<tr>
<td>All Operations &amp; Owners*</td>
<td>5,670</td>
<td>3,480</td>
<td>9,150</td>
</tr>
<tr>
<td>New Jersey Racetracks</td>
<td>2,048</td>
<td>1,772</td>
<td>3,820</td>
</tr>
</tbody>
</table>

*Total employment impact has been adjusted downward to eliminate double counting impacts between operations and horse owners.

Proportion of labor expenses by type of operation and horse owners

Racing-related operations accounted for almost two-thirds of labor expenditures in the horse industry. Twenty-seven percent of labor expenses are generated by non-racing operations, and horse owners accounted for another eight percent.

Annual tax impact of the New Jersey equine industry*

The equine industry generates an estimated $160 million in tax revenues for the federal government, the state, and municipalities. More than $60 million goes to state and local authorities in the form of corporate, personal, and property taxes.

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Federal Tax Impact ($ Millions)</th>
<th>State and Local Tax Impact ($ Millions)</th>
<th>Total Tax Impact ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Equine Operations and Owners</td>
<td>53.4</td>
<td>31.9</td>
<td>85.3</td>
</tr>
<tr>
<td>New Jersey Racetracks</td>
<td>44.2</td>
<td>31.2</td>
<td>75.4</td>
</tr>
</tbody>
</table>

*Estimated tax impacts include federal, state, and local taxes generated from the direct, indirect, and induced impacts of the equine industry. Included are estimates of corporate profits tax, personal taxes, Social Security taxes, and property taxes. Estimate may include a small percentage of overlap. Estimates are adjusted for the fact that the New Jersey Sports and Exposition Authority (operating Meadowlands and Monmouth Park) is exempt from taxation, but does make payments in lieu of taxes to local municipalities.
Asset value of the New Jersey equine industry

The 7,200 equine operations in New Jersey hold assets valued at nearly $4 billion, including $582 million in horses and other equine animals and $2.9 billion in land and buildings. New Jersey’s racetracks account for an additional $476 million in land and building assets.

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Land and Capital ($ Millions)</th>
<th>Equine Animals ($ Millions)</th>
<th>Total Value ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing-Related Operations</td>
<td>833</td>
<td>316</td>
<td>1,149</td>
</tr>
<tr>
<td>Non-Racing Operations</td>
<td>2,076</td>
<td>175</td>
<td>2,251</td>
</tr>
<tr>
<td>All Equine Operations</td>
<td>2,909</td>
<td>491</td>
<td>3,400</td>
</tr>
<tr>
<td>New Jersey Racetracks</td>
<td>476</td>
<td>91</td>
<td>567</td>
</tr>
</tbody>
</table>

Agricultural land in New Jersey supporting New Jersey’s equine animals

Including land in New Jersey that is used to grow forage and grain for the state’s horses, approximately 142,000 acres are used to support the equine industry. This is almost one-fifth of the state’s estimated 790,000 acres in farms.

<table>
<thead>
<tr>
<th>Type of Operation</th>
<th>Number of Operations</th>
<th>Total Facility Acres</th>
<th>Acres that are Equine-Related</th>
<th>Acres Used for Pasture, Hay, and Grain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing-Related Operations</td>
<td>700</td>
<td>34,000</td>
<td>24,000</td>
<td>22,000</td>
</tr>
<tr>
<td>Non-Racing Operations</td>
<td>6,500</td>
<td>142,000</td>
<td>72,000</td>
<td>56,000</td>
</tr>
<tr>
<td>All Equine Operations</td>
<td>7,200</td>
<td>176,000</td>
<td>96,000</td>
<td>78,000</td>
</tr>
<tr>
<td>Farms Without Any Equine**</td>
<td>nc*</td>
<td>nc*</td>
<td>46,000</td>
<td>46,000</td>
</tr>
<tr>
<td>All New Jersey Operations Supporting Equine Animals</td>
<td>nc*</td>
<td>nc*</td>
<td>142,000</td>
<td>124,000</td>
</tr>
</tbody>
</table>

*nc = not collected as part of this study
** i.e., farms that produce forage, straw, and grain for equine animals
Equine operations and associated land, by county

The top three counties in both acres and number of operations are Hunterdon, Monmouth, and Burlington. The industry appears to be growing in the state’s northwestern counties.

<table>
<thead>
<tr>
<th>County</th>
<th>Number of Operations</th>
<th>Total Facility Acres</th>
<th>Acres that are Equine-Related</th>
<th>Acres Used for Pasture, Hay, and Grain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
<td>270</td>
<td>3,100</td>
<td>2,100</td>
<td>1,500</td>
</tr>
<tr>
<td>Burlington</td>
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Operations by number of head

This is largely an industry of smaller farms. More than 70 percent of the state’s 7,200 equine operations had fewer than eight equine animals in 2006. These operations include not only small commercial facilities, but also horses kept in “backyards” and commodity farms that happen to keep a few horses. Although they make up only 29 percent of all operations, those having eight or more animals account for three-quarters of New Jersey’s equine inventory of 42,500, while operations with 20 or more animals account for a third.
Operations by number of equine-related acres

The distribution of operations by size follows the distribution by number of head. More than half of all operations have fewer than 10 acres that can be characterized as equine-related. Although constituting a minority of all operations, those with more than 10 acres nevertheless account for 86 percent of the 96,000 equine-related acres on operations, while operations with more then 20 acres account for 71 percent of this total. Racing-related operations are, on average, about three times the size of non-racing operations, and account for one-quarter of operation acres devoted to equine activities.

Equine operations by primary function

The chart below highlights the importance of the pleasure portion of the equine industry, with 46 percent of facilities with horses reporting that they are private residences, not commercial operations. The breeding and training categories, making up 22 percent of all operations, are the ones most likely to be racing-related.
Acres by prior use of equine operation*

As urbanization continues, horses may prove to be a more profitable use of open land than more traditional agricultural commodities. More than a third of the land currently in equine operations was in field crops, livestock, or fruits and vegetables before becoming a horse farm.

*Current primary use must be equine. Figure includes acres on entire operation.

Equine operations involved in racing-related activities

Racing represents a significant portion of the New Jersey equine industry, even far from the track. The racing-related operations shown below — 29% of the total — have more than half of their inventory in Standardbreds or Thoroughbreds that are foals, breeding stock, or active racehorses.

Demographic profile of the equine industry

New Jersey’s horse people are a seasoned and committed group. Only a fifth, however, list the equine industry as a full-time occupation. This reflects not only the industry’s pleasure component, but also the need for virtually all farm families to supplement their earnings with off-farm income.

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<td>Male</td>
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<tr>
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<tr>
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Study Authors

This study is a joint effort of an inter-disciplinary research team of the New Jersey Agricultural Experiment Station (NJAES) of Rutgers University. Paul Gottlieb of the Department of Agricultural, Food, and Resource Economics served as principal investigator. Brian Schilling and Kevin Sullivan of the Rutgers Food Policy Institute had primary responsibility for the economic impact portion of the analysis. Drawing on their detailed knowledge of the equine industry in New Jersey, Karyn Malinowski and Diana Orban Brown of the Rutgers Equine Science Center contributed significantly to the execution of the study and communication of the findings.

Methodology

The study is based on an extensive survey of the equine industry conducted by the National Agricultural Statistics Service (NASS), a statistical agency of the United States Department of Agriculture. NASS mailed the survey to a list of nearly 10,000 potential horse owners and operations, and had staff visit 103 segments or parcels of land representative of New Jersey's agricultural and urban geography. The data collected from horse owners and operations in the geographical portion of the study was combined with the mail response to provide indications on equine inventory and the impact of the equine industry on the state's economy. This list-segment procedure is a highly recognized statistical methodology.

Expenditure information from the 2006 NASS survey was fed into IMPLAN, a highly-regarded computer model of the New Jersey economy. This enabled the research team to estimate the "multiplier" portion of the equine industry's impact on the New Jersey economy. Expenditure data was also combined with 2006 feed prices and 2002 agricultural yield figures to estimate the number of acres on non-equine farms used to feed New Jersey's horses. (A survey of the local hay industry, conducted by NJAES in 2004, was helpful for estimating prices, product mix, and interstate trade; see "NJAES Extension Bulletin E305").

Finally, telephone interviews were conducted with the state's racetracks and with a number of industry participants, both customers and suppliers.

Acknowledgements

The authors would like to thank Troy Joshua and his team of statisticians at the New Jersey office of the National Agricultural Statistics Service for their thorough data-gathering efforts. We would also like to thank Sarah Ralston and David Tulloch of Rutgers' School of Environmental and Biological Sciences; Ed Wengryn of the New Jersey Farm Bureau; and S. P. Dey II, Jane Gilbert, and David Meirs II, active equine industry participants, for providing suggestions on methodology. Several members of Rutgers Cooperative Extension gave technical advice, including Donna Foulk, Dan Kluchinski, Carey Williams, Joe Heckman, and Bob Mickel. Any errors or omissions are the authors' alone.

Further information related to the study is available on the Equine Science Center website at www.esc.rutgers.edu
For further information, contact:

Rutgers Equine Science Center
57 U.S. Highway 1
New Brunswick, NJ 08901-8525
732-932-9419
esc@aesop.rutgers.edu
www.esc.rutgers.edu

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Rutgers Equine Science Center

Better Horse Care Through Research and Education

A Delicate Balance: The Future of Horse Racing and the Preservation of the Equine Industry, Agriculture and Open Space in the Garden State

January 2006

Karyn Malinowski, Ph.D.

www.esc.rutgers.edu
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Karyn Malinowski, Ph.D.
Dean of Outreach and Extension Programs, Rutgers Cooperative Research and Extension
Director of the Equine Science Center, New Jersey Agricultural Experiment Station

Forward

One of the largest industries in the United States revolves around horses, which make a daily impact on the lives of one in every 60 American citizens. The “Force of the Horse” as stated by the American Horse Council (1996) means more than the economic importance and the $102 billion value of the United States horse industry (American Horse Council Foundation, 2005). Horses and the industries that surround the animal are an integral part of the history and development of human kind, and millions of people world-wide actively participate in equine-related activities through occupations, recreation and sport. Horses have a vast societal impact and are responsible for improving the quality of life for millions of Americans by preserving open space, providing outdoor sport and recreation, building a solid foundation for youth development, and providing mental and physical therapy to adjudicated youth and handicapped persons (Malinowski, 1999). Today the horse’s role in American society is different than it was in the 18th, 19th and early 20th centuries. Because of the American horse owners dedicated commitment to their animals, horses today enjoy a higher standard of living, increased longevity, productivity, and quality of life.

More than 4.6 million Americans are involved in the horse industry. The industry is vast and highly diverse, combining the rural activities of breeding, training, and housing horses with more urban activities such as racing, horse shows and competition stadiums and grounds, and public stables. The United States horse industry is a $39.2 billion business associated with 9.2 million horses. The horse industry’s contribution to the U.S. gross domestic product (GDP) is $102 billion, and it generates over 1.4 million full-time equivalent (FTE) jobs across the country (AHCF, 2005). More recently, economic impact studies of the horse industry in New Jersey, New York, and Pennsylvania have demonstrated the importance of the equine industry in one of the smallest and most densely populated and two of the most diverse states in the country; (New Jersey, New York, and Pennsylvania, respectively; NJDA, 1996; NYASS, 2001; Penn State University, 2003).

In New Jersey, where the horse is the state animal, the equine industry is invaluable as a major factor in retaining agricultural acreage as open space. Although horse owners do not market their product by the bushel, pound, or cubic foot, horses are bred, raised, bought and sold in the Garden State like any other agricultural commodity. The horse industry in New Jersey is represented on the State Board of Agriculture, where policymaking decisions affecting agriculture are made.

1 Correspondence: 88 Lipman Drive, New Brunswick, NJ 08901-8525 (phone: 732-932-5000 x581, fax: 732-932-6633, email: malinowski@cre.rutgers.edu)
The New Jersey equine industry, valued at $3.2 billion (B), produces a direct economic impact of approximately $698 million (M) comprised of the $407M spent by New Jersey equine owners and operators of equine facilities, $224 M from racetracks, and $67M by out-of-state equine owners and operators. The industry employs approximately 6,000 persons directly with the largest percentage of them affiliated with racing (NJDA, 1996). Equine is the third largest agricultural product in New Jersey (behind nursery and vegetable production) and the number one livestock commodity. Horses are found on 7,600 facilities in every county statewide (NJDA, 1996). Besides the economic importance of the industry, these 7,600 horse facilities maintain open space of 81,000 acres, which in turn provides an enhanced quality of life for New Jersey residents. Horse operations tend to be more sustainable than other types of agricultural businesses, making the horse industry critical to the growth and land-use strategy of the state.

The horse industry in New Jersey is not without its challenges, however. The Rutgers University Equine Science Center (ESC) helped identify those challenges and topics of importance to industry leaders in March of 2003 when it hosted its Horse Industry Summit, the first of its kind at a land-grant, state university.

Challenges identified were:

- health and wellness of the equine athlete
- integrity of equestrian sport
- land use and zoning
- environmental concerns
- future of horse racing and industry economic development

The Equine Science Center and its faculty and staff are charged with addressing these five most pressing concerns and have developed programs aimed at solving problems in these areas and delivering the solutions to the public.

At the request of the Hall Institute of Public Policy, the author was invited to address the future of horse racing in New Jersey and economic development for the equine industry in this white paper.

**The State of New Jersey Racing**

The New Jersey race horse industry has been severely impacted by the state lotteries and casino gaming. Thalheimer and Ali (1992) estimated that following the introduction of casino gaming in Atlantic City, there was a 34% decline in pari-mutuel wagering at racetracks in New Jersey. In addition to the casino gaming industry and state lotteries there is now the introduction of video lottery terminals (VLTs or slots) in three neighboring states at racetracks in direct competition with New Jersey’s three racetracks.
Regarding the issue of the future of horse racing in New Jersey, on July 24, 2003, the Equine Science Center hosted a blue-ribbon panel of horse racing industry leaders, legislators and government officials interested in the preservation of the horse industry and horse-racing industry in New Jersey. The meeting was chaired by Assemblymen Jeff Van Drew and Ronald Dancer, Jack Gallagher (representing the New Jersey Department of Agriculture; NJDA) and ESC Director Karyn Malinowski.

Participants included representatives from the New Jersey Racing Commission, the New Jersey Sports and Exposition Authority, the Thoroughbred Breeders’ Association, the Thoroughbred Horsemen’s Association, the Standardbred Breeders and Owners Association, the New Jersey Sire Stakes, Pennwood Racing Corporation, Harness Tracks of America, the New Jersey State Board of Agriculture, the Rutgers University Board for Equine Advancement, and Cook College’s Department of Animal Sciences.

The 2003 roundtable discussion focused its discussion on three essential areas:

- policy and regulation of racing
- marketing and growth of racing
- operations and management of racing

Once the group identified issues of concern in each of the three areas, it pinpointed the ten most critical issues needed to be addressed if racing in the Garden State is to survive. Discussion resulted in a series of strategies developed as part of a three-pronged approach designed to simultaneously stabilize and reinvigorate New Jersey’s horse racing industry through methods that will augment purse values, increase racetrack attendance, and improve the infrastructure that supports the equine industry. No one strategy alone will make a lasting difference. Just as the industry is a network of relationships, so must be the strategies that support and encourage it. Details of these are found in Appendix I.

The racing industry can be broken down to three tiers of production: racetrack operation and OTB facilities; training and maintaining competitive and potentially competitive horses; breeding of such horses to support the industry (AHCF, 2005). The breeding of horses plays a significant role in both the racing and showing aspects of the horse industry and certainly is an aspect of the industry which utilizes larger parcels of land for its operation which helps preserve agriculture and open space.

Racetracks and OTB facilities, surveyed by Deloitte for the American Horse Council Foundation (2005) provided information on their revenue items which included wagering revenue, total handle, revenue from admissions, concessions, parking and programs and other revenue including electronic gaming, electronic wagering and internet wagering. Of the seven race tracks offering electronic gaming machines (including a track in Delaware in close proximity to New Jersey), average revenues derived from electronic gaming machines approximated 58% of total revenues. Four tracks indicated that they received 70% or more of total revenue from this form of wagering (AHCF, 2005). Since 2003, when the Deloitte survey was conducted, two other states contiguous to New Jersey have or are planning electronic gaming in their states.
Value of Racing

New Jersey cannot afford to lose its horse racing industry. Too many jobs and precious farmland and open space acres, which enhance the quality of life for New Jersey residents, depend upon the breeding, raising and training of thoroughbreds and standardbreds. The downward trend racetracks have experienced in recent years must be halted and reversed. For the five-year period of 2000-2004 the parameters of a successful racetrack gaming operation have declined, e.g. on-track attendance, on-track handle and simulcast handle due to the impact of alternative gaming as depicted in Figures 1-5 (New Jersey Racing Commission, 2004).

Pennsylvania has just authorized the installation of slot machines at seven racetracks, five casinos and two resorts which will be overseen by the Pennsylvania Gaming Board. It is anticipated that when fully operational the revenue generated annually by slots will be $30B. The net portion from this revenue is estimated at $3B annually. These monies will be divided as follows: 48% to the facility operators; 34% to the state of Pennsylvania; 5% towards economic development; 4% to local communities; and 9% for race purses. Of the estimated $270M allocated for horse-related interests, half will be distributed each to thoroughbreds and standardbreds. For harness racing alone, the $135M will be distributed as follows: $108M for overnight purses at 4 tracks; $10.8M for Sire Stakes Programs; $10.8M for a new Breeders Fund and $5.4M for Horsemen’s Welfare Fund (personal communication, Jerry Connors, 2005).

A study conducted by the Institute of State and Regional Affairs, Penn State Harrisburg (2001) estimated that the installation of slot machines at Pennsylvania’s four racetracks (1,500/track) would result in an increase of 17,700 jobs (24,500 total); a contribution to the value of goods and services of $3.2B (an increase of $2.5B); a contribution to income by racetracks of $1.3B (increase of $1B); a generation of $416M in government revenues (an increase of $332M). The revenue from slot machines to Pennsylvania’s economy will provide direct benefits to the state, the racetracks, horse owners, breeders and trainers, and track attendees. The state will have a revenue source for property tax relief, will achieve growth of agribusiness and travel and tourism, and will experience a ripple effect to consumer economy. The tracks will be able to make capital improvements that are long overdue and will have the opportunity to partner with established gaming companies which are highly successful at marketing their product. Horsemen and women will earn more dollars from enhanced purse structures, and owners and breeders will benefit from an enhanced Sire Stakes Program and new Breeders Fund.

One can only imagine the effect that Pennsylvania’s installation of slot machines will have on the quality of racing, the increase in horses bred and the number of acres devoted to breeding race horses. Not to mention the impact that these slots will have on the Atlantic City casino industry which will feel tremendous competition for the gaming dollar from neighboring venues!

In 2004, a study commissioned by the Ontario Harness Horse Association and conducted by the Department of Agricultural Economics and Business at the University of Guelph measured the impact of slot machine revenue on the harness horse industry and on Ontario agriculture. Slot machines in 2002 contributed over $100M of the total of $190M in harness racing purses. The Guelph study found that the enhanced purse revenue was utilized to create:
$58-62M in new employment income; 7,300-8,100 new jobs; an increase of between $375 and 400M in direct purchases; and an increase of between $859-$942M in direct and indirect impact on the economy. The racing industry itself grew: racing related revenue increased 143%, the number of harness horses increased by 30% with an increased value of 203%. Horse purchases and operating costs increased by 106%.

Harness racing is also thriving in New York where Saratoga Gaming and Raceway, in the first year that Video Lottery Terminals were introduced, saw a 160% increase in purses, 50% increase in total wagering and an increase of 27 racing days. According to John Manzi (2005) harness racing at Monticello Gaming and Raceway has seen a banner year unlike any other in its 48-year history since the addition of VLTs in 2004. Local horse owners, breeders and trainers, and management have all benefited with an increase in number of racing days, a new state-of-the-art paddock facility and a purse structure which increased in 2005 by 111.6%. As always, larger purses attracted horses of higher quality and fuller racing fields which resulted in a 26% increase in total betting handle at the Mighty M.

**Effect on Recreational and Non-Racing Horse Industry**

Racing is not the only equine discipline that will lose if New Jersey racing does not receive the “shot in the arm” it so desperately needs. Sport competition and recreational horse users stand to suffer, as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space due to the fact that their major customers are horse owners. The New Jersey Equine Advisory Board’s (EAB) annual budget to support the Horse Park of New Jersey and the sport and recreation segments of the horse industry, predominantly, is correlated to a percentage of the pari-mutuel handle from racing. Displayed in Figure 6 is the result of the continued erosion of racing revenue generation on the EAB annual budget. The EAB annual budget which was $498,000 in 1990 declined to a new low of $350,000 in 2005. While equine veterinary clinics and feed and supply stores are frequented and supported by sport horse competition and recreational users, a predominant economic flow to these entities is from the racing industry.

The future of the New Jersey racing industry and the work of the Rutgers University Equine Science Center go hand in hand. The Center’s work is critical in the economic development, integrity, quality control and sustainability of the racing industry in New Jersey. The ESC believes that the state of New Jersey, where there are more horses per square mile than in any other state, has minimized the importance of the equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, tourism, agriculture and food industries, and health care, but not for equine. That needs to change. Other states are devoting substantial portions of racing revenues in the support of research and outreach for their equine industries. This is true in California, New York and Michigan to name a few. Presently there exists an unprecedented agreement between the Atlantic City hotel-casino and horse-racing industries that committed casinos to an annual subsidy of approximately $20-25 million to supplement purses at racetracks in the Garden State. While this initially has helped insure that the best equine athletes would continue to compete at New Jersey tracks, it is does not address the major concerns regarding the fragile infrastructure of the industry itself. In addition to purse supplementation and breeding incentives, the New Jersey horse-racing industry needs to direct
funding to such activities as propriety research to enhance the economic competitiveness of New
Jersey racing in relation to other states and to other leisure pursuits.

The reality is that the equine “industry” is not perceived to be an industry at all. Because of its
diversity, the horse industry has many factions which do little to communicate and unify their voices. Hence, key agency leaders and the New Jersey legislature find it hard to respond to an industry which sends so many mixed messages. The biggest challenge faced by the entire horse industry is to support all aspects of this diverse industry in one common, unified voice. Of critical importance to the future of the horse industry in New Jersey, identified at the 2003 ESC Summit, is the issue of farmland preservation. New Jersey is now at a stage in its need to preserve open space and the quality of life for its residents. The horse racing, breeding and training industry, which is a critical component of open space preservation, needs assistance from the state of New Jersey in order to survive and flourish. Between 1983 and 1996, New Jersey lost 40,000 acres of open space, primarily because of the demise of racehorse breeding farms (NJDA, 1996). Underlying causes for the loss of breeding farms were changes in federal tax laws and reduction in the racing purse structure due to the competition for gaming dollars resulting from the arrival of casinos.

New Jersey stands to lose a similar amount of open space unless it develops mechanism(s) for increasing purse structures and finding dollars for marketing and promotion for both thoroughbred and standardbred racing. The New Jersey Farmland Preservation Program is extremely proud of the number of acres of preserved farmland (equine-related and otherwise). However it is not enough to just preserve farms (including horse farms) in the state. If industries utilizing the preserved farmland are not viable, they will seek locations elsewhere, taking with them their financial contributions and leaving in their wake joblessness and a scenic vista of preserved but unproductive land, a fiscal burden to the community that helped preserve it.

In 2006, the Equine Science Center will be leading the effort for an economic impact analysis of the horse industry in New Jersey, in partnership with other state agencies and industry breed groups. More than producing just a census, the ESC team will conduct analyses which will determine the impact of the racing segment on the overall horse industry and collectively the impact of the entire horse industry on traditional agriculture and open space. This is what makes the New Jersey horse industry so important to keeping the Garden State green. The number of dollars and jobs generated by an industry are critical to a state’s economy, but equally important to the most densely populated state in the nation is the preservation of open space and quality of life that the equine industry provides to New Jersey residents. It is time for the entire industry to rally around once and for all to let the public and the legislature know that a horse industry in New Jersey does really exist. Racing and non-racing interests working together and speaking in one voice are the only way that horse enthusiasts can garner the respect from the state of New Jersey that the equine industry deserves.

Acknowledgements

The author would like to recognize and thank Diana Orban Brown, Tom Mannos, Sarah Kozak, Anastasia Miklojeck and BethAnn Parise for their assistance in the preparation of this manuscript.
Figure 1. Five Year Comparison at New Jersey Harness Tracks for the Period of 2000 to 2004

The last year of harness racing at Garden State Park was 2000.

Figure 2. Five Year Comparison at New Jersey Harness Tracks for the Period of 2000 to 2004

The last year of harness racing at Garden State Park was 2000.
Figure 3. Five Year Comparison at New Jersey Thoroughbred Tracks for the Period 2000 to 2004

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- Atlantic City Racing Association
- Monmouth Park Jockey Club
- NJ Sports & Exposition Authority
- Garden State Park

*The last year of thoroughbred racing at Garden State Park was 2001.*

Figure 4. Five Year Comparison at New Jersey Thoroughbred Tracks for the Period 2000 to 2004

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- Atlantic City Racing Association
- Monmouth Park Jockey Club
- NJ Sports & Exposition Authority
- Garden State Park

*The last year of thoroughbred racing at Garden State Park was 2001.*
Figure 5. Five Year Comparison of Intrastate and Interstate Simulcasting Handle for the Period of 2000 to 2004

Figure 6. New Jersey Equine Advisory Board Budget
APPENDIX I

Following are the key issues identified and prioritized at the July 24, 2003 Roundtable hosted by the Rutgers University Equine Science Center, as well as points addressed in the three focus areas of discussion.

Key Issues Affecting the Future of Racing in New Jersey

1) Identify additional funding sources for racing programs and promotion. Suggestions were:
   a. Progressive slot machine program at Atlantic City casinos
   b. Tapping into parking fees
   c. Allocating a portion of the Internet sales tax, if such a tax becomes law

2) Promote cooperation and reduce competition between the racing industry and the Atlantic City casinos and the New Jersey lottery. Recognize that the real competition is the gaming industry of New Jersey vs. those of surrounding states.

3) Move to implement the legislation that would allow off-track wagering at racetracks, in view of the reduction in racing days

4) Increase the fan base through marketing programs (i.e., increased marketing funding) and tourism promotion devoted to racing

5) Dedicate funding to increased purses and breeding incentives

6) Examine the cost to the industry (track managements, owner, breeders and trainers) of state-mandated regulations

7) Emphasize the strong connection between land preservation and a viable racing industry; address Right To Farm and environmental issues

8) Find funding for a state-supported training center for the horse industry workforce

9) Examine the means of ensuring the integrity of the product

10) Educate legislators and the public regarding the value of a healthy racing industry

I. Issues Regarding Policy and Regulation of Racing

Major impediments:

• Shortage of funding for tracks
• The industry is highly regulated, and cost of regulation is high
• Limited understanding that racing is an agribusiness in addition to being a sport
• State allows cross-competition in gaming: casinos and lottery games
• State has resisted policy changes (e.g., horse industry representatives on Racing Commission; additional funding to tracks; regulations affecting horse ownership)
• Policing of racing industry has had a negative effect on public perception
• State has not drawn the connection between racing and land preservation
• Conflicts with municipalities on Right To Farm issues discourages horse operations
Needs and challenges:
- Identify additional funding sources; make sure additional funds are directed to horse industry
- Legislature should fund breeders’ awards to encourage breeding
- Rules regarding breeding should be eased: allow stallions from other states; reduce the amount of time mares must spend in NJ
- State needs to evaluate competition from other states; NJ is surrounded by competition from NY, PA, MD and DE
- Install off-track wagering facilities
- Install video lottery terminals (dedicated slots), which the casinos could operate
- Tie casino industry to racing industry -- both are gaming enterprises

Horse industry solutions:
- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the “added value” of racing; its broad and significant economic impact beyond the track
  - Tax revenues generated and what they’re used for
  - Generation of jobs
  - Support of supplier businesses
  - Open space preservation
  - Recreational opportunities
- Work with the Department of Agriculture to address breeding issues
- Increase funding for Sire Stakes program
- Support the Rutgers Equine Science Center

II. Issues Regarding Marketing and Growth of Racing

Major impediments:
- Shortage of funding
- Inadequate, unappealing facilities, and not enough money to upgrade them
- Waning consumer interest in racing/product
- Racing is a fan-driven business rather than a dollar-driven business

Needs and challenges:
- Identify additional funding sources
- Increase total racing revenues
- Revive consumer interest in racing
- Make sure track-goers have a clean, pleasant experience with good food
- Use publicity to tap into younger, more female market
- Expand the promotion of “Month of the Horse”
Horse industry solutions:
- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the “added value” of racing; its broad and significant economic impact beyond the track
  - Tax revenues generated and what they’re used for
  - Generation of jobs
  - Open space preservation
  - Recreational opportunities

III. Issues Regarding Operations and Management of Racing

Major impediments:
- Shortage of funding for breeding programs
- Shortage of funding for purses; can’t finish racing days. URGENT action needed.
- Funds for breeders are decreasing each year
- Number of stallions standing in NJ is decreasing – down to 22
- Illegal medications are a major problem, particularly the perception that they are widely used
- Tracks cannot operate year-round
- Lack of cooperation between thoroughbred and standardbred segments

Needs and challenges:
- Identify additional funding sources
- Increase total racing revenues; do not divert purse money (which attracts horses) to subsidize breeding programs
- Develop account wagering program
- Install off-track wagering facilities
- Install video lottery terminals, which the casinos could operate
- Create a year-round use for tracks – perhaps training center
- Sustain the Meadowlands – it’s one of the finest racetrack facilities in the country; retain NJSEA as operator

Horse industry solutions:
- Educate legislators to understand the needs of the industry
- Emphasize to the public and legislators the “added value” of racing; its broad and significant economic impact beyond the track
  - Tax revenues generated and what they’re used for
  - Generation of jobs
  - Support of supplier businesses
  - Open space preservation
  - Recreational opportunities
- Work with the Department of Agriculture to address breeding issues
REFERENCES


New Jersey Department of Agriculture. 1996. New Jersey equine industry. NJDA, Trenton, NJ.


Penn State College of Agricultural Sciences Cooperative Extension. 2003. The Pennsylvania equine industry: Inventory, basic economic and demographic characteristics of the equine industry. Penn State University, State College, PA.

May 9, 2008

TO: Senate Wagering, Tourism & Historic Preservation Committee

RE: Horse Racing in New Jersey

My name is Leon Zimmerman, and I am here today on behalf of the Standardbred Breeders & Owners Association of New Jersey, with Thomas Luchento, who is president of the statewide association which represents thousands of people participating in the standardbred horse industry in New Jersey — breeders, owners, trainers, drivers and all their employees, not only at the two racetracks we have left, but at numerous training centers and breeding farms throughout the state.

In order to appreciate and understand the future of the standardbred industry in New Jersey, we should probably take a look at how it got to be the number one harness racing state in the nation.

For decades until the 1970s, New Jersey harness racing people had only one place to compete, afternoons at Freehold Raceway, where purses were very low. A second venue was added in the late 1960s, when night harness racing was brought to the Atlantic City thoroughbred track.
The Meadowlands Racetrack became a reality in September 1976 with the first pari-mutuel harness race meet ever in North Jersey. More than 46,000 people jammed into the track on opening night and for many years thereafter, crowds of 20,000 or more were commonplace.

With significant financial help from the racetrack, the N. J. Sports Complex was put on the nation’s sports map in an even bigger way with the advent of NFL football, followed by NBA basketball and NHL hockey.

It was clear to all that New Jersey, with the Meadowlands racetrack, had become the number one harness track in the nation.

The best horses in the country and in Canada were brought to the Meadowlands. The top harness drivers and trainers in the sport came to New Jersey and established residences here.

Numerous new breeding and training farms were established on the New Jersey landscape, preserving thousands of acres of open space.

The state’s standardbred breeding program, known as the New Jersey Sire Stakes in the Department of Agriculture, was created in the early 1970s. It also grew to be the richest in the nation, as result of the growth of breeding farms in this state.
The most recent statistics show that there are 10,000 standardbred horses valued at $272.7 million in New Jersey.

Most of the N. J. Sports & Exposition Authority's profit over the years has come from harness racing. And standardbreds raced for more purse money in New Jersey than in other states.

Standardbred racing in New Jersey is year-round. As a result, the standardbred racing industry is home grown to New Jersey.

The quality of harness racing is better in New Jersey than other states, with more races of higher purse value at The Meadowlands and the sport's leading harness drivers and trainers who compete at The Meadowlands consider it their home track.

After retiring, most of the top standardbred racehorses come to New Jersey farms to stand at stud as stallions for breeding future racehorses.

The value of the New Jersey equine industry, its impact on the state's economy and the preservation of open spaces that it fosters, is estimated at more than $2 billion. There are 81,000 equine acres valued at $2.5 billion alone and equine labor of nearly 5,900 earning $111 million.
If New Jersey’s tracks had those same forms of gambling, there would be millions of dollars of revenue annually, not only to help racing, but to help all the citizens of our state by resolving the State’s budgetary woes. And the casinos would benefit, too, if they were to run the VLT slots, as they do in our neighboring states, cutting the losses they are experiencing from those neighboring states.

It is important to remember that horse racing goes far beyond the racetracks, which are only the tip of the proverbial iceberg that represents this industry in New Jersey.

There are the thousands of acres of open farmland being preserved by horse farms and millions of dollars of tax revenue to the state from the purchase of supplies and feed, not to mention the horses themselves, veterinary fees and construction of farm buildings and fences.

Non-racing breeds also benefit from the revenue produced by the racing breeds. A small portion of the pari-mutuel handle is allocated by statute to those organizations representing other breeds.

Thank you very much for the opportunity to share these thoughts with the Committee. It is our hope that you, the Legislature, will join us to help make a brighter future for racing in New Jersey.

# # #
Good morning, Chairman Whelan and members of the Committee. My name is Christopher Castens, and I am the Executive Director of the Sire Stakes Board. Thank you for this opportunity to speak to you today about the horseracing industry in New Jersey, and in particular, the New Jersey Sire Stakes.

In short, New Jersey’s horseracing industry is one which contributes much to our State’s economy. The New Jersey equine industry in total - valued at more than $3.5 billion - generates $1.1 billion annually in positive impact on the New Jersey economy, according to a study released in 2007 by the Rutgers Equine Science Center.

Of the State’s 42,500 equine animals, 12,500 (nearly 30 percent) are in racing-related activities. These include 8,200 Standardbreds and 4,300 Thoroughbreds that are either actively racing or are racing breeding stock and current foals and yearlings. In addition, the economic impact of New Jersey's racing venues (The Meadowlands, Freehold Raceway, Monmouth Park Racetrack and Atlantic City Race Course) is pegged at an additional $502 million annually.
In all, 176,000 acres of agricultural land are occupied by the 7,200 equine operations in the state. In comparison, estimates put the total "agricultural working landscape" (actively productive farms) in New Jersey at 800,000 acres.

With the opening of the Meadowlands Racetrack in 1976, New Jersey quickly vaulted to the top of the harness racing hierarchy. The state’s breeding industry was robust, with more than 100 stallions residing in the state and nearly 4,000 foals being born annually. This year we have 16 stallions registered to stand in New Jersey (one has unfortunately passed away during breeding). Since we are in the middle of the foaling season, numbers are not yet complete for this year, but last year slightly over 1,500 New Jersey-sired standardbred foals were born.

This year, the New Jersey Sire Stakes anticipates it will offer purses of approximately $6 million for its races. With the addition of other races sponsored by the Standardbred Breeders and Owners Association and restricted solely to the offspring of New Jersey sires, the total will be about $7.5 million—the same as it was last year.
The New Jersey Sire Stakes receives its basic funding from two sources: 
a) fees paid by horsemen to nominate and sustain the horses they own to the 
program; and b) a legislated percentage of the amount wagered on races 
conducted during harness meets at the Meadowlands and Freehold Raceway 
(roughly ½ of one percent of the handle). The latter source has been 
dwindling significantly during the last decade. For the last four years, the 
Sire Stakes has been the recipient of a portion of the casino subsidy. This 
subsidy increased incrementally during the course of the agreement and 
topped out at $1 million last year.

While New Jersey’s Sire Stakes benefits from a direct subsidy funded by the 
casinos in Atlantic City, surrounding states have taken a different approach 
by adding other gambling options at the racetracks. The programs in New 
York and Pennsylvania do not receive an ongoing direct payment from 
casinos not located at racetracks in those states, although a short-lived but 
substantial direct payment was made by the operator of Chester Downs 
between the time casino gaming started there and racing was able to 
commence on a refurbished track surface.
The Pennsylvania Sire Stakes, which, like New Jersey, is part of that state’s Department of Agriculture, is advertising purses in excess of $10 million in 2008. Last year Pennsylvania provided an additional $5.28 million in Breeders’ Awards to standardbred breeders.

The situation is similar in New York. From July 1, 2007 through the end of this April, New York’s additional gaming options at racetracks resulted in $8.2 million to the New York Sire Stakes. Recently, New York has announced that it will commence a breeders’ award program, too.

Like racing fans, racehorse owners and breeders go where the money is. The increased purses in these nearby states are convincing some New Jersey breeders to move their operations into the states offering the higher purses. This has serious implications for the future of our breeding operations. New Jersey’s standardbred breeders have long been considered on par with the thoroughbred breeders of Kentucky. Losing even a few of our excellent breeders could damage that reputation further.

We in the horseracing industry were relieved to hear of the three-year agreement struck with the Atlantic City casinos to enhance purses at New
Jersey racetracks. The agreement for $90 million over three years strikes a balance between the racing and casino industries while also avoiding the use of taxpayer dollars for the purse supplement and does not reduce casino funds flowing to the state.

However, the agreement is too short to have any long-lasting implications. Breeders make a three-year commitment on any one horse, from the time it is bred to the time it matures into racing. They want to know what the purse and breeding award picture will look like beyond that window in order to make sound business about where to breed horses.

During the duration of this new agreement with the casinos, all segments of New Jersey’s equine community must come together to implement bold, long-term steps to reinvent horseracing and reposition it for a brighter future. Only then can we be sure our breeders will stay here and not be lured away to greener pastures.

At the Department of Agriculture, working with industry leaders like the SBOA, we have already begun that repositioning process by bringing leaders in the industry together to discuss a comprehensive way to reinvent the
industry while maintaining the elements that currently are successful. One of those successful elements is the relationship between our racing professionals like breeders and the publicly managed racetracks, which give New Jersey the financial engine to help sustain the industry.

To that, we must add a three-pronged approach to reinventing horseracing, which includes:

- Augmenting purses – This starts with the new casino agreement, but must expand beyond that limited three-year window.
- Enhancing the supportive infrastructure – Providing the kind of environment that will encourage breeders to stay in New Jersey.
- Bolstering a marketing effort – Through use of “Jersey Bred” branding and promotion, as well as other marketing techniques, we can inspire new interest in horseracing among the public.

Just as other spectator sports have done, horseracing must find ways to attract a new fan base, including younger and more affluent people, while still maintaining the core patrons who currently sustain us. The Department cannot dictate to those running the racetracks what steps they should take to attract additional patrons. However, we can work, and have been working,
with them on efforts such as refurbishing tracks and upgrading amenities, or the efforts that brought the Breeders Cup, and the worldwide attention and excitement surrounding it, to Monmouth Park last year.

In order to continue competing with horseracing in surrounding states, New Jersey must make every effort to expand the fan base, infuse new excitement into the racing component itself, and examine all other options that will help our racing industry continue to be a major contributor to the State’s economy and a driving force in maintaining our working agricultural landscape.

I’d be happy to answer any questions the members of the Committee might have.
17 Racinos Drive
$159 Million Purse Increase

By Joseph Kyle

Trainer George Teague Jr. has experienced first-hand the difference slot machines at racetracks have made in harness racing.

On Jan. 30, 1994, the Teague-trained Uncle Buddy won a non-winners conditioned pace at Dover Downs that had a purse of $700. On Jan. 30, 2008, All-American Karnak, also trained by Teague, captured another non-winners conditioned pace at Dover, but this time the purse was $10,500.

Less than two years after Uncle Buddy won that $700 race, slot machines went into operation at Dover Downs and harness racing in Delaware was changed.

Prairie Meadows was the first racetrack with harness racing to install slot machines on April 1, 1995. The track in Altoona, Iowa, which conducts Thoroughbred and Quarter Horse racing as well as a 20-day harness meet in the fall, now has 51 table games and 1,796 slot machines in its casino. Last year the slots generated $188.7 million in total revenue.

Dover Downs was the first harness track on the East Coast to install slots when patrons first sat down in front of the machines on Dec. 29, 1995. Since then the number of harness tracks that have come to be known as racinos has grown to 15 in the United States and 15 in Ontario. The two harness tracks in Indiana, Hoosier Park and Indiana Downs, will join the list beginning this year when they each put 2,000 slots into operation.

During Dover Downs’ 1994-95 season, a meet of only 36 days, gross purses totaled only $376,847. By the end of last year’s 133-day meeting, purses had increased by more than 7,168 percent to $27,390,708.

At Dover’s sister track, Harrington Raceway, gross purses jumped from $271,732 for its 29-day meet in 1995 to $16,992,700 for last year’s 107-day meet, an increase of more than 6,153 percent.

Gross purses at the 17 racinos studied for this report totaled $135.3 million the year before slots went into operation at each of those tracks. Last year those tracks had gross purses of $295.2 million, a 118-percent increase.

By contrast, gross purses at Balmoral Park, Hazel Park, Maywood Park, Northfield Park, Rosecroft Raceway and Scioto Downs, where they are not enhanced by slots revenue, have declined by 36 percent since 2000.

Hoosier Park purses have also declined, but that was because the riverboat subsidy, which began in 1995, has been shared with Indiana Downs since that track became operational in December of 2002.

Indiana horsemen will continue to benefit from the riverboat admissions tax, as well as the slots, until the slots revenue reaches the amount previously provided by the admissions tax. Then the benefit will come solely from slots.

At the Isle Casino and Racing at Pompano Park, purses have been boosted because of revenue from the track’s card room, which opened in 2003. Slots were added to the casino in April of last year. While the revenue from the first year of slots amounted to $127,359,261, the money that will go to the horsemen has not yet been determined. Florida’s legislation enabling slots set a percentage for Thoroughbred horsemen (approximately eight percent), but not for the Standardbreds at Pompano Park, nor the state’s dogs tracks. The Florida Standardbred Breeders & Owners Association and the Isle Casino at Pompano Park are now negotiating the amount horsemen will receive.

Among the prominent harness racing states without a racino are Maryland, Illinois, Kentucky, Michigan and Ohio.

In November, voters in Maryland will decide whether they want 15,000 slot machines at five locations across the state, including Ocean Downs but not at Rosecroft Raceway, whose local state representatives asked to be excluded.

In Illinois, Gov. Rod Blagojevich is still considering gaming expansion to help pay for a statewide capital construction program. But for now, the bill sits in the General Assembly awaiting action.

In Kentucky, a bill to establish casinos as part of Gov. Steve Beshear’s plan to raise revenue for the state never made it to a floor vote in either chamber of the state legislature.

The Michigan equine industry was receiving a subsidy from three Detroit casinos while they were in temporary facilities. With two of the casinos now in permanent locations and the third about to open its permanent site, horse racing is losing the racing subsidy.

Both Ohio and California remain without slots at their racetracks, and there is no indication of legislation in the near future to provide for slots. In California, there are 91 card rooms and 56 Native-American tribal casinos. Recent legislation will allow the number of tribal casinos to increase, but horse rac-
ing still won’t benefit from any of the gambling establishments.

Last year $38.4 billion was played on slot machines at 15 Standardbred racetracks in the U.S. After payoffs to the slot players, revenues amounted to $1.9 billion. From that amount, $154,599,534 went to horsemen for overnight purses, Sire Stakes purses, breeders’ awards, health and insurance, and other programs.

Different jurisdictions have different formulas for determining how much of the slots revenue goes to purses. In Delaware, $750,000 of the slots revenue for purses at both Dover Downs and Harrington Raceway is taken off the top for the Delaware Standardbred Breeders Fund (DSBF). The state matches the $1.5 million, giving the DSBF a $3 million account for its purses.

In Pennsylvania, the horsemen’s share of the slot revenue (the Pennsylvania Race Horse Development Fund—PRHDF) is 12 percent. But that amount is divided with 80 percent going to purses, 16 percent split equally for the following year’s Sire Stakes and breeders awards, and four percent to the horsemen’s health and pension program.

The Pennsylvania Sire Stakes money is deposited in a statewide pool and distributed evenly for the Sire Stakes at each of the state’s three harness tracks.

In New York, 1.25 percent of VLT revenue goes to Sire Stakes and accounts for 75 percent of the Sire Stakes purses at each track. Money earned for the Sire Stakes at each New York track stays at the track for its individual Sire Stakes events, which explains why Sire Stakes purses at Buffalo Raceway and Batavia Downs are substantially lower than those paid at Yonkers Raceway.

In Ontario, 10 percent of the slots revenue goes to purse accounts and in the case of Mohawk and Woodbine, that figure is split 50-50 between Standardbreds and Thoroughbreds.

In Maine, 14 percent of the revenue from the slots facility at Bangor Raceway is sliced up between Bangor, Scarborough Downs, and nine county fairs—based on the number of races at each facility—and the Sire Stakes.

Recent legislation in New York has breathed life back into racetracks which were struggling. Before the new legislation, the racetrack’s share ranged from 29 to 32 percent and were on a sliding scale that decreased the percentage as VLT revenue surpassed the $50 million plateau.

Now the only tracks on a sliding scale are Vernon Downs (starting at 42 percent), Tioga Downs (40 percent), Batavia Downs (36 percent) and Buffalo Raceway (36 percent). But it is doubtful that those scales will slide since none of those tracks has ever surpassed $50 million in VLT revenue during a fiscal year.

Due to other new provisions in the law, Monticello Raceway and Saratoga Gaming and Raceway will receive a flat 32 percent and Yonkers will get 34 percent until its debt service is paid off. Then the percentage will drop to 31 percent for twice the time it took to settle the debt service, and finally settle at a flat 32 percent.

The New York legislation sets the percentage of VLT net win for purses at 8.75, but leaves the door open for horsemen and tracks to negotiate that percentage up or down. All tracks will receive 10 percent of the net win specifically for marketing, except for Yonkers which will receive eight percent. The New York Lottery receives 10 percent for administration fees.

The law went into effect with the beginning of the new fiscal year in New York on April 1. The purse percentages, however, will not take effect until the respective contracts between the horsemen and the tracks expire.

One can argue whether the implementation of slots at racetracks is a band-aid or the savior for the harness racing industry. It’s probably both. But for now, racinos are reviving the sport.

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**DIGGING FOR DATA**

The statistics for this story came from several sources. Executives of the horsemen’s associations and administrative personnel from the individual racetracks supplied figures on handle, race dates and the splits between the racetracks and horsemen. Gross purses were obtained from the Trotting and Pace Guides of the U.S. Trotting Association, which generated them from their database of races. The website of the New York State Racing and Wagering Board provided handle figures for New York tracks through 2006 while track officials supplied the 2007 figures. Casino figures were gleaned from officials or the websites of the individual state gaming authorities. They include: the Delaware Lottery, Iowa Racing and Gaming Commission, Florida Department of Business and Professional Regulation, Division of Par-Mutuel Wagering, New York Lottery, Pennsylvania Gaming Control Board, Maine Gambling Control Board and Ontario Lottery Gaming OLG. Additional information was obtained from the California Gambling Control Commission and the HJA Services.
SLICING THE PIE — THE PERCENTAGES

Track, Purse, Operator, State/Others

Battavia Downs®
Buffalo Raceway®
Dover Downs
Harrington Raceway
Mohawk Raceway®
Monticello Raceway®
Pompano Park
Saratoga®
The Meadows
Toga Downs®
Vernon Downs
Woodbine Racetrack®
Yonkers Raceway®

*10 percent split between Bally’s Raceway, Scarborough Downs and other county tracks based on a number of horses raced; 3 percent for Sires Stakes. *Split between eight limits, including the state’s General Fund. *Figures for all and contracts, net new legislation. *Comes from operator’s site and includes 1.25 percent for MTSF. *10 percent to the Lottery Commission, the rest to the state’s education fund. *10 percent to the operator. *Figures for all and contracts, net new legislation. *Figures for all and contracts, net new legislation. *Comes from operator’s site and includes 1.25 percent for MTSF. *10 percent to the Lottery Commission, the rest to the state’s education fund.

NEW YORK—new percentages (average for all tracks)

State  Operator  Purses  Lottery  Marketing

NEW YORK—old percentages (average for all tracks)

State  Operator  Purses  Lottery  Marketing

SLOTS REVENUE HISTORY

Track, Date, Slot Machines/Beginning Year:
Battavia Downs/April 2005
Buffalo Raceway/March 2004
Dover Downs/Dec. 1995

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HARRAH'S CHESTER/JAN. 2007
HARRINGTON RACEWAY/JULY 1996
MOHAWK RACETrack/AUG. 1998

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<th>Year</th>
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THE HORSEMAN AND FAIR WORLD  April 30, 2008
Good Morning Chairman Whelan and members of the Senate Wagering, Tourism, and Historic Site Committee.

My name is Stephen Dey II. I am a lifelong resident of Upper Freehold Township, the standardbred horse capital of the United States of America in Monmouth County. I have been a practicing equine veterinarian for forty six (46) years and the Dey Family has a standardbred nursery consisting of 504 farmland preserved acres.

I will be covering the issue of open space in New Jersey as a result of major decreases in race funding since 1990. I have been heavily involved in promoting the equine industry since the mid sixties starting with the New Jersey Breeder Awards program and then the creation of the Sire Stakes Program in the early 70’s.

New Jersey became the pinnacle of standardbred racing in the late 70’s and 80’s because of the Meadowlands Race Track and the New Jersey Sire Stakes Program. As a result of these innovative programs four of the top stallions in the standardbred industry stood in New Jersey in 1990.

The best way to explain the loss of open space in New Jersey is by showing the loss of racing days and purses by the following examples:

1. Stallions standing in New Jersey in 1984 = 130
   Stallions standing in New Jersey in 2007 = 17
2. Foals born in New Jersey in 1984 = 3800+  
   Foals born in New Jersey in 2007 = 1518
3. There were 28,500 acres devoted to equine activities before 1966  
   1967-1976 – 24,500 acres converted  
   1977-1981 – 23,000 acres converted  
   1982-1984 – 21,500 acres converted  
   1985-1987 – 22,500 acres converted  
   This is a total of 128,000 acres – Today we have 175,000 acres of which 96,000 are equine related acreage.

4. 60,000 Equine – 1986  
   42,500 Equine – 2006

5. Total acreage of equine operations in 1996 = 166,000 acres  
   Total acreage of equine operations in 2006 = 176,000 acres

   Total value of Sire Stakes Breeding program – 2007 - $6 million

7. In Upper Freehold Township alone there are 3,190 acres devoted to the breeding nurseries.

Breeder Awards, Sire Stakes money, New Jersey Bred Races, and large purses are the impetus for purchasing New Jersey Bred yearlings and without a strong yearling market the breeding industry is seriously suffering from this scenario now.

The bottom line is without a steady revenue stream for racing in New Jersey there will be significant equine acreage lost in the near future which will result in significant loss of open space.
The Council on Compulsive Gambling of New Jersey, Inc.

Senate Wagering, Tourism and Historic Preservation Committee
May 9, 2008 Public Hearing on the Horse Racing Industry

Statement of Donald F. Weinbaum, Executive Director,
Council on Compulsive Gambling of New Jersey, Inc.

Good Morning Chairman Whelan, Vice Chairman Gordon and Committee Members:

On behalf of The Council on Compulsive Gambling of New Jersey, Inc., I would like to extend our appreciation for the opportunity to share information with the Committee regarding horse racing and gambling in our state. The Council is a not-for-profit (501c3) corporation, created in 1982 at the behest of the New Jersey Department of Health. The Council conducts education, prevention, outreach and referral services for people affected by compulsive gambling and has been actively involved in serving New Jersey’s citizens for more than 25 years.

The Council on Compulsive Gambling of New Jersey, Inc. is neutral on gambling: we do not oppose it or support it. Rather, our mandate is to advocate for compulsive gamblers in New Jersey and for those who are affected by their gambling. The Council owns and operates the 1-800-GAMBLER© HelpLine, which is available 24 hours a day/7 days a week to gamblers, their families and persons seeking information on treatment and other resources. The Council also created and maintains the www.800gambler.org website, which received almost 1 Million hits last year.

Additionally, the Council manages and oversees a limited network of compulsive gambling treatment services that includes 12 providers at locations across the state. Only $301,000 in State funding is currently allocated for support of treatment services. In this regard New Jersey lags behind most large states, some of which have committed $3 Million to $10 Million to address compulsive gambling.

The Council is concerned that the number of gamblers seeking treatment has increased significantly in recent years. Total treatment sessions provided have also increased, from 2236 in Fiscal Year 2006 to 2686 in Fiscal Year 2007. In the first 10 months of Fiscal Year 2008, there have already been 2509 therapy sessions provided to compulsive gamblers and their families.

3635 Quakerbridge Road, Suite 7 • Hamilton, NJ 08619
1-800-GAMBLER© • Fax: 609-588-5665 • Phone: 609-588-5515
www.800gambler.org
At present, demand for services exceeds available funding, resulting in some gamblers receiving less care than necessary or being unable to access treatment. We have estimated that there are 350,000 problem and compulsive gamblers throughout New Jersey.

**Horse Racing and Compulsive Gambling**

It is noted that by statute the racetracks (in their role as Off-Track Wagering operators) contribute $200,000 towards prevention, education and treatment for compulsive gambling, which helps to support Council activities in these areas. The Legislature is to be commended on its efforts to establish this funding stream, but it is not sufficient for servicing the growing number of problem and compulsive gamblers. As gambling opportunities increase it will be necessary to increase the monies available for treatment of compulsive gambling.

At one point, racetracks in New Jersey included Monmouth Park, The Meadowlands, Garden State Park, Freehold Raceway and Atlantic City Racetrack. Today this number has essentially dropped to three, as Garden State is longer in existence and Atlantic City has greatly reduced its operations. Recently, the advent of Off Track Wagering (OTW) outlets has increased the availability of betting on horse races. Vineland and Woodbridge have been in operation since 2007, and Toms River OTW has recently opened.

The Council is concerned that these added opportunities to gamble may entice new horseplayers, which may lead to a growth in the number of compulsive gamblers. In addition, the accessibility and availability of these Off Track Wagering sites may be a relapse trigger for recovering compulsive gamblers, especially those who are in early recovery. Of note, there are three Gamblers Anonymous meetings a week in Toms River; the new off track sites in that area could constitute a real temptation for recovering gamblers.

Research has demonstrated that expansion of legalized gambling in the 1980s and 1990s was followed by significant increases in problem gambling in the United States (National Research Council 1999; Shaffer, Hall and Vanderbilt, 1997). Studies also have shown that living within 50 miles of a gambling venue is associated with a 50% higher rate of pathological gambling (National Gambling Impact Study Commission 1999). A positive relationship was observed between prevalence of problem gambling and the existence of a casino within 10 miles of the gambler’s home (Welte 2004). These studies looked specifically at casinos, but the findings suggest that similar changes could occur with expansion of off-track wagering.
Responsible Gaming

The NJ Racing Commission implemented a self-exclusion program for compulsive gamblers in 2005. This program, which is not well known, currently includes 34 gamblers and allows listed individuals to bar themselves from racetracks and off-track wagering facilities for a minimum of one year. A similar program implemented by the casino industry includes about 700 gamblers. The Racing Commission and Council on Compulsive Gambling of NJ are currently working together to increase awareness of the racing self-exclusion program among problem and compulsive gamblers.

The Social Costs of Compulsive Gambling

The social costs of compulsive gambling are not always easy to recognize, but ever present nonetheless. Illegal activity committed by the gambler can include bad checks, embezzlement, credit card theft, etc. Compulsive gambling also has a significant impact upon employers due to missed work, tardiness, decreases in productivity, forced terminations and unemployment compensation. Compulsive gamblers sometimes find themselves filing for bankruptcy. As with other addictions, compulsive gambling can lead to the break down of families, affecting children, spouses, parents and others close to the gambler.

Beyond the personal impacts, acts of compulsive gamblers behavior have a larger and less visible cost to our State. Many of these consequences can result in compulsive gamblers and their families becoming involved with the justice and correctional systems. Civil courts need to deal with the effects of divorce and bankruptcy. Law enforcement, criminal courts and the correctional system must respond to illegal acts of the compulsive gambler, which can vary in severity from theft by deception to violent crimes. It is estimated that 20-25% of current residents in correctional facilities committed crimes that were directly related to a gambling problem or addiction.

Future Directions:

The following recommendations should be considered as the State reviews the status of the horse racing industry, other forms of gambling or gaming, and any proposals for changes in types of wagering:

- Language providing for compulsive gambling prevention, education and treatment should be included in any legislation furthering the expansion of gambling or gaming within New Jersey.
- A portion of gaming revenue from new outlets should be dedicated to gambling prevention, education and treatment services.
There is a critical need for increased monies for treatment, intervention and referral services for gambling addiction, which will only get worse as the amount of gambling increases throughout the state. Simply put, more opportunities to gamble mean more persons will develop gambling problems.

In summary, compulsive gambling in New Jersey cuts across all sectors of the population and all forms of gambling. It is a hidden cost and has a significant impact on individuals, families and communities. Addressing it will be a challenge, but one that can be met with adequate resources and the support of the Legislature.

The Council on Compulsive Gambling of New Jersey is committed to serving our state’s residents and will be pleased to help in any way needed.

Donald Weinbaum  
Executive Director  
Council on Compulsive Gambling of New Jersey, Inc.
New Jersey Senate Committee Hearing at Monmouth Park, May 9, 2008

My name is Tom Charters and I am President and CEO of the Hambletonian Society. I thank you for allowing me to address this committee.

The Hambletonian Society was formed in 1924 to encourage and support the breeding of Standardbred racehorses by sponsoring stake races and other special events. Our primary responsibilities today include the management of 118 of harness racing's most important events at 16 North American tracks, including the 46 races which the Society owns. From an administrative standpoint this includes the collection and distribution of over $15 million dollars last year, as well as overseeing the payout of more than $29 million in purses; two-thirds of that money provided by Standardbred horse owners themselves.

$5.2 million of that includes the 22 stakes we conduct in New Jersey.

25 years ago, when the Hambletonian Society created the multi-million dollar Breeders Crown championship series, they opened an office in New Jersey. New Jersey was then the nexus of the harness racing world, with a flagship track of the Meadowlands, and satellite racetracks in Freehold and Cherry Hill, as well as one of the most powerful equine economies in North America. About ten years later, the Society moved its entire operation to NJ from Lexington, Ky., and currently has an office and seven employees in Cranbury.

The cornerstone events owned by the Society, the $1.7 million Hambletonian and $6 million Breeders Crown series are deeply rooted in NJ racing. The Hambletonian race carries with it an economic impact that goes far beyond bearing the richest purse in harness racing. The event, now in its 83rd year, has been hosted by the Meadowlands longer than any other host track - 27 years. The race is simulcast internationally, attracts corporate sponsorship and participation, has been actively involved with the NJ Tourism board in promoting NJ events, and is broadcast on NBC as a New Jersey showcase. The Hambletonian Festival has expanded to include a week of events that range from a parade in the town of Rutherford to a charity golf tournament in Montclair, one of the top-rated veterinarian seminars in the country. It is a week of championship racing that fills the hotels, restaurants and retail stores in the state as racing fans and participants gather from around the world.

That Hambletonian Day itself averages 29,000 people and wagering in recent years topped $8 million ranks as the single most important day in harness racing – because of the state’s tremendous horse population and ancillary economy, as well as The Meadowlands commitment to remaining the number one harness track in the country with an unmatched supporting program.

There have been 274 Breeders Crown races worth more than $136 million since 1984. NJ has hosted 79 of those races and because of The Meadowlands ranking as the number one harness track in the world, is currently the exclusive U.S. partner having hosted the Breeders Crown every year since 1996. I could go on and on listing the number of Breeders Crown and Hambletonian champions bred, owned or trained in NJ, and the importance of the underlying economies that depend on the NJ racing industry but others have done that.

Finally, I will say that we have a contract with The Meadowlands for the Breeders Crown through 2009 and for the Hambletonian until 2012, because we have an extraordinary investment in the future of equine industry in NJ. We don’t want that to disappear.

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