
Public Hearing

before

SENATE WAGERING, TOURISM AND HISTORIC PRESERVATION COMMITTEE

"Testimony from invited speakers regarding the horse racing industry in New Jersey"

LOCATION: Monmouth Park
Ocean Port, New Jersey

DATE: May 9, 2008
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Jim Whelan, Chair
Senator Robert M. Gordon, Vice Chair
Senator John A. Girgenti
Senator Jennifer Beck



ALSO PRESENT:

Gina Marie Winters
*Office of Legislative Services
Committee Aide*

Sonia Das
*Senate Majority
Committee Aide*

Christine Shipley
*Senate Republican
Committee Aide*

*Hearing Recorded and Transcribed by
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SENATOR JIM WHELAN (Chair): Good morning.

Thank you all for coming.

We're running a few minutes late, but that's not bad for Trenton time -- those of you who are familiar with the schedules there.

Unfortunately, we were trying to wait for Senator Beck, but she has an emergency that has come up. She will be here in a little bit. But rather than delay too much longer, we wanted to get started, in part because we know that Monmouth has a post time of 12:50. Is that right? (affirmative responses) We were hoping to end by noon, but again that may be Trenton time, so that may get pushed back to 12:15, or 12:30, or so -- but plenty of time to get your bets down for the first race.

This is, obviously, the Tourism Committee. And in a way, I guess, the members and myself have agreed to occasionally take the tourism group on the road. That seems appropriate. We did one of these at the Tourism Conference in Atlantic City. We're here. Maybe in the future we'll be-- I know the folks at Ellis Island have made a request for us to go up there.

SENATOR GORDON: I would suggest the Meadowlands Race Track.

SENATOR WHELAN: The Meadowlands. And I'm sure Dennis Robinson would be willing to host us.

And today's hearing-- Again, as most of you know, we don't really have specific legislation that is in front of us. We had made a commitment -- all of us on this Committee and, I think collectively, those concerned on this issue of the horse industry in New Jersey -- the racing industry in New Jersey -- that we would not just pass the bill on the \$90

million subsidy from the casinos, and then forget about it for three years and come back three years from now and have another crisis; but rather, we would come back and try to generate some ideas and see what we can do to be ready so that, three years from now, we don't have another sky-is-falling scenario.

So with that, we are here. And what we have done-- We had a huge number of folks who had asked to testify. And unfortunately, we apologize to those who we were not able to accommodate. We were just not able to get everybody on this list. We tried to make it a representative list of folks who are involved in this issue in various capacities.

With that, we will get started. And to lead us off will be Dennis Robinson, the Executive Director of the Sports and Exposition Authority; and Frank Zanzuccki, the Racing Commission.

If you gentlemen could come up and--

D E N N I S R. R O B I N S O N: Welcome Chairman Whelan and members of the Committee.

Welcome to Monmouth Park.

It seems like this is where we ended last year's racing season, kind of on a rainy day, unfortunately. But given the fact that even in this industry I'm a glass-half-full kind of guy, I kind of look at it as rain on your wedding day. Hopefully it will be good luck for this racing season.

Today 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 Sports Complex. However,

today I want to focus on an industry in need of its own renaissance, and maybe in need of some revolutionary thinking at the industry and State levels.

Luckily for New Jersey, you can still enjoy the history and majesty of this great facility, the beauty and athleticism of thoroughbred race horses, the exceptional grounds, and the atmosphere of Monmouth Park -- combine to make perhaps a very unique and special experience unlike any other in New Jersey.

The awarding of the Breeders' Cup to Monmouth Park brought about a capital renaissance to this storied racetrack, as we made significant investments, from new racing surfaces to dramatically improved patron services. We know that the public has and will continue to enjoy the improvements we have made and will continue to make.

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

But as we have discussed, Mr. Chairman, we know this is only a three-year window. Any industry needs continuing, long-term investment to survive and prosper, as you know from the significant investments that have been made in Atlantic City over a long period of time -- including my first foray at the Sports Authority, when we were part of helping bring the Atlantic City Convention Center and Boardwalk Hall to fruition. And actually, that long-term vision of actually connecting the Convention Center to the Boardwalk actually did, in fact, come true.

Horsemen and track operators both have substantial capital needs to stay competitive. We simply cannot expect, in this industry in New Jersey -- to invest in this industry in New Jersey when uncertainty waits a short three years away.

Honestly, what truly needs a transformation is our collective approach to the racing industry. As I said before, I'm a glass-half-full guy, so let's look at some of the positive things first. 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 annual purse subsidies is absolutely critical to keeping racing viable for the next three years. Additionally, off-track wagering facilities at Favorites, Toms River, are doing extremely well, and we have made substantial progress in siting our next facility. It is the highest priority of our racing management to get the Authority's OTWs up and running. The OTWs 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's certainly not alone among American industries today. 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 today's age, such as comfortable off-site facilities, the Internet, and account wagering. It is our job to better distribute the product, and we are certainly committed to doing so.

If the Kentucky Derby is any indication, our distribution strategy is in fact working, as we set records for combined wagering at the Meadowlands; Monmouth; Favorites at Woodbridge; as well as through

4NJBETS, our Internet platform; as well as phone wagering. But we need the partnership between government and the industry 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.

Of course I don't want to speak for Dennis Drazin, but he made a very interesting comment in a recent op/ed piece in the *Asbury Park Press*, as he said, "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 equally for racetrack operators. You know, it seems at some times racetrack operators get lost in this discussion over purse supplements. Our facilities require significant investment: capital investment to maintain, investment for personnel, for customer service training, and to enhance the customer experience.

We're certainly thankful for the hard work of the Governor and the staff in the Committee to facilitate an agreement between the casinos and racetracks. However, I am more grateful about your commitment to help us start now -- and I mean now -- on a long-term industry plan. We can't wait until the expiration of this agreement to try to figure out what we're going to do. As soon as we get our agreements signed, the purse supplement put to bed, and agreements with the horsemen, we have to

begin now, planning for what we're going to do when the three-year deal expires.

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 our OTW network. Jobs mean more State revenue, and more State revenue means a better quality of life for all New Jerseyans. 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 VLTs. 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 the industry and improving physical plants. With increased purses, improved physical plants -- without increased purses and improved physical plants, competition for horses 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 all forms of gaming in New Jersey.

My intent is not to stand up here and offer a doom and gloom. And it's not doom and gloom. I do believe that we control our future. While the introduction of VLTs 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 ensure the future success of racing. And 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, 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.

I thank you for this opportunity. I hope you enjoy your day at Monmouth Park. And I hope you go home winners.

Thank you very much.

F R A N C E S C O Z A N Z U C C K I: Chairman Whelan and members of the Committee, thank you for this opportunity to provide an overview of the Racing Commission and its role in regulating horse racing in New Jersey.

By statute, the composition of the Racing Commission includes nine individuals who are appointed by the Governor, with the advice and consent of the Senate. The current commissioners are James Aaron, Anthony Abbatiello, Anthony Caputo, Peter Cofrancesco, Noel Gross, Francis Keegan, Edward McGlynn, Daniel Monaco, and Chairman John Tucker.

The day-to-day operation of the Racing Commission is the responsibility of an Executive Director and his staff. The Commission currently employs 69 full-time and 19 part-time employees.

The New Jersey Racing Commission is charged with regulating horse racing and pari-mutuel wagering in New Jersey. Pari-mutuel wagering is a system of wagering where patrons bet against themselves as opposed to the house or casino. Odds are determined by the amount of money bet on each horse. The race track deducts approximately 20 percent of the total

dollars wagered to pay purses and operating expenses, and the remaining 80 percent is returned to the patrons in the form of winnings.

The Commission collects and distributes industry-related revenues pursuant to law; supervises pari-mutuel operations of the four state racetracks and the Mount Holly data center; jointly regulates casino simulcasting along with the Casino Control Commission and the Division of Gaming Enforcement; grants permits to racetracks to conduct the running of thoroughbred and harness race meetings; approves in-state simulcasting, out-of-state commingled simulcasting, and casino simulcasting to pari-mutuel wagering facilities in New Jersey. The Commission also allots annual race dates to the state's four racetracks. It licenses, fingerprints, photographs, and screens all personnel working for or connected with track operations, including management, horsemen, owners, and prospective stockholders. It oversees the actual conduct of races, supervises the extraction of fluid and blood specimens from horses for chemical analysis, and conducts investigations and hearings into matters potentially affecting the integrity of the sport.

In 2001, legislation known as the Off-track and Account Wagering Act became effective. The Legislature determined that the New Jersey Racing Commission is best suited to oversee, license, and regulate off-track wagering and account wagering in the state, and that the New Jersey Sports and Exposition Authority, by virtue of its experience in the operation of pari-mutuel wagering facilities and other entertainment-related projects in this state, is particularly well-suited to coordinate with the other parties to promote uniformity and success of off-track wagering throughout the state, and to ensure the fiscal soundness and technical reliability of an

account wagering system. Account wagering actually began in January 2005, and the first off-track wagering facility opened in March of 2007 in Vineland, followed by Woodbridge in October 2007, and Toms River on April 29, 2008.

The Commission no longer operates with a State appropriation. It receives receipts from licensing fees and in-state, uncashed pari-mutuel tickets, which totaled approximately \$800,000 in fiscal 2008. The racing industry is assessed the remaining cost of regulation consistent with the provisions of the Act, and the Commission's overall operating budget in Fiscal Year 2008 was approximately \$9.5 million.

Standardbred and thoroughbred racing is conducted at four racetracks in New Jersey. They are: Atlantic City, Freehold Raceway, Monmouth Park, and the Meadowlands Racetrack. A number of races of national interest are conducted throughout the year, including the Hambletonian, held at the Meadowlands Racetrack; and the Haskell Invitational, at Monmouth Park.

In October of 2007, the Breeders' Cup was held at Monmouth Park. The Breeders' Cup is considered equivalent to the World Cup or the Super Bowl, in terms of the significance of the event. The best horses in the world competed in 11 races for purses totaling \$23 million. Hosting the Breeders' Cup was truly a monumental occasion for the State of New Jersey. The Meadowlands is recognized as the most prestigious standardbred racing facility in the nation, and Monmouth Park's seasonal meet ranks among the top venues for quality thoroughbred racing in North America.

The Racing Commission employs an in-house investigative unit, which is responsible for assisting in maintaining the integrity of the sport.

The group conducts inquiries on potential licensees, administers license checks or sweeps at racetracks, investigates racehorse abuse complaints, inspects licensed off-track farms where racehorses are situated, provides testimony in litigated matters, and assists other law enforcement authorities and the track security units in conducting their duties.

The Commission appoints racing officials to represent the Commission at the various tracks. In addition to issuing fines for ruling infractions, the stewards and judges monitor every horse race run in New Jersey, rule on matters affecting the integrity of racing and licensing matters by aggressively pursuing all violations of the Commission's rules and regulations.

Commission veterinarians inspect each and every competing horse prior to the race to ensure they are racing sound.

The Commission also engages engineers and fire inspectors to conduct safety checks at all licensed facilities prior to the opening of each race meet.

Pursuant to the 1992 Casino Simulcasting Act, the Commission allocates money accumulated in the Casino Simulcasting Special Fund. During 2007, the allocation totaled in excess of \$1.8 million. The Fund, administered and distributed by the Commission, was created to financially assist racetracks who have been negatively impacted by casino simulcasting, racetracks that are financially distressed, and to assist horsemen's organizations fund programs to benefit the industry. To date, a total in excess of \$21.4 million has been distributed for these purposes.

The New Jersey Racing Commission, pursuant to Chapter 19, Public Laws 1986, administers the Breeders' Award Program, developed for

the purpose of improving and promoting breeding for thoroughbred horses in New Jersey. A percentage of the pari-mutuel betting handle and 50 percent of the in-state unclaimed or expired winning tickets is used to support this program, which is also supplemented by contributions from the two New Jersey Sports and Exposition Authority tracks, namely Monmouth Park and the Meadowlands Racetrack.

The Commission also administers what is known as the Backstretch Improvement Fund. The Commission reviews and approves expenditures from this Fund to assist racetrack backstretch workers who are employed by trainers to care for the horses. All fine revenue generated by the Commission is directed to this Fund. The 2008 Backstretch Program budget totaled \$254,000.

As mandated by statute, the Racing Commission annually allocates racing dates where certain racing-related proceeds are dedicated to benefit New Jersey's developmentally disabled, the Horse Park of New Jersey, and the Backstretch Benevolence Program. A total of \$300,000 was generated in 2007 for these purposes.

Pursuant to statute, the Commission also collects funds to be distributed to qualified municipalities to offset increased expenses from the operation of racetracks located in their areas.

Mr. Chairman, thank you again for this opportunity.

Should you have any questions, I'd be glad to try to answer them at this time.

SENATOR WHELAN: Thank you.

Questions?

Senator Gordon.

SENATOR GORDON: Good morning, and thank you for your presentation.

Mr. Robinson, you alluded to VLTs as one possible avenue to try to expand the market. Are there other things, particularly things the Legislature can do, to try to support this industry?

MR. ROBINSON: Well, you know, I think -- I certainly think it can. I think it's really open to our creativity and imagination. Obviously, New Jersey is a very unique state when it comes to gaming, vis-à-vis say Pennsylvania, Delaware, or New York, in terms of the complexity of the gaming industry here in New Jersey.

I don't think there's any question the Legislature can be supportive. And, in fact, provided it wants the industry to survive long-term, it will have to be supportive. Because without some form of support, whether its VLTs or other options, there is no way this industry can survive with one game of chance. And that's what we're talking about here. We're talking about the lottery, the casinos having multiple opportunities to appeal to their gaming public. The racing industry is -- has one game of chance. And it's very difficult to compete in the gaming industry, the way it exists in New Jersey, on one game of chance. It's kind of like Coca-Cola being in the Coca-Cola business instead of being in the beverage business. If all they sold was Coke, they'd be bankrupt. Right? Instead of being in the water business, or the orange juice business, or what have you-- They're smack in the beverage business, and we're smack in the gaming business. And given one game of chance, it's very difficult to compete in the gaming market as it exists today.

So I think there just has to be that reality -- is that racing is at a competitive disadvantage to compete in the gaming industry as it exists today. Back when it was virtually -- had a monopoly on legalized gambling-- In the '50s, and '60s, and '70s really, it was thriving, because it really had a monopoly on legalized gambling.

Obviously, that's no longer the situation today. So I think the solution has to reflect, really, the competitive nature of the industry that we're dealing with.

SENATOR WHELAN: Senator.

SENATOR GIRGENTI: Just one question, Mr. Zanzuccki, from the Racing Commission.

I remember reading earlier this week in the paper about -- you banned six horses for testing positive for performance-enhancing substances, because of the expanded ability to test randomly at the farm instead of only at the track.

What other measures like this are needed to ensure the integrity of the sport?

MR. ZANZUCCKI: We just have to continue our commitment to ensure the integrity by developing regulations, such as the out-of-competition testing regulation aimed at trying to stop the illegal use of these substances. Trying to stay one step ahead of the people who would engage in that type of activity is a constant challenge, and we are committed to doing that.

SENATOR GIRGENTI: Thank you.

SENATOR WHELAN: Senator Gordon.

SENATOR GORDON: Another question for Mr. Robinson.

Could you briefly tell us what's being done in nearby states by competitors, to give us some idea of what we're facing in the marketplace?

MR. ROBINSON: Sure.

What's happening in Pennsylvania -- has a well-developed off-track wagering marketplace, some of which are virtually on the New Jersey border. I think that's certainly had an impact. The racinos, with VLTs and so forth in Pennsylvania, have obviously had an impact on the gaming industry in general in New Jersey, not simply the racing industry. I think--

Let me digress a little bit. I think this situation in racing probably bodes a look at the entire gaming industry as sort of a strategic -- on a strategic level, because I don't think you can really talk about racing, as a singular form of gaming, without really factoring the casino industry and the lottery in all of this. Because it really is-- They're all connected, and they're all competitive. And I think we need to look at that from a strategic point of view, long-term.

But from the racino and the VLTs in New York and Pennsylvania-- Obviously, they've been able to increase their purse program substantially to the point that they're now, in some cases, equal to our purse program. And certainly without the purse supplement, we'd have no chance of even being competitive. And, of course, if you've read the *New York Times*, or the New York papers recently, there are discussions with the New York Racing Association, adding 4,500 VLTs to create almost a casino-like environment at Aqueduct Racetrack. And you can be sure that's going to cause another -- put us at another competitive disadvantage.

And it really comes down to: Are we going to be able to get the flexibility to actually compete in this business or not? And that, I think, is the threshold question that needs to be answered once and for all.

SENATOR WHELAN: We're going to try to move along to our next panel, but I just have a couple questions for our Racing Commission.

Did I hear you say you're not getting any State appropriations at this point?

MR. ZANZUCCKI: That's correct.

SENATOR WHELAN: Okay. So God forbid, in the event that we had a State budget problem like we experienced two years ago, what would the impact-- Would you continue to function?

MR. ZANZUCCKI: We would not. We would be required to adhere to the Governor's order to shut down operations. That's the stance that was taken previously. And as a member of the Department of Law and Public Safety, we would be compelled to adhere to the Governor's order.

SENATOR WHELAN: Let me ask you this on that: We've had some conversations -- I've had some conversations with the Casino Control Commission in trying to see if there's a way to allow the industry, in the event of that emergency-- And we're not anticipating that there will be one. I don't want anybody to get panicked here -- but to see if there's a way where the Casino Control Commission could establish guidelines that would let them self-regulate during that time of an emergency. Is that something that is worth exploring with the Racing Commission?

MR. ZANZUCCKI: It is worth exploring. But there are some very technical responsibilities that we have, unlike, I think, the casino

regulators. For example, the officiating of the races itself requires experienced, qualified individuals to do that. We hire veterinarians who review the physical makeup of each horse on a daily basis. Again, that is an important part of our regulatory process. It goes directly to safety. So to have someone else step in and do those types of things would be very difficult, I think, in this industry.

SENATOR WHELAN: Thank you.

Thank you, gentlemen.

MR. ZANZUCCKI: Thank you.

MR. ROBINSON: Thank you.

SENATOR WHELAN: We will continue to be in touch, both on that issue and a host of issues, with the Sports and Exposition Authority.

MR. ROBINSON: Thank you.

MR. ZANZUCCKI: Thank you.

SENATOR WHELAN: Karyn Malinowski, from Rutgers, is our next speaker.

Dr. Malinowski.

KARYN MALINOWSKI, Ph.D.: Good morning, Senator.

SENATOR WHELAN: Good morning.

I don't want to pick on you, but I said prior, we are going to try to move this along as much as we can. We have a lot of folks who want to speak, and we do want to meet post time. So we're requesting brevity, if we can.

DR. MALINOWSKI: As quickly as I can.

Good morning, distinguished members of the Senate Wagering, Tourism, and Historic Preservation Committee.

As Senator Whelan has already introduced me, I'm Karyn Malinowski, the Director of the Rutgers Equine Science Center at the New Jersey Agricultural Experiment Station.

And thank you, Ms. Winters, for the opportunity to address this board.

The Equine Science Center's mission is to ensure the well-being and quality of life of the equine athlete, but equally as important, it is to ensure the viability and vitality of the horse industry.

Horse racing and the horse industry are essential to the well-being of New Jersey in many ways. In 2006, I published a white paper, which is in the packet at your places, describing the delicate balance between the future of horse racing, the preserving of the entire horse industry in New Jersey, and the importance of that industry to traditional agriculture.

It may not seem obvious at first glance, but the equine industry impacts virtually every resident of the State of New Jersey by stimulating our economy, by preserving open space, by providing outdoor sport and recreation, by building a solid foundation for youth through 4H and Pony Club programs, and by providing mental and physical therapy to adjudicated youth and handicapped persons.

Let me share a few examples. We, hopefully, will make post time here at Monmouth Park. It's a wonderful Spring opening -- see some of the finest thoroughbred racing on the East Coast. But you also can be at other venues today that are impacted by racing and that show the top level of caliber of equestrian sport.

In northwest New Jersey, in Sussex County, the Garden State Horse Show -- the largest outdoor show in the State of New Jersey -- is currently underway: 1,500 competitors over five days, eight rings going on simultaneously, offering a \$50,000 Grand Prix show jumping event tomorrow afternoon with Olympic riders. Today, in Monmouth County, at our own Horse Park of New Jersey, the Jersey Fresh Three-Day event is going on. And again, Olympic selection committees from Canada and the United States are there to pick the people who will go to the Olympics in 2008.

Ladies and gentlemen, on any given weekend, at any given time, equestrian sport of this caliber is going on.

Today you will hear, and have already heard, articulate advocates who will address the important reasons why the casino and racing industries must partner to ensure the continuation of horse racing. You have heard some, and I hope you will hear more, 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 have heard the impact -- \$60 million, approximately -- of having the 2007 Breeders' Cup races here at Monmouth Park last Fall on the local, regional, and State economy. You will, I hope, continue to hear why the Legislature must insist that racing be promoted and nurtured.

However, Ms. Winters asked me to give you a brief overview of the industry as a whole.

Last year, the Rutgers Equine Science Center released the report, "The New Jersey Equine Industry 2007," the results of 18 months of work with a variety of partnerships through government agencies, private

individuals, and private organizations. It was the first of its kind, ladies and gentlemen, in that it really was an economic impact analysis. It was not like the previous censuses, which were just enumerations. And not only did we take a look at the economics that horses generate in the State of New Jersey, but we also -- equally important in the most densely populated state in the country -- we looked at the land metrics as well.

Very briefly, Senator Whelan, the horse industry is valued at \$4 billion. This includes the value of the horses, the land and facilities on which 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 impact, \$647 million is generated by horse and horse farm owners, including almost \$477 million annually of direct expenditures. Beyond those direct expenditures, there's an additional \$170 million of the ripple effect produced by those expenditures. Of that \$647 million, 43 percent is generated annually by racing-related operations, not including the racetracks -- 40 percent by nonracing operations and 70 percent by equine owners who do not own any facilities. The four racing venues in this state generate over \$500 million annually, not including, of course, the pari-mutuel handle.

In terms of the big picture, the horse industry is comparable to such other widely recognized sectors such as golf courses, landscaping, biotechnology, marine fisheries and aquaculture, just to name a few.

Regarding employment, almost 13,000 jobs are generated by our industry. Fifty-six hundred are direct jobs on equine farms and operations, 2,000 are direct jobs at our racetracks, and 5,000 reflect additional employment in related industries.

Those are the economic benefits of the horse industry to the State. But I think as we move, in a densely populated state, and we talk about quality of life -- and our residents have continued to talk about the importance of quality of life -- I'd like to move to the land metrics.

One hundred seventy-six acres (*sic*) of agricultural land are home to the 42,500 equine animals, nearly 30 percent of which are involved in racing-related activities. These animals are housed on 7,200 facilities in all 21 counties. Hunterdon County is our lead with 1,100 operations, followed by 906 equine facilities in Monmouth County. Those are our two leading counties, followed by Burlington, Salem, Sussex, and more.

In New Jersey, the total agricultural working landscape -- and what I mean by that are productive farms -- is estimated at 790,000 acres. That means, ladies and gentlemen, that one in five working agricultural acres are here because of the horse industry.

The horse industry continues to demonstrate that it is economically viable, because a number -- a remarkable number of today's farms, that were previously something else in agriculture, are still here because of the horse industry. For example, 24 percent were used for dairy or other types of livestock; and 13 percent were formerly in field crops, tree fruit, and vegetables.

Another important point is that, in addition to those 176,000 acres, 46,000 acres are still in traditional agriculture in hay, grain, and forage production, not because they have horses on them, but because they're here to feed the 42,000-plus horses we have in the State of New Jersey.

Horses and horse-related operations compare favorably to other types of open space in our state, such as Federal recreation acres, 109,000; Federal forest and wildlife acres, 112,000; State and local land trust acres, 213,000; and overall Green Acres land, 600,000. The best part is, these equine-related acres cost nothing to the New Jersey taxpayers. They, in fact, generate \$160 million annually in local, Federal, and State taxes. To me, this is a win-win for the State 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 our neighboring states that have added gaming operations to their racing venues, any further erosion of racing in New Jersey will have disastrous consequences not only on racing, not only on our economy, but on the rest of the horse industry as well.

Let me give you some examples of that -- if racing does not get the shot in the arm that I hope this Committee will push forward in the next several years.

Sport competition and recreational horse owners stand to suffer as well, as will those traditional grain farmers who are still in business because horse owners are their primary customer. The New Jersey Equine Advisory Board's annual budget, which supports things like the Horse Park and the Jersey Fresh event that's going on today -- percent of their -- their budget is correlated to a percentage of the pari-mutuel handle from racing. In 1990, their budget approached \$500,000. It has declined to a new low in this fiscal year of \$322,000.

And as the State talks about economic growth and retention -- we do at Rutgers -- the retention of our best and brightest, the future of young people who might think about making a living in the horse industry in New Jersey might just say, "Why should I stay?"

The top-shelf level of services that New Jersey horse enthusiasts have come to expect, such as these wonderful equine veterinary clinics -- like the New Jersey Equine Clinic, Mid-Atlantic, Dr. Hogan's new clinic that she just opened two weeks ago in Cream Ridge -- and feed and supply stores -- all of these are at risk. Because while they are frequented and supported by sport-horse and pleasure-horse owners, a predominant economic cash flow to those businesses is from the racing industry. Personal communication with Mr. Rick Wills, who owns Rick's Saddle Shop, feed and grain store in Cream Ridge, a new store -- a very large store -- has estimated that 35 percent of his sales of feed go to the horse racing industry. The entire infrastructure supporting all segments of the industry is in jeopardy.

The Equine Science Center believes, in closing, that the State of New Jersey -- where there are still more horses per square mile than 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, ag and food industries, and health care; but not equine. We implore you, this needs to change.

Beyond, we hope, the discussion on this casino racing industry supplement for purses, again we hope that the contract finally comes to a final agreement.

And 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, to do research and marketing analyses, and to increase the public awareness of the value and impact of the horse industry.

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

And the Equine Science Center, Senator Whelan, will be committed to assist this Committee in any other work that needs to be done to make sure the industry that I love continues to go on.

Thank you.

SENATOR WHELAN: Questions?

Senator Gordon.

SENATOR GORDON: Thank you, doctor, for your testimony.

I wondered if you could outline, briefly, what kinds of public policies are needed to support the industry, to reverse the decline? What can we do to find that long-term solution?

DR. MALINOWSKI: I think what has happened, Senator Gordon, is in times of less money I think the first thing to go is marketing and promotion. And I think marketing to the general public about the wonderful opportunities that they have at these venues is something that needs to be done.

I concur with what Mr. Robinson said, that the facilities certainly need a shot in the arm, capital improvements, so that people, once

they hear about this new opportunity, they will be interested and willing to come and return because the experience is so positive.

I certainly think that expanding the gaming opportunities for a husband and wife, for instance, is something that should be done. And I think the industry has not done a great a job at looking at other people. If we go to the racetrack, we certainly all know what the demographics of the attendees look like. I think we need to do a better job getting young people in, making it a date night again; getting women in; getting people of other ethnics groups as well.

An example to that point: About five or six years ago I was at the Meadowlands. And my favorite place to sit on a Summer night is Paddock Park on the turn as the horses come around. And there was a group of young women in their 20s, obviously having a wonderful time. And, of course being a little bit nosy, I went over and introduced myself, and asked them -- it didn't seem that they were betting that much -- what they were doing. And they said, "Well, I met my boyfriend here, and I'm getting married tomorrow. And we decided -- the girls -- to have a girls night out as the boys went to the bachelor party. And we were sitting on a blanket and having a good time." And so I started talking about the horses, and got a program and talked to them a little bit about handicapping, and they were there long after I left.

So I think we need to do a better job. But again, it takes a long-term commitment of dollars to be able to do that.

SENATOR GORDON: Thank you.

DR. MALINOWSKI: You're welcome.

SENATOR GIRGENTI: Just one question. How does your Center interact with the different industry associations and the horse owners themselves? Are you like a resource to them?

DR. MALINOWSKI: Yes, Senator Girgenti, we certainly are. We are, for the most part, a silent partner in a lot of these things. But again, our slogan of “better horse care through research and education”-- We have a very interactive Web site. A lot of our information is on that. We attend a very close relationship with the harness industry, with our racetracks, with the thoroughbred folks, with the New Jersey Equine Advisory Board. We sit on that Board with the Department of Ag. The Farm Bureau is a partner at the Equine Science Center. So it really is a wonderful--

If it wasn't for that partnership, Senator, we never would have been able to pull off that study.

SENATOR GIRGENTI: Thank you.

SENATOR WHELAN: Anything else? (no response)

Thank you, doctor.

DR. MALINOWSKI: Thank you.

SENATOR WHELAN: We appreciate you being here. We look forward to working with you.

Next we have a thoroughbred panel. I'd like to call Dennis Drazin, Michael Harrison, and Barbara DeMarco -- New Jersey Thoroughbred Horsemen's Association, Thoroughbred Breeders' Association.

Again, please don't take offense, but we're asking you to be as brief as possible.

BARBARA DeMARCO: I'm going to be very brief. I'm going to introduce my two presidents, say good morning to you, thank you for coming to Monmouth Park.

To my left is Dennis Drazin. He is the President of the New Jersey Thoroughbred Horsemen's Association, which represents the owners, trainers, and takes care of our backstretch personnel. And on my right is Michael Harrison. He is the President of the Thoroughbred Breeders' Association of New Jersey. And they represent our breeding segment of our industry.

And I'm going to turn the microphone over to Dennis first.

DENNIS A. DRAZIN, ESQ.: Good morning, Senator Whelan, honorable members of the Committee.

As Barbara told you, I'm President of the New Jersey Thoroughbred Horsemen's Association. I'm an attorney by profession. I'm also a thoroughbred owner and breeder, not only in New Jersey but in other states. My family's been active in the business since the late '50s, and I've been engaged in the business since 1981.

I would tell you that in order to adequately give you a recap of New Jersey racing, and it's past, and it's future would take me much longer than we have. So I will try to be brief. But I think any discussion on the future begins with the past.

And I've been actually doing the legal work, and working with the Legislature in this capacity, for the horsemen for 10 years now. And the industry has learned from mistakes in the past, and we're trying to go forward. And I think the most important thing that I can say, which I'm sure others will agree with, is that we've learned from the past that when

we're not on the same page, you cannot accomplish anything. You have to bring the industry together, and everybody has to take their individual interests, wants, and desires, and try and blend them into what's good for the industry.

When we come to you, as legislators, and ask you to help us, if we're all sending different messages you really can't help us. And we can spend a long time arguing about issues that don't matter in the long run, all trying to get to the same objective, but never quite getting there.

So, in 1998, 1999, and 2000, we came together, and we tried to develop a plan. And all of you helped us. We've had tremendous support, and I must thank you and others -- from the Senate, from the Assembly, and from the governors over the years. They've been very supportive of the industry.

And what happened is that we came together and we developed a plan. And that plan was to develop the off-track wagering system and the account wagering system in New Jersey. And you passed legislation in 2001, and you expected 15 OTBs to be built. You had representations from many parties as to the projections that that would generate in revenue -- the horsemen, in this year, would be receiving \$20 million from purses the owner-operators will be receiving \$40 million to go toward their capital improvement profits and anything else that they wanted. And they weren't built. And the Legislature, on various occasions, called the leaders down and said, "What's going on?" And they got answers, and they got promises, but they still weren't built. And when I listened to Mr. Corbo, of the Casino Association, I must tell you, when I see his articles, I disagree with most of what he says. But one thing I do agree with is that one of the

problems with the industry is that we came together with a plan, you supported us, and those charged to implement the plan did not do their job. And there are a lot of reasons why, and I won't get into all of them. But I will tell you right now, you have a leader at the Sports Authority named Dennis Robinson. And he knows that the plan is that he has to expedite this system. He recognizes that vision that we all created a long time ago that you supported. And he has made a commitment to fast-track these OTBs and get revenue coming into the industry.

Now, the Sports Authority end is only part of the problem. The Sports Authority, when this deal eventually shook out-- You authorized 15 of them, and you said this was supposed to be a partnership, and that the Sports Authority and the Pennsylvania companies that came in here -- they were owners of racetracks at the time in New Jersey. And so they had to develop what was called a *participation agreement*. They were supposed to be partners. Well, that agreement didn't come down the way you anticipated it. And instead, what they did in their contractual agreements is, they provided the plan. So they gave the Sports Authority nine of the OTB rights, and they gave the Pennsylvania companies -- which we're talking primarily Freehold, Atlantic City -- the companies are Pennwood, Greenwood, but I'm sure you know all that. But they got six of them. And one of the intentions was to draw back all of the money that went over to Pennsylvania. So that when Garden State closed, and Atlantic City started to decline in the length of the season that they had, you had a problem because \$100 million that came in every year in revenues that helped racing went right across the river to Pennsylvania.

So the concept was, they're going to build something across the river that would bring that money back into New Jersey, and no one wants to build there. Why would a Pennsylvania operator, who has these facilities right across the river, want to use their capital to build something -- by way of example, in Cherry Hill -- which would compete with their other business? So the problem is that you've given them the opportunity, you've given them the ability, and it has not been done.

So the first thing I would ask you to do is make sure that both sides of the aisle -- both the Sports Authority, which Mr. Robinson has committed to go forward with, and I certainly believe his intent-- And I'm sure we'll hear from Don Codey. And I hope he is equally committed to going forward with these OTBs. And fortunately, they just opened Toms River, and I wish them a lot of success there. But I think we need to not only fast-track the OTBs, but make sure they build them in locations that will bring this revenue back to New Jersey.

And the Legislature in the past-- Two years ago, there was an Assembly hearing. Assemblyman Van Drew was chairing the Committee at the time. And they were mad. They said, "Why haven't these been built?" And there were commitments made. "We'll build them. We're going to move forward." And, again, there's a lot of foot-dragging with the process. So we need that to be completed, and we need that revenue coming into the industry. And that will go a long way toward making us self-sufficient.

Now, that's what we learned from the past. We also learned from the past that -- whether I like to admit this or not -- New Jersey is very important in terms of racing for me, and probably everyone in this room, and probably most of the people in the industry; but on the big radar screen

of the State of New Jersey, we're a little blip over here. Because the State has so many important things that have to go on, racing kind of falls by the wayside to some extent. I'm certainly not blaming anyone. Because you, as legislators, have a lot more to think about than only racing.

What I seem to look at is a situation now where the racing industry is saying to you that, "We thank you very much for the supplements, we thank you for your efforts. But they're all Band-Aids. The answer is over here in slot machines." And that's really the only answer that's going to make us competitive with the other states.

And I hear the arguments on the other side speaking to the Governor and various legislators, all of whom make very good cases that Atlantic City is essential to the growth of New Jersey, and we need to encourage the building that's going on in Atlantic City now and not do anything to discourage that.

And when I talk to those of you that I've talked to -- and I've talked to the Governor about that issue -- I understand it. I'm not suggesting that we do anything to hurt the casinos. I'm not suggesting we do anything to impede their ability to grow. But what I'm suggesting is that we form a partnership with the casinos.

Years ago, the casinos were of the mind that if the Sports Authority would lease them the floor space, let's say for a dollar, and let them operate the slot machines, they would come in and they would figure out a fair division with the industry, with the casinos, with the State, and it would work for everybody. I think there has to be more effort along those lines that build for the future toward that. And maybe, in reality, it's not time to do that right now. And given the current purse supplement, and

given the fact that there's going to be a three-year hiatus, maybe in three years, maybe at some point thereafter, they'll be amenable. But those same casinos who oppose this in North Jersey are investing in Pennsylvania, and they're investing in New York, and they're investing their dollars in the competition that they object to.

And what does Pennsylvania have? Pennsylvania has 61,000 slot machines authorized by legislation. When we did our study here in New Jersey, the horsemen's groups, and the Sports Authority, and other groups that put this together had different ranges of what would be generated. But the horsemen believed and the Sports Authority believed that if you put 10,000 machines up at the Meadowlands you could generate between \$1.5 billion to \$2 billion a year. And the racing industry needs a small fraction of that. And the rest of it can go wherever you think it needs to go for help, whether it's property tax relief, seniors, charity care, you name it.

But I think we need to take a new look at that. If you're not inclined to do slot machines-- There have been so many other concepts that we've talked about over the years, but they have not come to fruition. And just to name some of them: We talked about dedicated slots in Atlantic City, where you take the race books out of the casinos, and you have one big venue. In the past, they talked about the Atlantic City Convention Hall, they talked about different venues that were down there. But they talked about putting together a conglomerate of the casinos to open one big slot parlor, to let them all divide it according to their percentage interest based upon voluntary participation, and for the racing industry to get a portion of those dedicated slots.

We talked about sports entertainment zones, where you could go out to different areas that you think would accommodate this. And you could build up the retail space around the area. And you could have the sales tax go into purses. That was another thing we talked about.

We talked about some concepts that maybe Mr. Dowd will address -- I think instant racing and things like that. There are other concepts out there that could bring revenues in.

There are legislators who say to me, "Gee, you know, the problem with the racetrack is, you go there, and the races go every half-hour--" and maybe they're not as familiar with simulcasting. But they say, "We need something to bring the crowds back in. Did you ever think of doing Texas Hold'em or something like that at racetracks -- not gambling, but setting up these tournaments, and prizes, and have something down at the end?" Maybe something like that works. But I think we need to be innovative. We have to find a way to bring fans back to the racetrack.

We need to educate our young. One of the concepts that maybe helps bring people out-- You know, racing is not a negative for young children. Maybe at some point in time, some people look and they say, "Well, why do we want to expose kids to gambling?"

I'm going to talk about thoroughbred racing. I'm sure others will talk about standardbred racing. But thoroughbred racing is beautiful. These animals are majestic. Whether it's the breeding or the racing end-- When I was a kid, driving out to Freehold, every road I drove down used to have these young foals running around in the fields and coming up to the fences, and you'd stop your car and go pet the horses. And you saw a lot of green space. And those people became racing fans.

I think one thing that we should do -- which I've been advocating for years, but we just don't seem to do it -- is, at the end of every year, I think we should write to every school in the state, and we should provide scholarships for children. And they should come out, not during racing hours when people are gambling, but come out in the morning when these horses are training, and watch the horses, paint the horses, get scholarships back; try and develop a younger generation that could come out.

Those are only a couple things that we might do short of the slot machines. But to be honest, I think the answer to all this is going with slot machines.

Now, what else can you do? I've heard Mr. Zanzuccki testify, and I've heard you ask him questions about whether the Commission is self-sufficient, I guess, at this point -- not taking money from the State. And I think that has to change. Maybe you were happy with his answer, but one of the problems we have is that, as Mr. Robinson said to you, the tracks need capital also. So because the Racing Commission now gets its funding in other ways-- As Mr. Zanzuccki explained to you, they get some of it through the sources he mentioned, but the rest of it gets charged back against the industry. And the tracks pick up the majority share of that. So the tracks are paying a significant amount of money, that they need to keep for their capital expenditures, to the Racing Commission for this operation. And it's a huge budget.

If we could find some way to shift that budget -- and I know you're in a budget crunch. But if we could find some way to shift that budget elsewhere, I think the tracks would have more money for their

capital improvements. And this is another thing that we've talked about for years, but nothing has been done about it.

Now, the other thing that seems to happen--

SENATOR WHELAN: Dennis, I want to ask -- have to ask you to speed it up a little bit, because we have a lot of folks behind you, and your partner there, and so on. I don't want to cut you off, but again, we have a lot of folks who want to speak.

MR. DRAZIN: Certainly.

We have a funding problem -- the breeding industry. When I was younger, we used to have a foal crop in New Jersey of about -- thoroughbreds -- 1,200 horses a year. We're down to about 300 horses a year now because the horses are going to other states. When you give a supplement that goes three years at a time, as Mr. Robinson quoted to you earlier, your horses aren't going to run for that money. If I breed a mare now, there's an 11-month gestation period. Then it's a suckling, then it's a weanling, then it becomes a yearling, then it becomes a 2-year-old. And hopefully I'm going to get it to the races four years down the road. But if I don't know what the future is-- I'm staying here because I'm loyal to New Jersey. But there are a lot of others who are going to other states.

So what did the Legislature do to help that situation? The Legislature passed legislation, like we asked you to, that provided for out-of-state awards where New Jersey does not have racing. They provided that the horses that are Jersey-bred that run out of state would receive money to help our farm owners, to help our breeders, to help the people who depend on the agriculture industry and the breeding industry. But there's no funding for it. So they never appropriated any money. And the breeders

have not been able to pay those awards because they have a shortfall. In fact, they can't even pay the awards that they're supposed to pay by laws that you enacted, and had to come to our organization for a loan last year just to be even. So there's such a shortage of money.

When we went through this process-- And I'll try and wrap this up. But when we went through the process this time of the purse supplement, Gary Rose from the Governor's Office was very, very dedicated to the project. He was very helpful. I'm sure he talked to everybody in the industry and had a number of meetings with all of us. And he asked us, in trying to learn, what all our needs were. And this wasn't something where we all came in together. He met with us all individually. And the Sports Authority, to whom you entrust racing in New Jersey, told him that to be competitive in this environment between the states, we need to pay \$400,000 a day in purses. What that equals, based upon the law in New Jersey, is \$56 million that we needed for the thoroughbred industry. The standardbred industry needed a similar amount. The racetracks -- all of them -- came into that room and said, "We need money for capital improvements. And yes, we're very thankful that \$30 million went into Monmouth Park for renovations for the Breeders' Cup. And that will serve us well for the future." But they all went in and explained their needs, and that they needed money. The breeding organizations went in and explained their need for money.

And when all this was shaken out, the supplement that we got was \$30 million to be divided by the industry. And that was very much appreciated. I don't want anyone to think I'm negative about this, because I truly appreciate it. But it was so far short of what we need to be

competitive and give us a future that it's ridiculous. And everybody now is in a position where they're not happy with the supplement. People are fighting over where the money is going to go. And ultimately, this hurts the racetrack. Because if they want to take money, for example, for the Jersey-bred program, and they don't have enough, then their State program suffers. And if they want to take money for the State program, their Jersey-bred program suffers. And if they can't take money for capital improvements to the tracks, they suffer. And if they need money for their OTB system to get it up and going, they suffer because they don't get that money. And I'm just telling you that we really appreciate your efforts, but it wasn't enough. And I know you have your own problems. You don't have enough to meet your own budgets.

But to try and respond to your question from before about -- if we have another budget crisis, the last time we had the budget crisis, the horsemen had to go to court to keep the racetrack open. Fortunately, we were permitted to. We can't afford -- none of us can afford, whether it's the tracks or the horsemen -- to suffer a shutdown again in the event of a budget problem. So if the answer is money-- Because I think what Mr. Zanzuccki was saying to you -- that as opposed to the Casino Control Commission, we have to have certain people that are State employees be paid to work the racetrack on those days. The Horsemen's Association will volunteer to pick up that bill if you will do something to permit us to continue racing in the event of a shutdown. So it doesn't have to come from the State, it can come from our funds. But we desperately need to stay open in the event that there is a problem.

SENATOR WHELAN: Well, hopefully we won't have a shutdown. Unfortunately, the casinos have made that same offer, and somehow that doesn't pass constitutional muster. You're the attorney here, not I.

Let me switch over.

MR. DRAZIN: Just let me cover one last point.

SENATOR WHELAN: Please make it quick because, again, we have a whole bunch of folks to come after the thoroughbreds, and we want to try to give them time.

MR. DRAZIN: I will make it very quick, but I'm sure it's something you're going to hear about today, so I think I should address it.

The Atlantic City racetrack: When Atlantic City testified in front of the Senate and Assembly during this process with the OTB system, they were clearly going to be shutting down at that point in time. When the laws were drafted, if Atlantic City was shutting down for live racing, they would receive the OTB at the site they operate at, plus two others. And there were percentages, that would have generated a substantial amount of money to Monmouth Park, that would have come for our purses that would have helped -- that we don't get, because Atlantic City runs this short, abbreviated meet.

But what we do support for Atlantic City is the revitalization of racing in South Jersey. In the year 2006, Hal Handel came before a public hearing and he told you that we brought Atlantic City back in 2001 or 2002. And to say it's been somewhat of a derelict property, at that point, would be very accurate. We've been surprised by the local response to the racetrack. The community of Hamilton Township supports the Atlantic

City racetrack and actually made it known to us that they'd like to see the racetrack survive in some fashion. That changed our thinking. And we're all along on a path now which would lead to the construction of a new grandstand that would conduct, say, an abbreviated 14- or 15-day meet, over a month, to complement the Monmouth Park meeting -- right before it -- which would extend the thoroughbred season in New Jersey for a month. It's a much-needed thing, and it would be part of a very exciting redevelopment of the whole property.

I strongly support trying to get Atlantic City to fulfill that commitment to reconstruct the racetrack down there and provide a racing opportunity for South Jersey that would include turf and dirt, as well as a place to train your horses. I think that would be very good for South Jersey to recapture racing.

SENATOR WHELAN: And we're going to hear from Atlantic City in a little bit. I think they're the next -- well, one of the later panels.

Mr. Harrison.

And by the way, we've been joined by Senator Beck.

Welcome.

SENATOR BECK: If I could--

You know, sometimes the personal, unexpected things happen at the times that you have planned appearances. And unfortunately this morning was one of those. So my apologies for being late. But it was a long morning, and it was unavoidable.

I'm happy to be here.

And, Dennis, I did have an opportunity to listen to you from the back. Excellent testimony.

Thank you.

MR. DRAZIN: Thank you.

Good morning.

MICHAEL HARRISON, ESQ.: Senator Whelan, Committee members, I want to thank you for the opportunity to address you this morning.

My name is Michael Harrison. I'm the President of the Thoroughbred Breeders' Association of New Jersey. And we're charged with running the breeding program in this state.

By profession, I'm an attorney. I am a breeder and owner of thoroughbred race horses.

Before, you heard Dennis Robinson indicate that he's a glass-half-full kind of guy, as am I. And I think in order to be in this business you have to be. Having said that though, I think I'm going to give you a doom and gloom assessment of where our industry is right now. And I will give you figures to support that.

Now, to me-- I'm going to try and-- I will be as brief as possible.

I'm going to try and outline, I think, the issues that we have here today, and then I'm going to address each of these issues. And the first one: Is the horse racing and breeding industry valuable to our state? I think Dr. Malinowski has done a wonderful job in addressing that question, and I don't -- that issue -- and I don't need to do that at this point. Certainly we wouldn't be here today if we didn't all think that the horse racing and breeding industries are valuable to our state.

Now, does a supplement provide a real solution to the problems of our industry? And if not, do we have an urgent need for a permanent solution? What are the solutions? And do we, as a state, have the political will to save the horse racing and breeding industries?

Now, as a breeder, you have to think about four years in advance of what you're doing. When you decide to breed a horse, you have to say to yourself, "Okay, I'm not going to have a horse that races for probably four years from the time I am looking at it." And this includes making a decision, breeding the horse, the gestation period, the birth of the horse, the growing up until he is at an age where he can actually -- he or she can actually race. So it takes a good four years. And you're saying to yourself, "Okay, what is our industry going to look like in New Jersey four years later? What is it going to look like in our neighboring state of Pennsylvania? What is it going to look like in our neighboring state of New York?" And one of the problems that we've had in New Jersey with our breeders is that they don't see any certainty in terms of funding.

We had the supplement. And while it certainly helped, at the end of the supplement people were coming to me and saying, "Well, Mike, what are we doing, in terms of a funding source going forward?" And I said to them, "I'm going to be honest with you. I don't know. We've heard that there is some consideration of slots. Don't think it's going to happen. We've heard that there is possibly going to be another supplement, but there's nothing that's been signed. We don't know what we're going to have." And quite honestly, until maybe a week or two ago, even I didn't know what we were going to have. And I'm not quite sure today that I know what we're going to have. So when people come up to me and say,

“What does it look like in four years?” I say, “I don’t really know.” And I think that’s as honest an answer as I can give to them. So the first thing you’re saying is, “Okay, we have an uncertain funding source.”

Now, I’m going to give you some figures that tell you where we’re going and what people think of our industry -- our breeding industry in New Jersey, as opposed to our neighboring states of Pennsylvania and New York. New York and Pennsylvania, as you’ve heard, have slot machines. They have reliable sources of funding, and they have significantly more funding than we do.

So let me tell you-- And one of the measuring sticks of our business is: How many foals do we have a year? As Dennis mentioned, at one point in time, we had about 1,200 foals a year in this state, and that’s a pretty good number. It decreased from that point to a point right before the supplement -- there was -- the first supplement that is -- we had about 454 horses -- foals that were born. In 2006, we had 312 foals that were born. That is a decrease of 31 percent.

I will give you New York’s figures. New York’s figures in that same period of time went from 1,200 foals to 1,800 foals, an increase of 47 percent. By the way, these figures come from the Jockey Club, which are charged with all the facts and figures in our industry. Pennsylvania: 846 foals to 1,207 foals, an increase of 42.7 percent.

Let me give you some anecdotal information. Joe Jennings, Walnford farm-- He has more stallions than anyone in the state, one of the very famous breeding operations in our state. In 2005, at his farm, 52 foals were born; 2006, 35 foals were born; 2007, 32 foals were born; 2008, 16 foals were born.

Now, the figures I just gave you in New York and Pennsylvania-- Obviously, our breeders are going to our neighboring states. It doesn't take a genius to figure that out. They have much more money than we do. They have certainty there. And, quite honestly, given the position of the casino industry, it will be a long time, if ever, we get slots.

Now, this year, what does our foal crop look like? Right now we're at 180.

Now, what happens when we lose these breeders? What happens to our farms? Our farms go away. Now, have you ever seen a housing development come back and be a farm? Have you ever seen a strip mall come back and be a farm? Well, it doesn't happen. And so we lose the opportunity to breed.

Now, let me give you some figures in terms of what the programs look like out-of-state, compared to what we do. Now, our awards -- okay? -- 2007 -- okay? -- the awards that we paid out to breeders: \$3.328 million. New York: over \$11 million; Pennsylvania, over \$11 million. Pennsylvania, at one point in time, was thought to be not a real good place to breed, not a real good place to race. Now it is the place to go. Everyone is looking at it.

In fact, in 2008 -- the first quarter -- \$5.2 million in breeders' awards. By the end of this year, it is supposed to be \$25 million. So you're a breeder now, and you're saying, "Do I breed in New Jersey, do I breed in Pennsylvania, do I breed in New York?" Well, New Jersey doesn't have a stable funding source. Pennsylvania gives awards eight times what New Jersey does; New York, four times what New Jersey does. They all-- They have racing dates that exceed 250 days a year. We have racing dates that

are, at best this year, 141 days. Which means the opportunities to get breeding awards are cut down. So where do I go if I'm a breeder? Well, I think the math is pretty clear. It's pretty easy.

Now, we have people like Dennis who stay in New Jersey; we have Joe Jennings who stays in New Jersey, because they're faithful to New Jersey and New Jersey racing. But not everyone is. In fact, what the figures tell you is, there are a whole lot of people who aren't. And so what we need-- I mean, we're dying here. We are on a respirator. There is no question about it. And it's not like-- In one sense, it's not like racing, because once we lose these farms, we don't get them back. So do we need a quick fix? The answer is, very definitely, yes.

Now, what's the solution to this?

So, do we need-- You know, are our needs urgent? Yes. Does the supplement provide what we need? No, it doesn't provide it in terms of the amounts and in terms of not having certainty.

What's our solution? Well, I spoke at a symposium at Monmouth racetrack two years ago, I believe it was. And quite a number of you were there. And I offered three solutions at that point to help our industry, and I'm going to give you those three solutions again: slots, slots, and slots. There are no other solutions.

Having said that, there are some transitional things that we need to do to assure us that we have enough money to compete with our neighboring states. I'm not sure what those solutions should be. I've thought about some of them. Maybe one of them could be a Green Acres lottery ticket. And I don't know the legal impediments -- a Green Acres lottery ticket dedicated to horse racing. I have one that I think would

probably very much annoy the casino industry, and that is: Until we get slots, let them pay a little higher tax than they're paying right now. Because as everyone knows -- I believe everyone knows that they pay the lowest tax rate of any jurisdiction in the nation.

Having said that, again, our focus is on, at some point, getting slots and having a transitional solution to our problem.

Quite honestly, we're dying. And if we don't get immediate help, we're dead. So I leave this in your hands to help us.

Thank you.

SENATOR WHELAN: Let me just thank you.

We're not the lowest, Nevada is. I think we're about the same as Mississippi. We're significantly lower than surrounding jurisdictions here, just to clarify.

Any questions?

Senator Beck.

SENATOR BECK: Thanks.

Thank you. That testimony was very good.

But I think what we need to note is that the industry is dying not because there isn't interest in the industry, and not because it doesn't have the ability to thrive in New Jersey, but because of the public policy that's been set in the state -- doesn't encourage horse racing and doesn't encourage breeding in New Jersey.

And while many of us have worked to push in that direction, we've only been so successful. And I am disappointed -- and found out the end of last week -- that, indeed, the three-year purse contract has not yet been signed. The original draft of that contract that we received from the

CRDA was not in keeping with the State statute that was signed into law on April 11. And, indeed, I put in a call to Tom Carver and Joe Corbo to let them know how disappointed I was. I think they got a great deal. They got a tax exemption on some of the promotional items, ad infinitum, in return for a three-year purse supplement for the horse racing industry. And the contract they've provided to us actually is not even reflective of what the statute says.

So I am very focused on it. I know many of us are. But I believe New Jersey is in this situation and on the edge of losing a billion dollar industry, not because we don't have interest in this state in it, but because the policy that has come out of Trenton isn't encouraging folks like you to stay here. So I'm certainly working on it, and I think many others are, as well.

MR. HARRISON: Thank you.

SENATOR WHELAN: Senator Gordon.

SENATOR GORDON: No questions.

SENATOR WHELAN: Thank you, gentlemen.

We'll move on to--

MR. HARRISON: We thank all of you for your efforts on our behalf.

SENATOR WHELAN: Thank you.

Leon Zimmerman and Thomas Luchento -- I hope I'm pronouncing that correctly -- from Standardbred; and Christopher Castens, who is part of Agriculture.

I don't seem to be having much success with this, but I'm going to repeat it. We are really-- We have nine other people who want to come behind you. So we'll try to encourage you to be as brief as possible.

L E O N J. Z I M M E R M A N, ESQ.: Well, thank you very much Mr. Chairman. And I will do that.

I will just say at the beginning that I submitted written testimony to you, and I promise you I will not read it.

SENATOR WHELAN: Thank you.

MR. ZIMMERMAN: I've been around Trenton long enough to know that it doesn't -- if you have it there already, you don't need it read to you.

I'm with Mr. Luchento to my right, who is the President of the Standardbred Breeders & Owners Association of New Jersey, and I am here to help you testify -- with Mr. Chris Castens, who is the Executive Director of the New Jersey Sire Stakes Program, which is our horse industry's breeding program. It's run out of the Department of Agriculture.

Again, we appreciate you having this hearing today.

One of the things I wanted to -- and it's explained in detail in the testimony submitted to you -- is that, to understand the future of the standardbred horse industry in New Jersey, you have to look at how we got to where we are. And I just would jump forward to the opening of the Meadowlands Racetrack in 1976, which exploded on the racing scene to the point that, immediately, it became the number one harness racing venue in North America, not just the United States. And on that opening night -- if anybody was around at that time, and I was -- there were 46,000 people at that racetrack that night, and thousands more never got in the door,

couldn't even get near the track. And for years thereafter, they averaged 20,000 people a night. And things were going very well until something came along, the lottery and the casinos.

And one thing that you have to be very clear about -- and I appreciate Senator Beck's reference. I want to echo what she said before. This industry-- The horse industry in New Jersey is not dying because there's no interest in it or nobody wants to participate in it. It is simply moving to other states where the public policy is such that it's making it more profitable and more conducive for them to operate. That's all it is.

We are, despite the fact that Pennsylvania, New York, and Delaware in particular are offering huge amounts of money to the point where-- They were always far behind New Jersey; now they're competing with us. And the Meadowlands is still the number one harness racetrack in the nation, still offering the highest purses because of the supplement that's helping us do that. But as you've heard from other witnesses -- and I won't repeat it -- there needs to be more done in the future.

One of the things that you heard reference to-- The Breeders' Cup was here last Fall. And that's, of course, one of the biggest events in thoroughbred racing. Well, in New Jersey, we have the Hambletonian, which is the largest race, the most prestigious race, at least in North America, if not other parts of the world. And the Hambletonian Society itself, which runs the Hambletonian race and the Breeders' Crown races -- which is the standardbred equivalent of the Breeders' Cup -- have been racing at the Meadowlands for years, longer than anywhere else. And it's resulted in average attendance on the Hambletonian day of 29,000, even though attendance is down below 5,000 some nights nowadays.

There have been 79 of the Breeders' Crown races out of 270 at the Meadowlands in New Jersey since 1984. And it's resulted in more than -- worth more than \$136 million -- just those races alone. And that's not every day. Those are once-a-year events. So we have a precious resource here in New Jersey that we can't afford to lose.

Other states, as you know, have slot machines or VLTs, which are producing revenue. And that's increasing purses. Several years ago there was an effort proposed to sell the Meadowlands and Monmouth racetracks. An RFP was put out, bids were accepted and never opened because there was a change in policy at the time. And it was decided not to do that. At that time, word around was that one of the bidders for the purchase of those tracks, with the idea -- I assume they knew what they were doing -- of putting slot machines there, was the largest casino company operating in New Jersey, and perhaps in the United States, Harrah's. And so they had an interest in it. When that fell through -- I'm not sure about the exact timing -- but Harrah's opened a racetrack on the Delaware River within 45 minutes of Atlantic City, and put slot machines in there. And if you go in there, it looks like a casino. And that definitely is hurting-- So it's not only hurting racing in New Jersey, it's resulted in a reduction in revenue for the casinos as well. So it seems to me that there ought to be a closer examination of that -- the VLT-slot machine issue at our racetracks.

Secondly, I want to thank you in particular, Mr. Chairman and members of the Committee, and your counterparts in the Assembly, for considering racing when you've talked about other issues, such as budgetary shutdowns. Should the racetracks be included? I know you favor that.

You're trying to find a way to do that. Because we were hurt seriously by that two years ago.

The other thing is something that is, of course, not a likely possibility but it could happen some day -- sports wagering. And I know that before this Committee and the Assembly Committee, I suggested that racetracks be considered for that. And there's been tremendous support for that. So that's another thing that you could look at. Certainly, if we could ever get sports wagering in New Jersey, it ought to be at the racetracks as well as the casinos. And I know, from a public policy standpoint, that you and other members of the Committee agree with that.

So that's basically some other points, that are not in the prepared testimony, that I wanted to point out to you.

And I'm going to ask Mr. Luchento to just share with you some of his personal thoughts.

T H O M A S F. L U C H E N T O: Senator Whelan and distinguished members of the Committee, I thank you for having us here today.

I'm going to be very brief. It would only be redundant of me to try and go over what has already been said today.

One of the things I'd like to say is, the horsemen's groups have spent a lot of money to try and push the casino subsidy along. We think we have arrived, but certainly there are no signatures. Nothing is done, as it stands right now.

One of the observations that I look at in the State of New Jersey is that a financial situation -- is that they have two choices -- tax, tolls; or alternative gambling. Obviously, gambling doesn't cost the people

anything. It can only help the State. And I often wonder when the light will go on in Trenton, and some of the powers that be there will understand that, and see that. It behooves (*sic*) me that it hasn't been done already.

I also wonder why all the surrounding states get it, understand it. What is it that they know that we don't know? What's holding it up here when we were at the forefront of this? I would just like to say that we're at the beginning of the end of a part of Americana in New Jersey. Racing has been part of the -- our whole thread.

So I would just say that, in the end, I hope that we all don't have to say, "What happened to racing, and why did we let it go?"

Thank you.

C H R I S T O P H E R C A S T E N S: Good morning, Chairman Whelan, members of the Committee.

My name is Chris Castens. I'm the Executive Director of the New Jersey Sire Stakes, an employee of the Department of Agriculture.

My intent, originally, was to speak about the economics of this, but I think Dr. Malinowski eloquently went through them. I need not say anything further.

As Secretary of Agriculture Charles Kuperus -- who is in attendance here today also -- often points out, this is the third largest segment -- the equine industry is the third largest segment in the Department of Agriculture right now. It is a critical fabric of the agricultural environment in this state.

By way of history, the Sire Stakes began in 1971. It was placed in the Department of Agriculture. As Mr. Zimmerman pointed out, when

the Meadowlands opened up, the Sire Stakes exploded exponentially also. We became *the* breeding state in the entire country.

At the height of the events, we had 130 stallions and we had mares bred in excess of 4,000 in the early 1980s. Within the last year, our mares bred dwindled to 1,518. And this year, we have 16 stallions standing in the state. And we've lost one of those recently due to an unfortunate death during the breeding season.

The quality of New Jersey's standardbred racing is unmatched. Mr. Zimmerman alluded to the Breeders' Crown races. Nearly half of the Breeders' Crown races have been won by horses who were sired by New Jersey stallions. It has been great. And we've had four out of the last five horses of the year in the standardbred industry be New Jersey bred also.

Our funding is basically achieved from two sources: fees paid by the horsemen to nominate and sustain the horse they own to our races, and also a legislative percentage of the amount wagered on the races conducted during harness meets at the Meadowlands and Freehold Raceway. It's approximately half of 1 percent. That handle figure has been dwindling, of course, in the last few years, and we've been getting less and less of that.

For the last four years, we've also been the recipient -- the grateful recipient, I might add -- of a portion of the subsidy from the casinos. This subsidy is increased through a period of time, topped out at a million dollars last year. We also receive some moneys from the racetracks, through the SBOA purse account. And those are our sole funding sources.

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 SBOA of New Jersey, 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.

I offer this in contrast -- and this is going to echo what Mr. Harrison said on the thoroughbred side. The Pennsylvania Sire Stakes -- which, like New Jersey, is part of that state's department of agriculture -- has grown from a program that offered \$3 million in purses annually, prior to other forms of gaming being introduced at that state's tracks. This year, it's now offering -- advertising that it will offer \$10 million in purses. Last year, the Pennsylvania breeders' fund also provided \$5.28 million in breeders' awards to standardbred owners and breeders. This program did not even exist prior to 2000.

The situation is similar in New York. They're offering purses in the \$18 million range. And just from July 1, 2007 through the end of this April, New York's additional gaming options resulted in a contribution of \$8.2 million just to the New York Sire Stakes. That's over and above the amount they get that we normally receive from handle. It's incredible. We have gotten to the point where we are fighting, over the last four years, an uphill battle to remain competitive.

While we're very happy to hear of the supplement, it's not enough, as Mr. Harrison said. We're on the same time frame as the thoroughbred industry. We look at four years prospectively. Horses that are being bred this year will not even race for the money that's being offered in this purse supplement. It's a very, very difficult situation for us to remain competitive and keep the equine industry -- the racing equine industry in particular -- viable in this state right now.

I'd be happy to answer any questions.

SENATOR WHELAN: Any questions?

Senator Gordon? (negative response)

Senator Beck? (negative response)

MR. ZIMMERMAN: Mr. Chairman, can I just add one thing?

SENATOR WHELAN: You certainly may, Leon. Make it quick.

MR. ZIMMERMAN: I will. The Sire Stakes Program was created, as Mr. Castens reported, in the early '70s, and it's been in existence all this time. And it was quite successful, and led the nation, and it was the model for other states to do. As he said, Pennsylvania copied it and other states copied -- New York.

But the question is, the State of New Jersey has never, ever, through its budget, given a dime -- not 10 cents -- to the Sire Stakes Program in the Department of Agriculture. The Agriculture budget does not have any funding directive to run that program. It's paid for by the owners of the horses and the half of 1 percent of the handle of what they get of the live wager.

There are ways to help that. For some reason, the statute on simulcasting did not include the Sire Stakes to get any money out of it. So they only get money out of the live handle, which is declining while the simulcast handle is rising. And that's something that could be considered as a way of funding beyond the more obvious thing, the VLTs.

So I just wanted to add that as a thought.

SENATOR WHELAN: Thank you, gentlemen.

Don Codey, from Pennwood, which I think is Freehold; Maureen Bugdon, from Atlantic City Race Course; and Dennis Dowd.

Mr. Codey, maybe you want to lead us off here, please.

D O N A L D R. C O D E Y: Thank you, Senator Whelan and members of the Committee.

I certainly will understand your remarks about brevity.

It is indeed a pleasure to discuss the state of racing in New Jersey with you today. There have been some success stories.

Freehold opened New Jersey's third off-track wagering site, Freehold, at Toms River, on April 29. Projections indicate wagering could reach \$45 million annually at this location, generating over \$2.5 million for statewide purses. The total investment in Toms River will exceed \$7 million, not including a lengthy, costly lawsuit we continue to defend regarding the location of this OTW.

Freehold continues to be an active minority partner in the New Jersey account wagering, which will generate close to \$100 million in handle in just its fourth year of operation. So as previous speakers have said, there is a lot of interest in racing in New Jersey.

However, despite these positive notes, Freehold Raceway faces the same ominous challenges as the entire New Jersey horse racing industry, including a significant impact by slots-enhanced competition in New York and Pennsylvania, most notably Harrah's Chester Downs, Mohegan Sun at Pocono Downs, and Yonkers Raceway, all within two hours of Freehold Raceway. Slots-fueled purses at these tracks have siphoned horses and bettors from Freehold's once strong presence in the marketplace. Our presence in the marketplace for years was known as the *afternoon delight*, meaning we were the only daytime harness signal in the market. We now

share this market with the Meadows, Monticello, Yonkers, Chester, and Plainridge, which deeply cuts into our market share.

There is significant intrastate competition from the Woodbridge OTW, which has lowered wagering at Freehold by over 20 percent since its opening in 2007. Also, the crippling cost of funding a large share of the New Jersey Racing Commission costs become the largest single budget line item at our racetrack. The competition for in-state gambling, such as the lottery and the casinos, as well as slot operations an hour away at Philadelphia Park, Harrah's Chester, and casinos soon to be open in Bethlehem and Philadelphia-- Additionally, as a private operator in the State of New Jersey, our biggest competition is the State of New Jersey in the form of the Sports Authority and the lottery.

While Freehold is grateful to the Legislature and this administration's efforts in allocating part of Atlantic City casinos' future promotional credit funding for assisting the horse racing industry, we are troubled that details of this agreement, including any significant dialogue on allocations to the industry stakeholders, have not been shared in any substantive form, to date. Freehold is an important part of the New Jersey horse racing industry, and we welcome the opportunity to be part of this discussion.

Freehold is concerned that a subsidy that only increases purses and does nothing to spur reinvestment in existing facilities will leave New Jersey racetracks in a position of being purse-rich and facility-poor. Racetracks have been hurt by the same competition as horsemen, and we cannot easily move our capital investment to other jurisdictions in order to capitalize on these opportunities. Racetracks have real bricks, and mortar,

and employee investments in the State of New Jersey. We pay over \$50,000 to taxes in Toms River and over \$1 million to Freehold.

Like others, Freehold feels this supplement is just a Band-Aid and does not address the long-term needs of the New Jersey horse racing industry. States such as Pennsylvania, Delaware, Louisiana, New Mexico, West Virginia, Iowa, and Indiana have gaming at racetracks that provide a fair portion of the revenue to support purses, breeding funds, and capital reinvestment in facilities; as well as generating significant revenue for those states. A similar program is needed in New Jersey.

While Freehold is hoping to capitalize on the success of Toms River, we are identifying and pursuing additional opportunities related to off-track wagering, and we realize this is not a simple solution. Issues such as liquor license costs, local community acceptance, and significant construction and infrastructure costs impact these opportunities.

We also wish to draw your attention to another impediment to creating a desirable wagering product, and that is the statutory requirements, for OTWs and account wagering, for racing dates. Freehold is required to race 192 days annually, an amount that dates back to the simulcast era, and has no economic justification for track or horsemen in today's environment. The ability to change this amount, with the mutual consent of the horsemen, without harming the continuation of OTWs and account wagering, is a key item that needs immediate attention.

Again, thanks for this opportunity. And I will be available for any questions.

SENATOR WHELAN: Before I ask a question, I want to acknowledge that Assemblyman Malone is wandering around the room. I

was remiss in not acknowledging him earlier. And we also have the Commissioner of Agriculture, Charles Kuperus, here as well. We appreciate both of their presences.

What do we need to do to lower the number of days?

MR. CODEY: Oh, it has to-- It would be a legislative requirement.

I mean, we've spoken to the horsemen on our end, and they understand that in order to operate in today's marketplace, we're racing too many days. But it's tied into the off-track wagering and the account wagering. And we understand that if some time, through the grace of this Legislature, we do get VLTs, then we could continue to race the number of days that are called for in the current statute. But without the VLTs, we're just racing way too many days for everybody's benefit.

SENATOR WHELAN: And that's applicable probably to the -- I know you don't speak for the thoroughbreds, but--

MR. CODEY: I don't. I think probably their amount of days could be correct, but I don't speak for them.

MR. DRAZIN: (speaking from audience) We're vehemently opposed to any reduction of days.

SENATOR WHELAN: Dennis Drazin says he's opposed to any reduction in thoroughbred days.

MR. DRAZIN: Correct.

SENATOR WHELAN: We got it.

Thank you.

All right, Maureen Bugdon, from Atlantic City Race Course.

MAUREEN GALLAGHER - BUGDON: Senators, industry representatives, thank you for including me today as a representative of Atlantic City Race Course in southern New Jersey.

I'd like to personally thank the Chairman, and my own district representative, Senator Jim Whelan, for the invitation to join in this important discussion on New Jersey horse racing.

My message today is a simple one. There are four racetracks in the State of New Jersey. And South Jersey's racetrack, since 1946, is indeed Atlantic City Race Course.

As President of Atlantic City, I am tremendously pleased. And I'd like to bring you up-to-date on the remarkable success of our race meeting that concluded a week ago today. Senator Beck referenced whether there is interest in racing. There certainly is, and we need to foster it. For the third straight year in a row, Atlantic City Race Course broke 10- and 15-year attendance records, concluding our last meet on this past Friday with over 6,600 fans on track for just six races. Not only was our attendance better than that of Belmont, Hollywood Park, Freehold, or the Meadowlands for these two weeks, but it was better than any other track in the country, with the exception of Churchill Downs running the Kentucky Derby.

I don't come before you today to tell you that Atlantic City Race Course is a smaller Saratoga. We have had our struggles over the course of my employment, which has spanned over 20 years. However, Atlantic City Race Course is a track with great spirit and a track very much on its way back.

Last year, Atlantic City Race Course was the track to open New Jersey's first off-track wagering site, in Vineland, New Jersey. And for 2008, we had this other first: We are the first New Jersey track to experience a three-year increase in attendance, despite enormous competition from Atlantic City casinos' simulcast parlors and the casinos themselves, just 12 miles from our doorstep.

And for these reasons, we come before you today with the message that there are indeed four racetracks in New Jersey, and we deserve consideration as a recipient in the purse supplement agreement for all the same reasons as every other track in the state. We are facing extreme competition from neighboring states with racetracks who have the benefit of slot machines to bolster their purses. And we directly compete with the Atlantic City casinos' simulcast parlors 10 minutes away on a daily basis.

In my opinion, not supporting Atlantic City Race Course as a recipient in this agreement would possibly be the final straw on the camel's back, and we would be forced to close our doors as a thoroughbred racetrack in this state, impacting the public interest in the way of tourism and recreational opportunities in South Jersey.

I believe the writers of the first and most recent casino purse supplement legislation meant for this purse supplement money to benefit the industry and benefit all of the racing entities, including the four racetracks that race here. It is an issue of fundamental fairness.

This panel and everyone assembled here today should indeed revisit how to save and protect the horse racing industry within the State of New Jersey. We are asking for a small percentage of the \$90 million purse supplement agreement money in the hopes that we will continue to have

increases in our attendance at South Jersey's only track and continue to have the highest percentage of horses in our fields in the country. We are the only gambling counterpart to Atlantic City's casinos in Atlantic County and South Jersey. We are asking for your support in awarding us a proportionate share of this money, based on the 20-day race mandate that Atlantic City intends to run in 2009 and 2010.

Our recipe for racing in South Jersey seems to be working these last few years, and 26,000 fans who attended our racing these past two weeks clearly recognize and demonstrate that Atlantic City Race Course is a valid, valued racetrack in the State of New Jersey. And with your continued support, we will do everything possible and reasonable to prove that this track is on its way back. And we would be more than happy to run these 20 days in 2009 and 2010.

Your support in our efforts to be a recipient in this purse supplement agreement will go a long way in showing our fans and the horsemen who support our race meeting that South Jersey matters, and that there are four racetracks in the State of New Jersey and all four deserve consideration.

Our staff, fans, and the horsemen who fill our fields in record number have convinced us of the desirability to continue offering live racing in South Jersey, and we hope that you will continue to demonstrate that, as well.

We are eager to be a part of the long-term plan to solve the problems facing New Jersey racing, and to be of assistance to all entities in this industry.

And we'd be more than happy to stick around today and answer any questions that you may have.

Thank you.

SENATOR WHELAN: Thank you.

Dennis Dowd, from the New Jersey Sports and Exposition Authority.

DENNIS DOWD: Thank you, Mr. Chairman, Senator Beck.

I have about a 20-minute speech here that I'm not going to give. (laughter)

SENATOR WHELAN: Thank you.

MR. DOWD: You're quite welcome.

I'm the Senior Vice President in charge of racing for the Sports Authority, which puts both the Meadowlands Racetrack, and their harness meet and their thoroughbred meet; and Monmouth Park, Woodbridge -- the account wagering system -- under my guidance. We've done some good things. We've probably done some things we could do a little better if we work harder, and we intend to do that.

I'd like to say I agree with most of what was said before me by the individuals on this panel and every panel. I certainly don't agree with everything. I don't want to waste a lot of time today going through and nitpicking the areas of agreement or disagreement. I'm sure there will be other opportunities for greater dialogue.

As you know, we sent you a letter this month dealing with the progress in the OTW system and the account wagering system to try to keep your Committee and the Assembly Committee up-to-date on what we're doing in those areas. And sometimes it may seem slower than it

should, but I think the last letter shows some of the problems we've run into and some legislative changes that I would recommend in the OTW system. And quickly, they are: another look at the home rule -- not that there shouldn't be home rule, not that every community in the State of New Jersey shouldn't be able to make a decision as to what's appropriate for their community. But we would ask that standards be put in that, that it's not a blanket, "We don't want it, because we don't think we like it." And that's what happened to us in Green Brook, quite frankly. We had a totally different experience in Bayonne. And we believe that we will be moving forward with Bayonne, which will be an OTW, when completed, that will be more successful than Woodbridge. And that means over a hundred million dollars a year in handle in that facility.

Quickly on the OTW system-- And I think Mr. Drazin hit on something important. When they are all done, and when the account wagering system is full and mature, we would expect to see a number of things. One of them is, we would expect to see a net increase in the purses in New Jersey by approximately \$30 million to \$35 million, depending upon the cannibalization. How much does one OTB take away from Freehold, which we saw Woodbridge do? How much does Toms River take away from Monmouth Park, which, quite frankly, we saw occur? There is some distribution, but there's also new money. And so we have to look to the net.

One thing the Legislature did very, very well in the OTW legislation is leave the operations in the hands of the existing racetracks so that we can develop the system in a manner and a way that it doesn't destroy the assets we already have. We're very conscious of what's going on

at the Meadowlands, what's going on at our other racetracks. We've seen what happened to Atlantic City Race Course with the proximity of the casinos. So in developing our OTW system -- if it's developed by the existing racetracks, we think it's a healthier system.

Another topic I'd like to touch on very briefly is the subsidy -- and that was also mentioned by Mr. Drazin -- how it is not enough. And I think everybody in this room knows we obviously asked for more. We did want to see money for the tracks, we did want to see greater purse money.

But I'm going to let you guys get out of here, because I want you to go upstairs, or go into the next room, and bet a little bit. (laughter) And when you do that, I want you to look at two things: Belmont's program today and Monmouth Park's program today. And although our program is prettier, they give away \$100,000 more money. And they're doing that right now with us paying our purses as if we were distributing the subsidy. We did it at the Meadowlands, and we did that here. We're giving out slightly over \$300,000 today. They're giving out over \$400,000 today. They're paying over \$41,000 per race, on average, today. We're only paying \$34,000 per race, on average, today.

The point of the analysis is, they are generating enough money right now to be that much higher than us, and they don't have the VLTs that will be coming online within the next two years. We expect their purses to be well over \$500,000 a day. And with the subsidy, we're only \$300,000 a day. So our position in the marketplace will continue to erode, rather than improve, with the subsidy.

I grew up on a breeding farm in Monmouth County. I not only know the stats they say, I saw them. We don't breed horses in New Jersey

anymore for a lot of different reasons. I did have a baby born the other day who is a Jersey-bred. But that mother is in Pennsylvania now. I have partners who say, "What are you, crazy? We don't want to breed in New Jersey."

So I think addressing the whole industry is important. I think addressing the amount of money that is needed is important. Dennis Drazin again alluded to-- Because he spoke so long, he alluded to everything. (laughter) Dennis Drazin also alluded to different forms of gaming that might be available to us. And he did mention instant racing. I have discussed that with some legislators. We believe that it could be accomplished legislatively.

Just very quickly, instant racing walks and talks like a VLT, but it's not. What it is, is a bank of races that have been conducted, and you get the finish of those races on the machine screen where you would normally get the other. And it's very quick, and it's actual races that have been conducted. And they're randomly generated and decided. We believe that it is something that could be passed without the necessity of any constitutional change or legislative change. And it's not the video lottery. It is something that we will explore with the Legislature, among other alternatives: the moving of the Racing Commission budget, trying to get us some relief while we go through the next three years with this \$30 million. And again, the reminder that everyone else has said -- and I've said it already -- the \$30 million, quite frankly, isn't enough. But we'll get through it. We're tough. Racing is comprised of very tough people. And I think you've heard from some of them, and you'll hear from more.

And I'm going to see the races. And there's a party, and you're all invited. It's upstairs. (laughter)

SENATOR WHELAN: Thank you.

Senator.

SENATOR BECK: If I could just make a comment. The fact that Chairman Whelan held this hearing here today, I think, is an indication that he is committed to working, with the rest of the members of this Committee, to find a long-term answer to how we'll fund purses going forward after this three-year supplement. And I know he's been kind enough to say that publicly in the past. But when I asked him if we could host this meeting here on opening day, he jumped right on it. He said, "Absolutely. Let's do it."

So I think we have a Chairman who is thoughtful. And certainly we're all getting a good education today about the challenges we face.

I did just want to address something Maureen said. I have to tell you, when the purse negotiations happened, Atlantic City Race Course was not in mind. As a matter of fact, I have to admit I actually didn't even know it was still open. And I've been working on the issue of horse racing for years, not just my three years in the State Legislature, but I'd say for almost a decade. And frankly, I didn't actually know you guys were open. So maybe that's my bad, but this purse supplement negotiations that we held -- we didn't consider you. We didn't even know that you were around. You weren't part of the conversation. That doesn't mean that you shouldn't have been, but you weren't. And now, going forward, we obviously have to consider the fourth racetrack.

MS. GALLAGHER BUGDON: Thank you.

SENATOR BECK: But I mean, I don't know what we'll do about this purse supplement, because it was-- I don't know. We'll have to have that conversation off-line, because we actually didn't have you in mind when we structured that \$30 million deal.

But going forward, I know the casinos and Chairman Whelan have said, "Hey, before these three years expire, we need to come up with a long-term plan." I think we're all committed to doing that. I think Don, and Dennis, and Maureen all have some ideas. And I know Dennis Drazin has them, as well, to address that. And we will.

SENATOR WHELAN: Thank you.

Good luck today.

MR. DOWD: Thanks a lot.

SENATOR WHELAN: Now we have some local officials: Lillian Burry, Director of Monmouth County Freeholders.

UNIDENTIFIED SPEAKER FROM AUDIENCE: She's not here today.

SENATOR WHELAN: She's not here.

SENATOR BECK: Yes, I think the Freeholder is-- She is not here.

SENATOR WHELAN: Do we have someone representing the Freeholder Board then?

Nancy, you're a Mayor, right?

MAYOR NANCY A. GRBELJA: I'm a Mayor and--

SENATOR WHELAN: And a Freeholder.

MAYOR GRBELJA: --on the Save the Horse Committee that the Chosen Board of Freeholders has established.

SENATOR WHELAN: Okay. Well, come on up.

Bea Duffy, from Monmouth County Economic Development.

Is Bea with us? (affirmative response)

And we do have a Freeholder, or--

F R E E H O L D E R J O H N D ' A M I C O J R . , E S Q . : John D'Amico.

SENATOR WHELAN: John, come on up.

I know this isn't protocol. I was never a freeholder, but I was a Mayor, so I'm going to start with the Mayor.

MAYOR GRBELJA: Oh, thank you very much.

I may be the only person here today that has been shoveling manure before I came. So I don't think I smell, and I don't think I'll offend anyone here.

I really appreciate the opportunity to speak before the Committee. And I am the Mayor of Millstone Township, in Monmouth County. And I've also been asked to Chair the Save a Horse Committee through the Board of Freeholders. And that's probably because of the fact that agriculture and the equine industry are extremely important in my community. We have over 6,000 saved acres. And in every avenue that you move down Millstone Township, you see rolling hills with horses. And it really is a very big component of my life. Going home to Millstone Township is like going home to paradise each and every day.

And I have to tell you, I grew up in Hudson County. There was one little barn on the cliffs of the Hudson River where we had a horse. And

I went down there and would ride on occasion. But never, ever in my life did I think that I was going to be in the position that I am in today.

Serving as Mayor, I went out and answered the complaints. I adopted my first retired race horse, and now I have eight horses, four of which I'm actively training for the racetrack.

But even listening today, I kind of realize the differences between the thoroughbreds and the standardbreds. And I have to tell you, we're talking about \$300,000 purses that are coming here today, which certainly is not a lot. But yesterday I sat at Freehold. And I'm going to tell you, I think the total purses were around \$30,000. So I guess when we talk about harness horses and we talk about the standardbreds, those are the horses that I'm involved in and that I can speak to. And I have to tell you that I sit and I work with the horsemen each and every day in training. I'm not an owner who pays somebody else -- although I do pay someone -- but I am there shoveling, caring, grooming, training, walk my horse on the trailer before she races, go to see her after she's done racing. And she races on hay, grain, and love, and that's it.

And I have to say, it was a dream of mine. I was turning 50. I saw this horse. It's something that I always wanted. And I said if it didn't happen then, I was -- it was never going to happen. And like I said, I'm up to eight horses.

But now that I kind of got into the mix, and I sit back and listen -- just as I do in my community -- I can't make decisions that are based on what I want and what's good for myself. But I have to say, "What is good for everyone? Who is involved?" And to tell you the truth, I sat back over the last four years that I've been involved with my horses, and I

sit, and I listen, and listen to some of the old-time horsemen, and listen to some of the breeders, and I listen to the people who are training and working each and every day. And what you do is, you kind of get a feel for what's happening within the racing industry.

And I'm going to tell you something: I feel panic-stricken. I'm not giving up my horses. But it's very difficult for me to say to people who have farms in Millstone, "Don't leave the state." Why wouldn't they leave the state? If we're taking a look at the purses and the breeding opportunities that are occurring in other states, I can't, in good conscience, tell them to stay. So the only thing we can do is stay in the state, and fight, and work together to make sure that we can keep the top horses, and make New Jersey the top entity in racing that it was at one particular point.

As I said, being a novice, I've worked with a lot of people, I've listened to a lot of things. Sometimes there's some division within the horse community. But what you have to do is sit back and say, "What's happening?" Horsemen and breeders are leaving the state because the opportunities in surrounding states are far more appealing and lucrative. Attractive purses, financial bonuses for horsemen and breeders, policies that are promoting the stability of racing are encouraging our horsemen to relocate.

At one of my farms, just about two months ago -- when we were meeting with Senator Beck -- we actually had six mares that had moved out of state. Three went to Pennsylvania and three went to New York. The exodus of our horsemen from our state is going to disrupt the state's economy. It's going to destroy our Open Space and Farmland Preservation programs. It's going to have a drastic, negative impact on our agricultural

community. And it's going to severely hamper all aspects of the equine industry, both competitive and noncompetitive.

In my town, we have 37 square miles. We have horse trails that connect every single part of the community. People ride: pleasure riding, handicap riding, riding for the mentally disabled, competition. We have more than 600 people who meet in my community that are involved in horses. It has nothing to do with horse racing. But all of us know--

SENATOR WHELAN: Mayor-- I hate to do this to a Mayor of all people, believe me, but--

MAYOR GRBELJA: You want me to go down to a little facts.

SENATOR WHELAN: If we could.

MAYOR GRBELJA: I'll go right to my facts.

SENATOR WHELAN: Just try to speed it up a little bit -- and the other speakers, as well -- because we do have one more panel.

MAYOR GRBELJA: I'll go down to my facts.

SENATOR WHELAN: And post time is not going to wait on us.

MAYOR GRBELJA: Okay.

SENATOR WHELAN: So thank you.

MAYOR GRBELJA: All right. We already talked about the decline of the stallions, which was taken care of.

But if we take a look at the financial success of the racinos in Pennsylvania and New York, it should serve as a lesson to us. Pennsylvania has 11 casinos that generate \$1.7 billion annually. The casinos pay a 55 percent tax on the gross terminal revenue. Of the 55 percent tax, 34 percent is used for property tax relief, 12 percent goes to the horse racing

industry, 5 percent goes to tourism and economic development, 4 percent goes to county and local areas where their licensing occurs. Next year, every property owner in Philadelphia will receive \$169 school tax deduction. And nonresidents who work in Philadelphia will receive a 5 percent reduction in their wage tax.

The moneys generated for the horse industry have enabled that industry to become lucrative for the horsemen. For example, purses at Hollywood increased from \$65,000 to \$110,000. At Harrah's, in 2006, purses went from \$3.4 million, to over \$21.7 million in 2007. On April 23, at Freehold Raceway, the total purses were \$36,550; in Chester, on the same day, \$202,000; at the Meadowlands, \$178,000. On the 24th of April, at Freehold, \$28,650; at Chester, \$221,000; at the Meadowlands, \$155,000. People have no reason to stay in New Jersey and to race.

If we take a look at what's happening, we also know that-- And we talked already about the \$1.5 million in additional money and money going to the breeders. Similar stories can be told for other states adjacent to New Jersey. The slots in those states are taxed at a rate ranging from 45 to 55 percent.

Now we come to the issue of fairness. The racing industry has had to beg, and is continuing to beg, for supplemental money from the casinos. Our casinos are only paying 9.25 percent tax to the State. Perhaps that rate was sufficient at the time legislation was passed, but not in today's economic times. The racing industry, at one time, was the only game in town. The horsemen who were around at the time told me that they were sure that they were assured that the lottery and the casinos would not affect

them. Now we have casinos that -- they can take their 6 percent profit and, what they can do is, they can put that into facilities.

Horsemen need far greater money, because the money doesn't go into building facilities. It goes into agricultural needs, and care, and people who are employed. That's where the difference comes.

I understand that there is a new, three-year supplement. But I also realize that there's a problem with that. And I do realize that contingent on that agreement is that the casinos will not have to pay taxes on comps forever. I find it extremely distressing that Harrah's Casino, in Atlantic City, will send my partners in my horse industry comps to attend Harrah's in Chester. I find that extremely unfair.

I think what we need to do is work with the horse industry. And I'm not saying-- You can keep your 9.25 percent tax on the casinos. Give us VLTs, give us sports betting. We can be completely independent of the casinos. Let us be self-sufficient and create moneys that will help our industry. If the casinos want part of it, and they want \$50 a machine, that's fine too. But there is some formula that we can use that will actually work and that will allow this industry to thrive and, once again, become the number one horse industry in the country.

I think it's extremely important. And what I did do today is, I did bring, for everybody on the Committee, a copy of an article that appeared in *Horsemen Magazine* called "Show Me the Money." And what it does is, it basically lists for everybody the slot revenues of every single track which is located in New York and Pennsylvania. And you will see the amounts of money that are being generated.

What we could do is, if we had some ability for this racing industry to be able to promote its own and to be able to collect money, the money could be used for property tax relief, it could be used for education, it could be used for open space. But without that, we are all going to lose out. If we lose our horse industry, we're going to lose our open space. And I'm going to tell you, it's going to cost New Jersey much more money than it's spending at this time to have open space.

Remember one thing: We are the Garden State. The animal is the horse. It clearly demonstrates the importance of agriculture and the equine industry in New Jersey.

Please work with us in saving our industry.

SENATOR WHELAN: Thank you.

Mr. Freeholder.

FREEHOLDER D'AMICO: Thank you very much.

I similarly welcome you to Monmouth County. Thank you for coming here.

I think the essence of what you've heard today is that the racing industry in the State of New Jersey is a treasure. And it is also an income generator; it's also important to our economy, our employment, our quality of life, our tax revenue. In every respect, it infuses the State of New Jersey with the quality of life that we all enjoy, particularly here in Monmouth County.

And so the way, it seems to me, that the Governor and the Legislature should be looking at this issue is as one of an investment. If the international racing community thought well enough of New Jersey and Monmouth Park to hold the Breeders' Cup here, the Governor and the

Legislature of New Jersey should think well enough to implement some of the ideas and suggestions that Mr. Drazin and others have presented to you.

And I will just leave you with that thought and that request.

SENATOR WHELAN: Thank you.

FREEHOLDER D'AMICO: Thank you.

B E A D U F F Y: Thank you and good morning.

Thank you for the opportunity to have me here today.

I had intended to speak about the economic impact on the State, but that has already been very well noted by Dr. Malinowski.

What I would like to say is that horse racing has been going on since the end of -- since the beginning of time. Our horses have worked and built this country. The horse racing industry is not only an integral part of the tourism in the State of New Jersey, but it's part of the economic engine that drives the State.

I will be very brief. I agree with everything that has been said today. I think there needs to be a change in policy, as referred to by Senator Beck. And I would beg you to please find a way to protect not only the horse racing industry in the State of New Jersey, but the entire equine industry.

Thank you.

SENATOR WHELAN: Thank you.

FREEHOLDER D'AMICO: Thank you.

SENATOR WHELAN: Any questions, Senator? (negative response)

SENATOR WHELAN: Thank you.

Thank you, all.

We have some local horse folks: John Ryan, from Colts Neck, thoroughbred breeder; Joe and Karen Jennings; and Stephen Dey, a veterinarian.

Again, we apologize to those who wanted to testify who weren't able to. We are pressing up against the--

Can I ask who we have? I'm not familiar. Sorry.

STEPHEN DEY II, DVM: Yes.

My name is Dr. Dey, veterinarian.

SENATOR WHELAN: Dr. Dey, and--

JOE JENNINGS: Joe Jennings.

SENATOR WHELAN: Joe, thank you.

You were alluded to by some of the prior testimony--

MR. JENNINGS: Yes, I was.

SENATOR WHELAN: --as a leading breeder in the state.

MR. JENNINGS: That's correct, sir.

SENATOR WHELAN: Dr. Dey, do you want to start us off?

DR. DEY: I will be passing out my testimony. And I'm not even going to cover any of the testimony. I'm going to just tell you, as a breeder--

I'm a veterinarian. I graduated in 1960 from Cornell; and taught at Pennsylvania for a couple of years; and then started the standardbred practice in the State of New Jersey, which I've been practicing for about 46 years. We have 504 acres located in Upper Freeholder Township, which incidentally is the capital of the world as far as the number of standardbred horses.

We stood four of the five leading stallions in 1990 in Upper Freehold Township. I sold the first yearling for the Sire Stakes. We raised four world champions on our farm. Today we are breeding only two stallions that we own shares in, in New Jersey. We are sending all the rest of our mares to be bred in states that have great sire stakes programs or breeding programs, which are Pennsylvania and New York. So that tells you what has happened to the standardbred race industry in the last 30 years.

If you have any questions, I'd be glad to try and field them.

Thank you.

MR. JENNINGS: Thank you very much.

Joe Jennings. I have a thoroughbred breeding farm in Allentown, New Jersey, 175 acres. At one time we had nine stallions. Now we're down to five.

I guess the point that I wanted to get across to you is that we're down this year about 40 percent in the amount of mares that we're breeding. And if this next month is off, we might be down 50 percent.

Now, that really-- Whether I survive or not really doesn't matter to the whole picture. But the point I wanted to get across is, the people-- The reason we're down-- These people aren't getting out of the business. They've all gone across the river. They're still friends, but they've gone elsewhere. They're chasing the money.

And Tom Luchento said we might be at the beginning of the end. I think we might be past the beginning of the end. I think if we keep on sitting on our hands and don't look for an alternative supplement here,

it's going to be too late. Because we can't wait another three years to get something done.

And that's-- I don't want to keep on beating a dead horse here and saying how bad things are. But things are pretty critical out there. And I'm just telling you this from the trenches.

SENATOR WHELAN: We appreciate it. And your survival is important, because you're a leader in this industry and also emblematic of the trend that we see.

Senator Beck.

SENATOR BECK: I'm really happy that you both took the time to come. I know that you both have busy lives. And I see Mr. Pinotti (phonetic spelling) is here too.

We are at a crisis point. But I want to tell you that it's not that we're not aware. And we certainly have a commitment from the members of this Committee to try to find that answer. The State of New Jersey forgoes anywhere from \$400 million to \$800 million a year by not implementing video lottery terminals at the Meadowlands. And that is the reason that the casinos are asked each and every time to provide a purse supplement. Because as a policy decision--

You know, everyone asks me, "What does horse racing have to do with the casinos?" And that's the tie-in. The State is not reaping those revenues, because we haven't done VLTs. So instead, the casinos have to step up to the plate and provide purses.

In this last round of negotiations, the casinos admit that this process is not a good one and that we need to find a better answer so we don't have to go through these negotiations each and every year. And they

have said that once the contract is signed -- though it's not signed right now -- once it is signed, they will sit with us again over the course of the next couple of months and begin working on a long-term answer.

Whether or not you-- I assume all the people in this room support horse racing. But if you don't, the ancillary benefit to the citizens of the State of New Jersey is 178,000 acres of open space that's preserved in horse farms every year, and the \$1 billion industry that thrives here and supports our economy. So, to me, the answer is a long-term purse supplement that is competitive with other states. There are a number of ways we can get there. And I know our Chairman is committed to working with me and the other members of the Committee to find that.

Thank you for taking the time to come out today.

And I think the first race goes off at 12:50.

DR. DEY: Thank you for letting us testify.

SENATOR WHELAN: Senator, do you want to say anything as we close our session here?

SENATOR GIRGENTI: I just want to apologize, Mr. Chairman. I got called out by the Governor on a discussion on something within my district.

SENATOR WHELAN: We all understand.

SENATOR GIRGENTI: All right.

But we are very interested in this. I know that you've taken great strides. It's good that you came here today. I have a lot of data and information that I will be able to digest. And hopefully we can do something to help the horse racing industry.

SENATOR WHELAN: Thank you.

As we've heard today, we have a short-term problem. We've got to get this agreement signed. I'm going to get involved in that a little bit. Hopefully we will be able to include Atlantic City Race Course. As Senator Beck has said, unfortunately they weren't in the last cycle, which is why they weren't part of the conversation on this cycle. And then we have the longer-term problem that we hear.

The only word of caution -- and I don't want to end this on a down note, because we are committed to making this work. And I just had to bring today's *Atlantic City Press*. One of the headlines is, "Trump Property Losses Mount in the First Quarter." And then yesterday's newspaper, "Pinnacle--" which is a casino project in Atlantic City -- "Delays Atlantic City Start." I mention those things--

Some of the frustration that is felt in the casino industry is, things are not as rosy there as some people assume. Pinnacle bought the Sands site. The first thing they did was, they looked at the books. They shut it down. Two thousand people were put out of work, tremendous job loss. We don't need to have a pity party for Donald Trump, believe me, but his properties are not doing well, which leads to a reduction in the workforce. They're on the block. The article goes on to say, "We'd love to sell one. There's no buyers."

And the casinos clearly have to be a part of this solution. But I don't know that it's realistic that they're going to be the only solution. And we need to look-- We need to weigh VLTs and the impact they have back on Atlantic City. We don't want to see Pinnacle-- Pinnacle is a \$2 billion project, 3,000 permanent jobs if it were to get built. We don't want to do

something that's going to jeopardize that kind of project. So that's kind of where we are.

And it has been alluded to before -- Dennis said this. One of the big frustrations that folks involved with the casino industry -- and I include myself here, and I'm not involved in the industry, per se -- is the delays in the off-track betting. And we've got to get that ramped up. And, again, we know that's not the total solution, but nor can the total solution be, "Let's just look to the casino industry."

We are committed -- all of us here, and those -- Senator Gordon had to leave, Senator Pennacchio, as well -- and others in the Legislature, including the Senate President, who encouraged us to have this meeting here today. We are committed to trying to find a permanent solution to keep the horse industry, both thoroughbreds and standardbreds, viable and healthy, keep the breeding aspects viable and healthy. And we know we have a lot of work to do, and we look forward to working with you in the future.

So we thank you all.

And with that, we'll adjourn the meeting.

Go place your bets.

(HEARING CONCLUDED)