
Public Hearing

before

SENATE WAGERING, TOURISM AND HISTORIC PRESERVATION COMMITTEE

"Testimony from invited speakers on the future of the horse racing industry in New Jersey as an economic asset for the State's tourism and entertainment industries. Testimony will focus on the upcoming Breeders' Cup at Monmouth Park in 2007 and the promotion of Off-Track Wagering facilities to broaden interest in horse racing in New Jersey"

LOCATION: Committee Room 10
State House Annex
Trenton, New Jersey

DATE: May 11, 2006
1:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Barbara Buono, Chair
Senator Ellen Karcher, Vice Chair
Senator Nicholas Asselta
Senator William L. Gormley



ALSO PRESENT:

Gina Marie Winters
Office of Legislative Services
Committee Aide

Linda J. Schwimmer
Senate Majority
Committee Aide

Olga Betz
Senate Republican
Committee Aide

Hearing Recorded and Transcribed by
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SENATOR BARBARA BUONO (Chair): Good afternoon.

I apologize for being delayed. I'm usually very punctual -- people will tell you, that come to my Committee hearings -- but unfortunately, there has to be a better way to do this. I had a bill up in a committee downstairs, and it wasn't supposed to be contentious -- but you know how that is. And Senator Asselta is down there, as well as Senator Karcher; Senator Vitale is in another committee meeting. So they will be here.

But I want to welcome everyone to the Senate Wagering, Tourism and Historic Preservation Committee meeting. I want to, before -- while I catch my breath (laughter) -- and thank all of you for coming and, in particular, thank the witnesses. I know that some of you may have been here on Monday. Assemblyman Van Drew had a committee meeting really just dealing with the one issue of OTB.

I also wanted to thank Gina Winters and Linda Schwimmer, who are just stellar in how they prepare and educate me for every meeting.

So thank you for coming. And if you can turn off your cell phones or put them on vibrate, I would appreciate it.

The subject is very timely. As 2007 approaches-- We know that the purse supplement agreement is expiring in 2007, but there is some good news on the horizon. We know that Monmouth Park will be hosting the prestigious Breeders' Cup, and the industry in the State needs to focus on 2000 (*sic*) now rather than later. As we all know, the horse industry is one of the more important sectors in New Jersey -- both agriculture and open space and farmland -- and it's particularly important, I think, to the

citizens of the State of New Jersey that feel that the congestion of our State is simply unbearable.

The question before us today is, how can we secure a brighter future for the horse racing industry, or how can we ensure that it continues to be an economic asset to the State, to the state's entertainment, to the state's tourism sector? We've heard that other states are relying on slot machines. We actually have already had a hearing on that topic, last year. But VLTs can't be the only answer. That the racetracks and horsemen -- I'm sure you must have other ideas, and that's why you're here today to share them with us.

We understand, as a Committee -- and I believe that I could speak for the entire Senate on this issue -- that we understand the competitive pressures that the horse racing industry is facing. And I certainly hope that during today's hearing we'll be able to shed some light on that subject and begin an important dialogue.

We have a number of stellar witnesses with us today. And we're going to call you up, if we may, at least a portion of you, in groups. We're going to begin. Rather than reading all through the entire list, because it is considerable, we are going to begin with the Secretary and CEO of the New Jersey Commerce, Economic Growth & Tourism Committee -- Virginia Bauer -- to discuss how the State is working with the thoroughbred industry to promote the Breeders' Cup specifically; and next, the Secretary of Agriculture will describe the Department's New Jersey Bred Program and potential Equine Tourism Program -- Charles Kuperus. Is he with-- Where is he? There you are, over there. How are you?

Good afternoon.

VIRGINIA S. BAUER: Good afternoon, Senator. Thank you.

Would you like me to start?

SENATOR BUONO: Please.

MS. BAUER: Okay. I'm delighted to be here to testify regarding the horse racing industry to New Jersey and the promise that it brings to the element of tourism. And I think all of you know, and I hope you do, that I have a personal passion for tourism, and it's a reason it's been a major component of my Department.

Tourism is a major segment of New Jersey's economy. It generates more than \$36 billion in revenue, which is a 12.5 percent increase over last year, I'm happy to report. It creates over 470,000 jobs. And in light of our budget crisis, it generates over \$8 billion in Federal, State, and local tax revenues. It's an industry that continues to grow and be enhanced by the diversity of the tourism products that we offer to visitors and to residents.

And the horse racing industry is an important part of the tourism product. It's also a fact that New Jersey is a home to a number of world-class racing facilities. There's also a growing number of world-class events that are held specifically in our state, and together they form a unique experience that attracts visitors and also tourism dollars to our state.

For instance, the Meadowlands hosts the No. 10 horse racing event in the year -- the Hambletonian. And for one week, the Hambletonian attracts more than 120,000 visitors to our state, and their families, their business professionals, their VIP horsemen, and other upscale consumers that come to our state. They stay in our hotels, they eat in our fine restaurants, and they purchase the goods in our stores, bringing

economic revenue to businesses in the town and communities that surround the area. And in addition, the event is viewed by approximately 1.3 million people on television. So it's vital that we capitalize on this opportunity, because Global Insight reveals that 71 percent of all tourism dollars that are spent in this state, stay in the state. And my Department, the Commerce Commission, has participated in a number of opportunities to sponsor these events. And we look to cross-promote these events with tour operators and our coach market.

And next year, as the Senator mentioned, our area, Monmouth Park, which is in my vicinity, and Freehold Raceway will provide a backdrop for the best horse racing event in the world -- the Breeders' Cup. And we know that the Jersey Shore lures over many visitors to our 127 miles of beaches.

I have been working with the Sports and Exposition Authority Chairman, George Zoffinger, to ensure that New Jersey's Commerce and Tourism efforts will have a unique, distinct, and important role in promoting this prestigious event. We want to be sure that when the visitors come here that they will enjoy themselves, they will take advantage of what our community has to offer, and it will specifically highlight what a beautiful place New Jersey is. Our visitors will have a chance to expand elsewhere -- to go down to Atlantic City, and to see other horse racing events throughout the state.

So I plan to be part of the host committee. I'm actively involved with that. I look forward to it. I think it's going to be a very promising event.

And I thank you for this opportunity to speak.

I do want to mention, I will have to leave; but Nancy Byrne, who is my Director of Travel and Tourism, is here throughout the hearing. So if there's any additional questions, Nancy will be happy to answer them.

SENATOR BUONO: I just had one at this time. Does the Commerce Commission collaborate with the horse industry on any of the marketing programs?

MS. BAUER: You know what, that's a good question. Maybe I'll ask my brains of the operation. Will we be collaborating with the horse racing industry?

SENATOR BUONO: You have to come up in order to be recorded.

Thank you.

MS. BAUER: Yes, I'm sorry.

This is -- oh, I'm sorry -- Nancy Byrne, my Director of Travel and Tourism.

Thanks, Nancy.

NANCY J. BYRNE: We do work with the industry in terms of -- we supported the Hambletonian and the Haskell in the years past, via our co-op marketing grant program, and we work with the Horse Park of New Jersey on other horse programs. So we do support them through our grant program.

SENATOR BUONO: Okay. All right, thank you.

And thank you for coming to testify.

Before Charles Kuperus comes up, I'm going to call, out of order, Tom Carver, the Executive Director of the Casino Redevelopment

Authority, who has a 2:00 meeting with the Governor. We don't want you to miss that. You need to put in a good word for me. (laughter)

T H O M A S D. C A R V E R, ESQ.: Well, actually, it's just the Governor's staff. (laughter) I have to clear all meetings with the Governor with my Senator. (laughter)

SENATOR GORMLEY: Don't tell that joke.

MR. CARVER: Madam Chairwoman, I'm here at your request, and I'm not quite sure how I can add to your discussion, but I'm very happy to discuss some things which I think might be beneficial to form the parameters as you go forward.

And I brought some pictures with me. If I may, allow me to stand and show you what I'm talking about? Is that okay?

SENATOR BUONO: You won't be recorded, that's the only problem.

MR. CARVER: All right. I have somebody with me, but unfortunately he left.

SENATOR BUONO: Maybe we can have-- Okay.

MR. CARVER: Yes. I can point to them.

SENATOR BUONO: And then I did have some questions. I don't know how--

MR. CARVER: I'll be happy to answer anything I can.

But what I wanted to do, frankly, because I think it's very critical, is to define the parameters in terms of where we are in Atlantic City and what Atlantic City means at the present time to the State of New Jersey. If you want to define economic generation, you don't have to go any further than over the bridge coming in. We are defining economic

generation in the State of New Jersey right now. We're talking about billions of dollars that is being invested, is about to be invested. And as the Governor pointed out yesterday on two occasions, our competition is not Las Vegas, nor Connecticut, nor even Pennsylvania, nor New York. Our competition is for the investment dollar from the very corporations that we have in our midst now.

For example, one of our houses is about to go to its board for \$3 billion to invest in the center section of Atlantic City. If I may, that long building with the white (indicating)--

SENATOR BUONO: Yes, I see it.

MR. CARVER: That is the Convention Center, and the railroad station and the Expressway entry runs just to the top of that. And once you get off the Expressway, many people are now familiar with The Walk. The Walk is something that people felt, early on, would not succeed, because it would bring people from the boardwalk, and they'd actually walk through Atlantic City -- which a lot of people thought would never happen.

The first stage of the outlet stores that are in Atlantic City -- we are told by the developer -- have been the most successful of all of the stores and the chains that are represented throughout the whole country. We're about to start the second stage. The demolition of the lighthouse, which is at the end of the Expressway and Atlantic Avenue, is coming down now. The second stage will begin -- will go across Atlantic Avenue to the south side, to Mississippi -- ultimately down Mississippi. But before that, on both sides of the entryway and the exit from Atlantic City will be developed into the next stages of The Walk.

The project on the water, straight up in the middle of that screen (indicating), is called the Shops at the Pier. The people who are developing that developed the Forum Shops at Caesars -- the most successful shopping outlet per square foot anywhere. They have told us, and from what we have seen we certainly agree with them, that this will be much more successful, much broader in scope, and quite frankly, in our judgment, an attraction in and of itself, which will bring people to Atlantic City, as has The Walk, other than to gamble.

As I may have mentioned to you at our meeting that we had up in your office, we're at the third stage of our development. Steve Wynn and I, for many years, used to discuss the stages. And he'd say, "Tom, we're at the first stage now. We get the gamblers. We have to get to the second stage." So we bring people to Atlantic City, who come maybe to gamble, but for other reasons also. But the third stage, getting people to come to Atlantic City, is where we must get to. We are on the cusp of that right now. We're talking thousands and thousands of jobs. We're talking extra investment. And we at the CRDA have changed the scope of what we do. I'm going to talk about a second area of development in a second. We have changed the scope of what we do.

And if I may, I would like to read you our new mission statement, because it is 180 degrees from what it was in the past. And I have to put on my other set of cheaters, so I can see what I'm looking at here, if I can find them. This is our mission statement adopted by our board in a recent meeting: "The Casino Reinvestment Development Authority shall provide capital investment funds for economic development and community projects that respond to the changing economic and social

needs of Atlantic City and the State of New Jersey. It shall encourage business development and permanent job creation, promote opportunities for business expansion, and commit to facilitating a vibrant economic investment and employment environment for New Jersey.”

The second stage -- the second major development which can take place in Atlantic City in a relatively short time is at Bader Field, which is this airport that you see on the right-hand side of the diagrams up there. (indicating)

SENATOR BUONO: Is that where the old race course was, or no?

MR. CARVER: No.

SENATOR GORMLEY: The airport.

MR. CARVER: That's the airport. That's Atlantic City's municipal airport. It's about to be decommissioned this year.

And we are engaged in a process which I believe could lead to prequalifying some national developers to give us schemes as to how to turn that into the highest and best use, with a brilliant new addition to Atlantic City. Something unique, something dramatic, something that will, frankly, put us further on the map than we are today.

Now, the reason that all of these things coming at this time are so important to us is, we have one last window of opportunity, in my judgment, in terms of regional competition. And I have to tell you in all frankness, except for the ineptness of Pennsylvania and the indecision of New York, we would be facing that competition right now. But we have that window. And by the way, I may get in trouble in Albany and in Harrisburg for saying that, but it happens to be the truth.

SENATOR BUONO: Well, you're in good company.

Right, Senator Gormley? We like to get in trouble.

SENATOR GORMLEY: Keep bashing and work those other states over. (laughter)

MR. CARVER: Something happened yesterday--

SENATOR GORMLEY: Throw in Illinois. Just keep throwing them all in.

MR. CARVER: --which I think crystallizes the importance of what we're talking about to the State of New Jersey. At the Governor's Transportation Conference in the morning, Governor Corzine made specific reference, over a long period of time, frankly, in terms of his total appearance, about Atlantic City and about Bader Field. Then in the afternoon, I went to a meeting of the new Economic Growth Task Force being put together under Gary Rose, and the Governor came in during the middle of the meeting and sat in the chair and started to talk. And he turned to me at one point and he said, "You know, Tom, we have this great opportunity both in Atlantic City and at Bader Field." And I was just amazed. Frankly, I didn't think he would remember who I was. (laughter) But nevertheless, the point being, it wasn't so much me but Bader Field -- the opportunity at Bader Field. Extreme -- maybe, maybe, when you think about it, the most valuable piece of property of that size on the East Coast of the United States for development. And right in the middle of where we are.

Senator, the reason that I went through this process, and the reason that I introduced this, and the reason I think it's so important is that I don't know where your deliberations will take you. But I would submit

that anything that would compromise where we are at this time would not only be detrimental to us, but would be frankly something I don't think we could recover from. Because these opportunities are really once in a lifetime. We've spent 20 years -- 25, I guess, more or less -- working to be where we are. We are just there. We're not over the top, but we can see it. And I think that this process has to continue. I think that the investors that we're talking about -- and I don't represent them any longer. I don't speak on their behalf, and I can't answer questions on their behalf. But I will tell you that if we're competing with Singapore and other jurisdictions for that \$3 billion, there's nothing we should put in the way of getting it.

SENATOR BUONO: So I guess you wouldn't be in favor of reinstating the law on casino comps if the purse supplement deal is continued?

MR. CARVER: I'll let the industry answer that one, how's that? (laughter) Is that all right?

But that's really all I wanted to tell you today. I wanted to set what I hope would be a definition of where we are and where I think we have to remain, and where I think the importance of all this is to your ultimate conclusions.

SENATOR BUONO: Thank you. Thank you.

I really appreciate you coming. I know you have a busy schedule.

Just a few questions. And I seem to recall at our meeting in my office the topic of the racetrack, the Atlantic City race course, was discussed. Are you thinking of reviving it? Are there any plans for that?

MR. CARVER: Well, we're not in charge of that, but there are representatives here today from that track, and I am sure they would discuss with you what they might have in mind.

SENATOR BUONO: Okay. And other than that, I really just-- I don't know if you want to comment on the purse supplement. Obviously, that's a major point of discussion here. Do you think it should be extended?

MR. CARVER: Well, I can say this. I think this is probably well within the range. I don't think that the industry would be very amenable to extending it for a second time. We were the conduit the first time, but it was \$82 million of their money, basically -- 52 through us--

SENATOR BUONO: Right.

MR. CARVER: --but still their money.

SENATOR BUONO: Right.

MR. CARVER: Plus the direct investment that they made in it. And I would hope that, and I think they would hope -- I shouldn't say I would hope -- but I think they would hope, and I think they'll frankly fight very hard for a different approach if there is one.

SENATOR BUONO: Okay. Well, thank you very much, and good luck with your meeting.

Does anyone have any questions -- Senator Gormley, Senator Karcher?

SENATOR GORMLEY: To Tom or to Karlis, using your institutional knowledge: In the second year of the McGreevey administration, when the debate went on about the taxes -- Tom, and I know you weren't the CRDA Director at the time -- how long was the

garage delayed because of the debate about the taxes or taxing the industry, and how long was The Walk delayed and investment held up because of the last debate?

MR. CARVER: I don't know if you recall, but it was extensive. It would be again, I think, in terms of what we want to do, if that began also.

KARLIS POVILS: I recall that the garage project was specifically taken off the table for a time while those taxes were being deliberated. I don't know the specifics. I wasn't involved in the negotiations between the Governor and the casino industry. But the point you're raising is, is that these global companies, it's not just somebody in Atlantic City deciding whether or not to invest there. It's somebody in Atlantic City going to the corporate board of Harrah's, competing against locations in Macau -- in wherever, Vegas, other places -- and they're making a pitch for, "put the money here instead of over here." So even relatively modest changes in the regulatory structure of the tax structure can be the difference between a new hotel tower going up in Atlantic City or them deciding, instead, we'll put it in Vegas where it's cheaper.

SENATOR GORMLEY: And ironically -- just one comment. We've actually-- Sometimes, for maybe the wrong reasons, good things happen. They would have gone forward with the tower at Caesars, and now they're looking at a much larger project because of the market two years later. But that's in the category of luck, so--

MR. CARVER: I'm sorry, Bill.

We have 15,000 rooms now, give or take, plus or minus. We really have to get to at least 25, in our judgment. Once we do that -- and by

the way, the expansion projects-- Trump announced a 800-room tower at Taj yesterday. Borgata is expanding. Harrah's is expanding the Marina and also will be downtown. The other facilities -- Sands looks as if it's going to expand dramatically to complete all its arrangements. This will lead -- hopefully, and we think very positively -- to air service.

So I mean, the whole developmental process is going to change what we do. Atlantic City is not going to be a day-trip market. It's going to be a market very similar to Las Vegas in terms of the types of people that we're attracting. And they're coming now. We need more rooms, and that's why these projects are underway.

SENATOR BUONO: More spas. (laughter)

SENATOR GORMLEY: There are going to be so many spas-- Well, and one-- Because this really doesn't have to do with anybody here, I think what has occurred -- and I want to be very careful about this -- I think one of the principal reasons for this boom is the goodwill extended by the Governor to the CEOs. Not in terms of individual -- just in terms of the stable and--

SENATOR BUONO: Which governor? Which of the last three governors?

SENATOR GORMLEY: Well, it's the first governor who didn't mention a tax in the last four or five years on the industry. And now we're seeing the biggest boom and not saying anything. But if they're going to build -- put in \$10 or \$15 billion, why don't I leave them alone? It's kind of a Goldman-type of decision. (laughter)

SENATOR BUONO: Sometimes it works.

SENATOR GORMLEY: Yes.

SENATOR BUONO: Sometimes it doesn't.

Any other questions? (no response)

Well, thank you so much.

MR. CARVER: Thank you.

I want to apologize to my friend, Sean Cooper, for taking his place.

SENATOR BUONO: Okay.

Secretary Kuperus, come on up.

Good afternoon.

S E C R E T A R Y C H A R L E S M. K U P E R U S: Good afternoon.

I have some prepared comments, and if I could read them I'd be happy to answer questions.

SENATOR BUONO: Feel free.

SECRETARY KUPERUS: Good afternoon, Chairman Buono and members of the Committee.

I appreciate this opportunity to address the Committee today on a very important issue of our horse racing industry, as it has direct bearing on the overall health of New Jersey's equine sector. Our horse breeding farms are among the most beautiful agricultural areas in New Jersey. Who hasn't been captivated by the sight of fencing along a county road with horses galloping or grazing behind it. In many ways, the work you do here on this issue will help determine whether those eye-catching scenes remain part of New Jersey's agricultural landscape or whether they disappear forever.

New Jersey's equine industry is a vital part of our diverse agricultural industry. It is important to the overall state economy. The equine industry is the third sector of agriculture's industry, behind ornamental horticulture and the fruit and vegetable sector.

Based on the most recent data, the New Jersey equine industry accounts for an estimated 81,000 acres of farmland across the State of New Jersey. The state's breeding stock alone has the overall value of 168 million. Equine-related assets -- including feed, bedding, fencing, equipment, transportation, insurance, blacksmith, and veterinary services -- contribute significantly to the State's economy. We're fortunate in this state to have a well-respected horse breeding industry. In fact, our standardbred breeders are regarded nationwide as being on par with the thoroughbred breeders of Kentucky.

The Department of Agriculture is working to enhance the vitality and the vibrancy of our agricultural sectors. Already there has been much work done by my staff to examine ways in which the Department can aid the revitalization of the equine sector. And with an emphasis on the racing industry, we continue meeting with leaders from both standardbred and thoroughbred industries to pursue ideas, like new owners' seminars that would make more of our residents participants and not just occasional spectators in the racing industry. These efforts -- in addition to programs and special events -- the Department, with others -- many of them behind me -- have initiated or facilitated in recent years to draw even more interest to the equine sector.

These include: The expansion of the Thoroughbred Breeders' Award to include New Jersey-bred horses running in other states --

something the legislators supported the Thoroughbred Breeders on; strengthening the Jersey Bred campaign -- integrating it and then adding it to our Jersey Fresh campaign to help position the industry in New Jersey; supporting the Thoroughbred Festival, which has grown from 9,000 spectators in its first year to over 13,000 last year; working with the Department of Environmental Protection and Treasury to develop ag management practices that will bring greater protection under the Right to Farm Act to the equine industry; and working with Rutgers University and National Agricultural Statistics Service to conduct an evaluation of our State's equine industry.

These steps help, but they cannot on their own stave off the decline in the racing industry. The numbers, frankly, speak for themselves. Since 1995, the thoroughbred racing days have declined by 54 percent. One racetrack, the Garden State, has gone out of business. Another, Atlantic City, has drastically limited its racing schedule. Racetracks live or die on attendance and handle -- the amount of money wagered at the track or on live simulcast races. Handle is a major source of revenue for those who are directly employed by the horse racing industry.

On-track attendance and handle are down 43 percent and 56 percent, respectively, from 1995 to 2004, according to the statistics by the New Jersey Racing Commission. During the same time, we've seen a 49 percent decrease in standardbred stallions. In 2006, New Jersey has 16 registered standardbred sires, in comparison to New York and Ontario -- with each having an over-120 stallion standing.

During the past five years, the total annual purses distributed have decreased by 25 percent for both harness and thoroughbred racing.

All statistics are interrelated -- racing days, attendance, draw-wagers from track spectators and others that simulcast in off-track betting venues. These wagers fund the purses that pay the horsemen in part, and when one link is weakened, the others begin to collapse.

To remain competitive, the racing industry must bolster its attendance and handle. We could also very well lose some of our finest horse breeders as they move to neighboring states to be closer to those tracks where purses are most attractive. The resulting decline in our racing industry would have spill-over effects to our breeding industry. Now is the time to act.

New Jersey's racing industry has much going for it, including Monmouth Park hosting the 2007 Breeders' Cup. In the long run, special events and promotional tie-ins -- counteracting higher purses, drawing our best horses to other states.

This coming weekend I'll be attending the opening day at Monmouth Park, where extensive renovations were undertaken in preparation for the next year's Breeders' Cup. For those of you who do not have the opportunity, if you're in the area on Saturday, I'd urge you to stop by -- maybe for some of you it won't be too long of a ride -- and see what the world will be seeing next year.

The Breeders' Cup coming to New Jersey is an example of what our state industry can be. If we act now to keep it vital, a thriving race industry is crucial to maintaining New Jersey breeding farms. If the racing industry goes, the breeding farms will soon follow. Clearly, the last thing the most densely populated state in the nation needs is the disappearance of a beautiful agricultural working landscape.

I look forward to working with the Legislature to find ways to keep New Jersey's horse racing industry competitive with those of other states. After all, the New Jersey State animal is the horse. And we're just weeks away from the month of June, which is the month of the horse.

This is, indeed, the most appropriate time to do what we can do to enhance the viability and vitality of New Jersey's equine industry.

Thank you, Madam Chair.

SENATOR BUONO: Thank you.

Do any of the members have any questions? (no response) I'm a little surprised.

Well, I have a question I thought Senator Gormley -- oh, okay--

SECRETARY KUPERUS: We know Senator Gormley has a question.

SENATOR GORMLEY: Well, I've already asked the question. I've asked the Department of Commerce to run it down in terms of acreage in New Jersey, of the acreage that is given in terms of counts, in terms of the industry. I'd just like to have a cross-reference to see how many of the acres have already received farmland preservation money.

That's all. Thank you.

SECRETARY KUPERUS: We've preserved 145,000 acres in the State of New Jersey -- 17 percent of New Jersey's agricultural working landscape is preserved. We don't keep track of what activity are on those farms.

SENATOR BUONO: So we don't know how many of the 81,000 acres--

SECRETARY KUPERUS: All we care is that they're farmed. We don't know how many acres are preserved.

SENATOR BUONO: Right.

SECRETARY KUPERUS: However, there's a Gormley component -- Senator Gormley component to the Rutgers study that's being conducted later on this year, that's actually going to find out that number for us. So we'll have that number as a result of the study that's going on by Rutgers.

SENATOR BUONO: And we have someone from Rutgers here, which hopefully will testify to that effect. Okay.

Did you have anything further, Senator Gormley.

SENATOR GORMLEY: Respectfully, I think I asked last year or the year before for this, okay, and I think it would take a couple of days.

Thank you.

SENATOR BUONO: Could you supply that? Is that going to be difficult? You don't have enough resources to come up with that information and supply it, through the Chair, to the Committee? It really was about a year ago that Senator Gormley asked that question.

SECRETARY KUPERUS: He did ask. And we've asked Rutgers to assemble this. And Rutgers, to their credit, has included this as part of their analysis of the whole equine industry. To go over the 1,300 farms to find out what activities are on those farms is significant. And I can't -- most certainly, if I can do that, I will. And we'll check and I'll communicate, through the Chair, whether or not that can get done in a very short time frame.

SENATOR GORMLEY: Thank you.

SECRETARY KUPERUS: Otherwise I'll defer to the study.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: Well, do you have any marketing funds in your current budget to focus any attention on the horse industry, other than you mentioned New Jersey Bred?

SECRETARY KUPERUS: Well, most certainly our marketing efforts have to be coordinated with the Sports and Exposition Authority, which you'll hear from later on, and we do work with them. We have the Hambletonian New Jersey, we have the Haskell. We're working together on the Breeders' Cup. We have a lot of things that are happening that we work very closely on. In fact, in preparation for the Breeders' Cup, we have some sectors of New Jersey's agriculture that are helping landscape the infield of Monmouth Park. Rutgers helped with designing the turf track. We're working together, just so you know. However, there's still a long ways to go with respect to what we can do. And that's, I think -- this hearing is going to, kind of like, compel and start.

Our Jersey Fresh Program, I mentioned in my testimony -- we have branding programs that are including each sector of New Jersey agriculture. For example, New Jersey Seafood has their own brand, and we're working on developing that. New Jersey Grown, for the ornamental horticultural industry. And we're working on New Jersey Bred brand as the focus on horses that are bred in New Jersey. And that's something that's -- a program in its infancy. You can see we have a Web site already for New Jersey Equine. But again, it's coordinating with other entities in order to make sure that we capitalize on everybody's--

SENATOR BUONO: Explain to me what the value is in -- and I mean this seriously -- the value is in creating a brand. That you're talking about New Jersey Bred and New Jersey--

SECRETARY KUPERUS: It helps distinguish your product in the marketplace. Take, for example--

SENATOR BUONO: But with respect to horses in particular.

SECRETARY KUPERUS: Branding -- we saw what happened in Alberta, Canada, in terms of a branding exercise that they've conducted. And it's reaped good and very measurable rewards for them. I can't recall the exact percentages, but modeling it somehow after that, we believe, is going to help position the industry in a different way to the public that may participate in those racetracks. That's a component of an overall strategy. It's not the only answer, but it's a component of an overall strategy that can help.

Most certainly, talking about New Jersey horses and talking about a great breeding industry is not going to hurt the breeding industry, and it can only help. And it can help significantly. And you know, frankly, the Rutgers survey will provide benchmarks for us to measure even that activity on.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: Anything else? (no response) Anything further? (no response) No. Okay.

Thank you so much, Secretary.

SECRETARY KUPERUS: Thank you.

SENATOR BUONO: Karyn Malinowski, Director of the Equine Science Center, Rutgers University. Good afternoon. Good to see you.

KARYN MALINOWSKI, Ph.D.: Good afternoon, Senator Buono.

Maybe I'll be able to answer some of those points that were brought up by Secretary Kuperus.

Again, good afternoon, ladies and gentlemen, and again my name is Karyn Malinowski, and I am-- One of the hats I wear at Rutgers is as the Director of the Equine Science Center, and in that capacity I'm here this afternoon.

The Equine Science Center's mission is first and foremost to ensure the well-being and quality of life of the equine athlete. But equally importantly, also in our mission, is to support the viability and the vitality of the New Jersey horse industry.

Horse racing and the horse industry are essential to the well-being of New Jersey in many ways. In January of this year, I published a white paper describing the extremely delicate balance between the future of horse racing, the preservation of the entire equine industry in New Jersey, and the importance of the equine industry to traditional agriculture and open space in New Jersey. It may not seem obvious at first glance, but the equine industry impacts virtually every New Jersey resident by preserving that open space; by providing outdoor sport recreation, activity, and tourism; by building a solid foundation for youth development; and by providing mental and physical therapy to both adjudicated youths and handicapped persons.

Today you are hearing from many articulate advocates who are addressing the important reasons why the casino and racing industries must partner to ensure the continuing sustainability of horse racing. You will hear solid data describing the impact that video lottery terminals at racing facilities in neighboring states have or will have on our gaming industries. You will also hear, as you already have, about the wonderful opportunity that New Jersey has to showcase racing when Monmouth Park hosts the 2007 Breeders' Cup races, the most prestigious day in thoroughbred racing in the world. I hope you will also hear why the Legislature must insist that racing be promoted and nurtured.

However -- Ms. Winters, thanks for your help and guidance in preparing for today -- I've been asked to talk about the horse industry as a whole and its beneficial impact on tourism, traditional agriculture, and the quality of life of New Jersey.

Let me start with one example: This past October, over 50,000 people converged on the little town of Far Hills, New Jersey, in Somerset County, to witness the 86th running of the Far Hills Steeplechase Races. They came from New Jersey, the tri-state area, across the United States, and from abroad by every mode of transportation imaginable. Hotels, restaurants, caterers, limousine companies, vendors, event secretaries, and a host of other New Jersey companies benefited from the races in an estimated amount of \$5 to \$10 million for a single day. The largest beneficiary was the Somerset Medical Center, which has had a long-time relationship with the group who produces the races. And they've received, in the time of that relationship, over \$17 million.

Also, importantly, the event is held on 230 acres known as the Moorland Farm. It was owned by AT&T. And several years ago, AT&T decided to divest itself of that piece of real estate. It was feared by the local communities that it would be developed. The Far Hills Race Meeting organizers banded together to purchase that land for true market value in 1999 and continues to own it now.

This is one example of the dynamic effect of racing on tourism as it's repeated in other Garden State venues, including the Meadowlands, Monmouth Park, and Freehold Raceway. And it's not just about racing, ladies and gentlemen. In about three weeks, competitors and spectators from all over the world and from all over the United States will come to the Horse Park of New Jersey, in Stone Tavern, for an internationally recognized Jersey Fresh, three-day event. And last week, Secretary Kuperus, I had the honor of spending several days in your county, Sussex County, attending the 55th annual Garden State Horse Show, which had over 1,400 horses at that venue.

Senator Buono, on any given day, any given weekend, numerous horse-related shows or events are taking place -- all of which pump dollars into our economy.

The economic impact studies of the horse industry in New Jersey, by the Department of Agriculture in '96 and the American Horse Council Foundation in '05, have demonstrated the importance of the equine industry to New Jersey, one of the smallest and most densely populated states in the country. Mr. Kuperus has already shared those numbers with you.

Regarding the issue of the study coming on from Rutgers, and the numbers of acres devoted to the horse industry, this 2006 economic impact study that we are doing will count those numbers of acres. I believe, Senator Gormley, that the Farmland Preservation group should be able to denote for you how many of those 1,300 farms are related to equine activities. But we also will be using the latest technology, satellite technology, of being able to actually pinpoint where horses are located in the State of New Jersey. So we will have a very accurate number.

SENATOR ASSELTA: Wow, you got it.

SENATOR GORMLEY: GPS is more than I asked for. This is amazing.

DR. MALINOWSKI: We will have an accurate number for you.

The Equine Science Center believes that equine operations are inherently more viable than other kinds of agriculture operations in rapidly urbanizing states like New Jersey. This means that they are more likely to hold out against development pressure and are, therefore, more likely to preserve rural open space for a longer period of time and at less cost to the New Jersey taxpayers.

However -- and the reason why we're all here -- the horse industry in New Jersey faces enormous challenges. The Equine Science Center, at a horse industry summit held with industry leaders in March of 2003, helped identify those challenges to the industry. Two of the five challenges identified included the future of horse racing and its industry's economic development.

To address the challenge of the future of horse racing in New Jersey, the Center hosted -- later in that year, July -- a roundtable discussion which pinpointed the 10 most critical issues that needed to be addressed if racing in the Garden State is to survive. These are listed, ladies and gentlemen, in Appendix 1 of that white paper. The discussion resulted in a series of strategies developed as part of a three-pronged approach designed to simultaneously stabilize and reinvigorate New Jersey's horse racing industry through methods that will augment purse values, increase racetrack attendance, and improve the infrastructure that supports the entire equine industry. No one strategy alone will make a lasting difference. Just as the industry is a network of relationships, so must be the strategies that support and encourage it.

Racing is not the only equine discipline that will be harmed if New Jersey racing does not receive the shot in the arm it so desperately needs. Sport competition, pleasure, and recreational horse owners stand to suffer; as well as traditional agricultural interests, such as grain, hay, and straw farmers, who I know continue to maintain open space and continue to economically survive because horse owners are their primary customers.

The Department of Agriculture's New Jersey Equine Advisory Board -- known as the EAB -- annual budget, which supports activities such as the Horse Park of New Jersey and the pleasure horse segments of our industries, predominantly is correlated to a percentage of the pari-mutuel wagering handle from racing. The EAB's budget -- I won't tell you what it was when I came on as a young specialist almost 30 years ago -- but in 1990, the annual budget was about \$500,000. In 2005, it had been reduced to 350,000, and is continuing to decline. In addition, while equine

veterinary clinics, and feed and supply stores are frequented by this recreational pleasure horse component, a predominant economic flow to these entities is from the racing industry.

The question, Senator Buono, that your Committee needs to ask is, what is the tipping point? How much of racing can New Jersey afford to lose before the entire horse industry is impacted negatively?

The Equine Science Center believes that the State of New Jersey, where there are more horses per square mile than in any other state, has minimized the importance of its equine industry and that now is the time to correct the oversight. Economic development processes exist for casinos, for tourism, for agriculture and food industries, and health care, but not for equine. That needs to change. Presently, there exists the unprecedented agreement between the Atlantic City hotel casino and horse racing industries that committed casinos to an annual subsidy of approximately \$20 to \$25 million a year to supplement racetrack purses in the Garden State. This is due to end in 2007. And while this initially has helped ensure that the best equine athletes would continue just to compete at New Jersey's tracks, it does not address the major concerns regarding the fragile infrastructure of the industry, or its critical need to substantially increase promotion, research and analysis, and public awareness of the value and impact of the industry.

And Senator Buono, branding creates an awareness of that industry and its product. We strongly encourage the extension of the casino subsidy for the immediate future, and at the same time concerted action to address long-term solutions for this vital New Jersey industry,

which could include the formation of a task force by this Senate Committee.

Thank you for your time and consideration.

SENATOR BUONO: I just had one question -- one or two -- but I will turn it over to my Committee members in a moment.

In your testimony, you mentioned, at the very end, economic development processes that are needed to be dedicated to the horse racing industry, similar to those for casinos and tourism and agriculture, etc. Have you given any thought to what sorts of incentives you envision?

DR. MALINOWSKI: Yes and no. Economic development -- and Diana Orban Brown, certainly, our Director of Communication, has a lot of experience in this. But our point is that, where we have a lot of marketing for food industries, for tourism in general, there hasn't been, like the state of Kentucky, which does a brilliant job at promoting all of the horse industry -- we are far, far behind. So this is not just about racing. The industry coming together in a unified voice can help promote all-- There's no main business plan of economic development for the horse industry as there are for other industries in the State of New Jersey. And I think we need to change that if this industry is going to survive.

SENATOR BUONO: One more question. Your white paper that you referenced -- in it, you talk about a waning interest on the part of women and younger folks in the horse racing industry. Do you have any ways to -- or any strategies to improve that?

DR. MALINOWSKI: I think we have. And I own a racehorse. I love racing. I've never wagered on a pari-mutuel race. I think the Meadowlands and Monmouth Park have done a brilliant job at making the

facility user-friendly for women. But I think we haven't targeted-- We haven't targeted traditional horse lovers and horse owners. And if we look at the American Horse Council's statistics from three studies ago, 85 percent of the users of horses are women. So I think we all collectively need to attract other horse-using people to racing, because racing absolutely is brilliant and exciting. And I think we also need to really have a concerted effort of bringing young people. Because I know my colleagues sitting behind me know the statistics of the age, the demographics of the type of people who go to the racetrack, and they are not young families and women.

SENATOR BUONO: Why don't you -- you're a user, you're a rider, because--

DR. MALINOWSKI: I don't bet on horses, because I'm not a gambler.

Senator Gormley, I'm sorry, I don't wager in Atlantic City either. (laughter)

SENATOR BUONO: You don't have to wager in Atlantic City to go to Atlantic City. (laughter)

DR. MALINOWSKI: But-- Oh, no, but I--

SENATOR GORMLEY: You don't know. I'm not that far, no.

DR. MALINOWSKI: I attend the racetrack on a regular basis, because I just love being there with the horses.

SENATOR BUONO: Senator Gormley.

SENATOR GORMLEY: First, a request for the study, an analysis of the jobs you cite. I'd like to know how many are full-time, how many have health benefits, and how many currently work for the Sports

Authority. Okay? I think all the senators encounter this -- the word *jobs*. It really varies. So being specific as to full-time, benefits, and wage scale, or whatever, would be very interesting.

In your deliberation, was there a Plan B for money? I'm just saying, because this subsidy has been in place for a few years. Obviously, you must have debated or discussed other alternatives. You can understand why I'd ask that?

SENATOR BUONO: Yes. VLTs. (laughter)

DR. MALINOWSKI: And actually, folks, we hosted this one-time session which was about four hours. Assemblyman Van Drew requested that we host this meeting. And Ronnie Dancer was there as well. The group never came together after that. And I guess my proposal to you, Senator Buono, is that this task force really get at it right now.

SENATOR GORMLEY: Have you, in your review today--

Senator -- excuse me -- Assemblyman Van Drew had a hearing a couple of days ago and addressed the issue of the potential of off-track betting. One of the things that has been frustrating to me -- while they said casino, casino, casino -- \$20 million a year, for five or six years, has gone out the window. Now, you must have addressed the internal politics of horse racing, because now -- let's face it -- \$100 million went out the window. What do you think? What has to be done before we start studying what they say is a problem? What's wrong with them, because they can't agree among themselves? What do you recommend?

DR. MALINOWSKI: I'm smiling, because I've worked with horse people of all sectors for over 30 years, and they are probably one of

the most difficult, diverse populations of people -- and I'm one of them.
(laughter) So--

SENATOR GORMLEY: No. You're absolutely genuine. No, you're not in that category. (laughter) No, no. You're not a mercenary in this, you're just fine. I guess the issue is, why should there be a recommendation for the industry that I represent, when "another industry" was fighting among itself losing \$100 million? You can understand that's a question that would come to mind.

DR. MALINOWSKI: Well, one thing that we did discuss -- and it is in Appendix 1 of that white paper -- one of the items was -- and Assemblyman Van Drew was pretty tough on us all -- was the-- He promised that the legislation would go through for OTWs or OTBs. And I know his frustration, now, of the fact that that has been over two years and the industry has not moved forward on it. I don't know why it hasn't, Senator Gormley.

SENATOR GORMLEY: Well, you see, you have to understand. Until the internal complexity -- which is, I think to some degree, equally frustrating to both parties and everybody -- until that's solved, whatever solution would appear to somebody like myself, who represents an industry that doesn't want to subsidize it anymore, saying, "Well if they'd had a source of revenue and they're arguing among themselves, it really is somewhat incoherent"-- If it's that desperate, and that serious, and that vital to New Jersey -- all these people who love horses couldn't come together among themselves. Would you address that in your study? Because we've lost \$100 million, and it's had nothing to do with casino gaming. They fight with each other.

SENATOR BUONO: Well, I think that we're going to be taking testimony in the next panel, and this is a good segue to the OTB issue, so--

SENATOR GORMLEY: And was the issue addressed of selling the racetracks? Was that discussed as an option?

DR. MALINOWSKI: It wasn't at that meeting in July of '03, Senator Gormley.

SENATOR GORMLEY: They didn't. Well, would you please look at that? If the private sector coming and taking it over would cause the efficiencies that would allow the industry that I represent not to have to subsidize this industry-- Because that option has been brought up, and I do remember-- I think George Zoffinger, a couple of years ago -- I think I'm correct in this -- I said the number was \$300 million without VLTs. Wow. We could use that for this year's budget, and they'd run the tracks. And they didn't ask for anything else at the time, from what I understand. We can ask maybe Mr. Zoffinger for what was proposed by other people.

Thank you very much for your time.

DR. MALINOWSKI: You're welcome.

SENATOR BUONO: Anyone else?

Senator.

SENATOR ASSELTA: I think first, for the record, let's make it clear for you: The legislation has been in place for six years, as far as the off-track betting proposal. Let's place the blame thoroughly where it needs to be placed -- is people in charge in Trenton have not moved this initiative forward and brought the parties together to come to the correct solution. There has been willing partners, who we'll hear from very shortly, as to

creating these facilities. So let's be very clear. We don't have to wait for legislation. It's been in place for six years.

Another question -- and even though your interests here are obviously not the same interests as track owners-- Your interest is purely on the entertainment aspect of what you're talking to us about. It's your analogy that this State is better off having more and more preserved situations to breed and to train, as opposed to housing developments, commercial developments, that pay rateables. Is that your opinion that you're trying to get across here?

DR. MALINOWSKI: To answer your question, the data is there to show that open space and viable farming costs municipalities, townships, whatever, a lot less than developments do.

SENATOR ASSELTA: No. Yes. Again, let's try to educate me on that. Because you're saying all the jobs created in a -- let's use one piece of property that could have five or six stores. With all the jobs created on construction, and on full-time jobs, and the rateables and the taxes that will be paid to the municipality -- is less valuable to a municipality than preserved open space? Help me with that one.

DR. MALINOWSKI: With -- and Charlie, if you're still here, if you can help me answer this please?

SENATOR ASSELTA: He's not going to help you on this one.

SENATOR BUONO: I think this is a value judgment, and I don't know-- And with all due respect, I don't know how much that adds to what we're trying to accomplish here today. And that is, have all the stakeholders come to the table and view -- really give their opinion on the

state of the industry and possible strategies to pull it out of the hole that it's in. I would like to correct one thing, though, Assemblyman--

SENATOR ASSELTA: I'm not an Assemblyman, Senator.

SENATOR BUONO: Oh, sorry. Well, he called Van Drew a senator, maybe that's what did it.

SENATOR ASSELTA: Oh, okay. Through the Chair, I'm a Senator.

SENATOR GORMLEY: I have weak moments from time to time, okay?

SENATOR BUONO: Senator, I'm sorry.

The legislation allowing OTB has been in effect since 2002. So this is not something that the Legislature has been preventing.

SENATOR ASSELTA: I thought that's what I made clear, through the Chair. She had mentioned in her remarks that there was -- the Legislative approval was not in place.

DR. MALINOWSKI: No.

SENATOR ASSELTA: Do you want to play that tape back?

I think you did say that.

DR. MALINOWSKI: No. We did say that people who were in the audience said that the legislation needed to move forward quickly.

SENATOR ASSELTA: You were blaming someone--
Which legislation?

DR. MALINOWSKI: The OTB legislation.

SENATOR BUONO: Well, just to correct you then.

DR. MALINOWSKI: It was in place.

SENATOR BUONO: We voted on it, so we know.

SENATOR ASSELTA: Right. That's all we were correcting.

DR. MALINOWSKI: So in July of '03, it was in place?

SENATOR BUONO: Yes, okay.

SENATOR GORMLEY: Yes.

SENATOR ASSELTA: Right.

DR. MALINOWSKI: And we will, Senator Asselta, get you -- from our Food Policy Institute, our people who work on the value of open space and agricultural land and the rateables -- we can get you a report on that, and we will send that to you.

SENATOR ASSELTA: And let me, through the Chair, just tell you that the area in which I represent probably had more of these training operations than anywhere in the state, in Cumberland County. And we are in a process now of trying to pay our property taxes and continue to live in our county, without the ability to take some of those open space opportunities that are right now stagnant and maybe not doing anything, and creating some economic improvements there in development and creating some jobs. Many people in my county can't continue to live in New Jersey. So when you get up here and say how great your sport is -- and it is -- and let's face it, the perception has always been it's for the privileged. And I don't know if you agree with that?

DR. MALINOWSKI: I don't.

SENATOR ASSELTA: Not many people can afford a horse and to keep a horse, etc. -- at least people that I represent. So I have a hard time justifying that old farm in Vineland, New Jersey, that used to breed horses for Garden State Racetrack -- and a developer wants to come in there

and provide jobs and housing and commercial rateables -- is less valuable than what's currently right there.

DR. MALINOWSKI: But in all due respect, Senator, I must say that I also run the State 4-H Horse Program from Rutgers University, and I know many, many, many young people in Cumberland County who own a horse, who barely have the median income to that family. So it is definitely not a sport for the wealthy. And so, with all due respect, I really need to make that point.

SENATOR BUONO: Thank you, Director.

DR. MALINOWSKI: You're welcome.

SENATOR BUONO: I really appreciate your coming.

We really need to move along in the interest of time. We have a number of people.

The next panel is Dennis Dowd, Senior VP, Racing, New Jersey Sports and Exhibition Authority; Don Codey, Pennwood, New Jersey; and Hal Handel, Philadelphia Park Racetrack.

Well, we'll have to-- That's fine. That's a good idea. Somebody can sit over here. That's fine. Will that work for you?

Could everyone introduce themselves for the purposes of transcription?

D E N N I S D O W D: Dennis Dowd, Senior Vice President, Racing, New Jersey Sports and Exposition Authority.

H A L H A N D E L: My name is Hal Handel. I'm the President of Atlantic City Racing Association.

D O N A L D R. C O D E Y: My name is Donald Codey. I'm the President of Pennwood Racing and the General Manager of Freehold Raceway.

SENATOR BUONO: Good afternoon.

MR. CODEY: Good afternoon.

SENATOR BUONO: Do you want to go from left to right? How's that?

MR. DOWD: That's fine with me.

SENATOR BUONO: We'll begin with you, Mr. Dowd.

MR. DOWD: Okay. I probably have the most to say, because the Sports Authority, in fact, has the largest investment in horse racing in the State of New Jersey and is a state-owned facility.

But the Sports Authority is dedicated to horse racing, obviously, with the development of the Meadowlands in 1996, the acquisition of Monmouth Park in 1986. We employ somewhat over 1,600 people. And Senator Gormley, those are people with benefits, full-time employees.

SENATOR GORMLEY: Yes, absolutely.

MR. DOWD: But those are the employees of the Sports Authority in the racing area. That does not include the numbers of trainers and all the other people that have been testified to and will be testified to shortly by the representatives of the horse racing groups.

Seventy-three percent of the net income of the New Jersey Sports and Exposition Authority comes from horse racing. We do hear a lot and do talk a lot about the New Jersey Devils, which are a great hockey team; and then the Nets, and the football--

SENATOR BUONO: Seventy-three percent? I didn't know that.

MR. DOWD: Seventy-three percent of the bottom line income for the New Jersey Sports and Exposition Authority comes from horse racing.

SENATOR BUONO: Can you quantify that in dollars or just a percentage at this point?

MR. DOWD: About 20 million, roughly, plus or minus.

SENATOR BUONO: Thank you.

MR. DOWD: So it is a substantial asset owned by the State, and I think that that is something that should be considered -- and also consider the value to the State, and protecting it.

The Meadowlands itself is internationally known. The Hambletonian, which is the largest race, is \$1.5 million. And it is the premier harness race in the world, and it is known as that. The Meadowlands harness meet is considered the finest harness racing meet in the world.

Monmouth Park has the million-dollar Haskell, which ranks in the top 10 percent of horse races in the country. We are considered-- Opening day at Monmouth Park this Saturday is considered one of the 100 top events in the State of New Jersey. We are important to the State, both as an employer, as an entertainment option, and as a preserver of open spaces.

We thank the casino industry for its assistance in the past. And we do want to also say that prior to that assistance, we at the New Jersey Sports and Exposition Authority did, in fact, subsidize purses from

our bottom line, detracting the money that would otherwise go to the State, because we felt it is an important industry.

We are also the only tracks -- and this is not to detract from Freehold, which is a beautiful racetrack that I happened to run once myself and absolutely adore it -- but we are the only tracks, the Meadowlands and Monmouth Park, that house horses on site, that house the people who work there on site. So we are a residence for both our equine athletes and many of the people who work in the industry.

We believe in the industry strong enough to invest in the future of horse racing. We have \$30 million in capital improvements slated for Monmouth Park, and we do say that that is because of the Breeders' Cup. And quite frankly, a large portion of it is, but it is also a reinvestment in a capital asset that the State owns in order to bring it into this millennium. Monmouth Park is a beautiful building. But quite frankly, it was built in the '50s at a time when it was a seasonal and only used during the Summer. It was not used as a year-round facility. We didn't need the infrastructure for televisions and everything else that we now need. And those are the investments that we are making -- elevators, sound systems, various lighting. We are making major investment to bring the building and the facility itself to a standard that I think is appropriate for conducting horse racing.

We have also committed to make huge improvements to the track surface itself. We put in a new turf course which -- I had a press conference Tuesday and announced that Laurel Raceway in Maryland put in a new turf course, and their handle went up 20 percent. So that investment, in fact, is an investment that will bring money to the bottom line of the Sports Authority. A new turf course will attract more horses.

More horses will be in the race. The more horses that are in a race, the more betting interests there are. The more betting interests, the more betting. And so we believe that the investment in the turf course, an investment in the dirt course, which we have done, is important to the continuation of racing at Monmouth Park and in the State of New Jersey. And it also is necessary in order to conduct the Breeders' Cup, which is slated for October 27, 2007. It is the premier event in horse racing.

We will be bringing people to the State of New Jersey from all around the world -- from Japan, England, France, Dubai. We will have 45,000 people at the facility, and not just for one race. They will stay the entire day. They will be in the state for a week. We estimate the economic impact on the State of New Jersey to be in the \$60-million range from that event. It is going to be a great event.

And Senator Karcher, I wanted to mention, we have been in contact with all of the local municipalities. We've discussed coordinating police protection, fire protection, traffic. We've met with the Department of Transportation in order to ensure that the people who come to New Jersey for this event have an experience that they're going to take home and tell people how wonderful it is. We will also be on international television with this event. People from all over the world will be watching and will be focused.

We intend not only to do the one day. We intend to make that week a four-day race week, and one of those days will be a New Jersey Day. It is our intention to highlight New Jersey-bred horses. It's our intention to have the seafood industry from New Jersey, the nurserymen's industry from New Jersey, and other New Jersey industries participate in

that day and highlight the wonderful things that we have in New Jersey.

The Secretary of Agriculture mentioned the cooperation with the nursery growers. They are doing the infield at Monmouth Park, and they are donating the plants. And they will all be New Jersey plants, that are grown here in New Jersey and that are indigenous to New Jersey. And this will be then sent out internationally. And we think that that has great value.

We have also, since the legislation in 2002, instituted the account wagering system. Account wagering has done \$60 million in its first 24 months. That has exceeded our expectations, and it will go toward strengthening our industry and helping ourselves. One of the reasons it's been so successful, quite frankly, is that it is ours. It's exclusive. And we can control its impact on our live racing, and its impact on the handle at our racetracks. We are growing it in partnership with the gentlemen to my right, who are partners as a result of the legislation. We needed a participation agreement. And we are controlling the growth of this and monitoring the impact of account wagering on what's happening at the racetracks.

SENATOR BUONO: So you wouldn't -- I guess from your testimony, you wouldn't be in support of multiple vendors being involved in this -- privatizing in a sense?

MR. DOWD: I think racing is a tenuous position. The fact that the account wagering system is owned and operated by the people who own and operate the racetracks in this state put us in a position that we are not going to compete with ourselves. We're going to help the industry at

large, and we think that that's our obligation. So the direct answer to your question, we're not in favor of someone else doing it.

SENATOR GORMLEY: If I may, the 60 million -- was that gross net?

MR. DOWD: No, no, no. That's handle.

SENATOR GORMLEY: Handle.

MR. DOWD: Handle, Senator.

SENATOR GORMLEY: Why don't you get to the bottom line?

MR. DOWD: We hold about 17 percent of that.

SENATOR GORMLEY: Well, it's--

MR. DOWD: It's okay--

SENATOR GORMLEY: It's better than zero, better than zero.

MR. DOWD: --and it's growing.

SENATOR BUONO: And since we're on the subject of dollars and cents, the 20 million that you said is attributable to the horse racing industry, how much of that is attributable to the purse supplement?

MR. DOWD: None. No, no. That 20 million -- that's the bottom line that Senator Gormley was eluding to.

SENATOR BUONO: Okay.

SENATOR GORMLEY: But 17 percent of that 60 million--

MR. DOWD: Correct.

SENATOR GORMLEY: That's new money that you're taking in now as a result of the legislation?

MR. DOWD: Correct.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: Okay. Thank you for that clarification.

MR. DOWD: We have 5,400 people -- have signed up for account wagering in the State of New Jersey, and participate.

The other issue, which is an important issue which has been questioned here, and is often questioned, is the status of the off-track wagering facilities, and where are they? What's taken so damn long to get them where they aren't? And the point is that it did involve a number of things. And as you recall, if you just turn the calendar back, when the legislation was passed, it was passed and it required a participation agreement from all the participants. And it also was passed and implemented at a time when it was announced that the tracks were for sale. It made it, quite frankly, difficult to come to an agreement when the people over here who owned private racetracks didn't know who their partner or operator would be. And it did slow it down, Senator. You would be less likely to enter into an agreement if you didn't know who you were entering it into with.

SENATOR BUONO: But isn't part of the problem the public perception associated with OTB, that there's local objection? I know in Woodbridge--

MR. DOWD: Well, the way that the legislation was crafted -- and then in some ways, I think quite frankly, it was crafted very, very well -- I think it requires the applicant-- And the applicant must be the Sports Authority. And Senator Asselta is aware, because we did apply for one in Vineland that we are then assigning to the Atlantic City racing interests. But the application had to be applied for by the Sports Authority. But

before you could even apply for it, you had to show that the local community, in fact, welcomed it.

SENATOR BUONO: How would you do that?

MR. DOWD: They welcomed it either directly or indirectly. Directly is by resolution, which, quite frankly, is what the community of Vineland did. But the statute requires that we, the Sports Authority, send a letter saying this specific location -- and because you have to specify the location, you have to do all your negotiations on the location before you get the permission, which can be a little tricky -- but this specific location is a location upon which we desired to put an off-track wagering facility. The local governing body then has 45 days within which to pass a resolution saying we don't want it. If they don't pass that resolution, then it's deemed that they do want it. The Township of Vineland, upon receipt of the letter requesting it, in fact, passed a resolution saying we do want it, that they felt that this use in their community would be appropriate. And I believe they saw ones that are currently being operated by the Philadelphia Park people, so they had a real idea of what it would be. They didn't just willy-nilly say yes. They did their due diligence and decided that it was a rateable and would be an asset to the community.

There's another application being filed for Toms River, which I think is being filed today.

MR. HANDEL: Soon.

MR. DOWD: We have a lease entered into -- we being the Sports Authority -- in another community, Middlesex County community. I have the elected officials from that community -- I have a bus picking them up tomorrow. I will be on that bus -- I'm not going to drive the bus --

but I will be on the bus taking them to an off-track wagering facility in Pennsylvania to give them an opportunity to do the due diligence to see if it is something that they want in their community. And we believe it will be.

We're in negotiations on a lease -- that we've actually sent the lease to a landlord who will be constructing a building in Somerset County for our use. And assuming we can enter into that lease as quickly as we would like, we will be contacting those elected officials in order to see if it says something that they would like.

We have requested leases from two other landlords in two other counties, and we would expect to hear from them shortly. So, although there was a log jam, the log jam has broken. There are two applications in. They'll be two more shortly. It is my anticipation that one of -- the Sports Authority's one, that we will operate, will be up and operating by Kentucky Derby '07. And that's going to be a push, but we think we can do it, because it is an existing building.

We have run into another problem with the legislation -- we being the Sports Authority--

SENATOR BUONO: Liquor licenses?

MR. DOWD: --and it deals with the liquor license. The legislation says the OTW operation must acquire a liquor license in the marketplace, and that's fair. But it says that the Sports Authority can't operate it. So we find ourselves in a position that we have to bring in outside vendors to operate our food and beverage, and that's a position the others aren't-- In order to operate an OTW -- it's unlike a regular restaurant where there's a turnover in tables. People who go to an OTW to

enjoy an evening of racing, or an afternoon of racing, take their table and they stay there. It's not a terribly profitable food and beverage business.

As an operator for an OTW, you don't mind that because you're making your profit by keeping them comfortable and keeping them enjoying-- So that is, quite frankly, an amendment that we think would be appropriate. I have discussed it with some members of the Senate and the Assembly, and with--

SENATOR BUONO: Is that Senator Doria's bill? Is there legislation?

MR. DOWD: I have not seen his bill, but if the bill's out there already, I'm pleased, because I do believe that that would be helpful.

So we are doing things, I think, that are important in the industry. We are trying to take advantage of the legislation that has been passed.

SENATOR BUONO: But backing up into the legislation, I'm not sure that there-- I know that there is a bill. I don't know if it's what you want, though. In a perfect world, what would the legislation provide? Would it still require, obviously, a liquor license, but that would be operated by the Sports -- and I don't think that could happen. How would you change the legislation to deal with that?

MR. DOWD: Well, in order to permit the Sports Authority to operate, it's just, quite frankly, removal of, I think it was, three words. I've discussed it with staffers that the Sports Authority *can not operate*, and we'd just like to take those three words out, and that would be fine. We're not looking to take advantage. We're looking to have the same advantage as anyone else.

I think Mr. Handel wanted to make a comment on this issue.

SENATOR BUONO: Certainly.

MR. HANDEL: The difference in -- we operate off-track facilities in Pennsylvania. We have six of them in suburban Philadelphia. The Pennsylvania law is a little less restrictive. It provides for a special state license for those off-tracks that then can't be transferred, sold -- in fact, has no economic value. So as a perspective off-track facility looks to find its niche, you still have to find a commercial deal with the landlord, you still have to deal with the issues of the municipality. But the third leg of the New Jersey issue -- the liquor license -- is not an issue in Pennsylvania. And I think that was a pretty good -- certainly Pennsylvania now has 21 off-track facilities. So that model certainly worked well there.

SENATOR BUONO: Why do you think that the change hasn't been made up until this point in the legislation?

Mr. Dowd?

MR. DOWD: I do not know the answer to that question. I can say we have not pushed it at this point, because quite frankly, it's only within the last eight or nine months that we've located sites and then attempted to get into the market and found-- We had, quite frankly, hoped, and we did speak with -- I think it was Friday's and another chain to see if they would be interested in coming in and operating. And they came in and looked at the model and looked at other things, and we found that they would not. The Sports Authority put out a request for proposal, setting forth what our business plan was and our anticipated attendance to see if some of the larger, national purveyors would be interested. And they are not.

SENATOR BUONO: Because of what you said.

MR. DOWD: Because of the turnover of the tables. The model doesn't work for a restaurateur, the model works for an off-track wagering operator. So that has become a problem. We believe we can get at least one up and going the way it is. We've discussed other options, as far as the operation goes. But the ability to operate ourselves, I think, would make it -- the rollout would become much quicker.

Another issue on the rollout of the OTWs that's important, and may not have been discussed at the Assembly hearing -- I was not here-- We want to do these quickly, but we want to ensure that by doing them we are not hurting our core business at the track. Are they going to compete with the racetrack? Obviously, the one in Vineland won't. We look at what impact these are going to have on the racetrack as we develop them.

SENATOR BUONO: Well, what about Pennsylvania? What's happened in Pennsylvania?

MR. DOWD: Just one more thought on that. We also have to see what demographic and what area they draw from before we make final decisions as to where the next is going to be, because we don't want them to compete and cannibalize each other.

And Mr. Handel can clearly explain what's going on in Pennsylvania.

MR. HANDEL: The Pennsylvania law is a little bit different. The Pennsylvania law provides a geographic boundary around an existing racetrack and gives the racetrack an exclusion to build and operate off-tracks within that facility. Then there's a discretionary zone outside of that, that's not a matter of right.

SENATOR BUONO: Do you think we need to change the New Jersey legislation to allow for that?

MR. HANDEL: No.

SENATOR BUONO: No.

MR. HANDEL: I think the operating agreement we did with the Sports Authority-- One of the reasons it took so long to do was we contemplated that in the operating agreement.

SENATOR BUONO: I see. Okay.

Thank you.

MR. DOWD: Let's see. I have a few more comments. We are mindful in racing, in general, horse racing is an industry that's shrinking. That's no shock to anybody. It's been heard before and before. I've presented to you things that we at the Sports Authority are doing to help ourselves, and we believe those are important. But we must remind this Committee, and you've heard it before, that with the competition in New York, Pennsylvania -- I want to somewhat echo Mr. Carver's comments -- thank God they're moving slowly, but they are moving. And they will be there. And the purses in those states will soar, and they will take horses from New Jersey to race there, and our product will not be as good as it is right now. And quite frankly, at Monmouth Park this year, I think you're going to see some of the finest racing in the world.

The states that are doing well -- 75 percent of their purse revenue comes from non-racing sources. It comes from VLTs. It comes from riverboat taxes. It comes from areas other than the racing. So the model where racing is generating the money for purses, or all of the money for purses, is a model that, because we're sitting here this year, is a failing

model. It has changed and it hurts. We can look at what's going to be going on when the racetrack opens in Chester, Pennsylvania; when my good friend Hal Handel gets his VLTs at Philly Park -- the impact that's going to have. Yonkers will be in full-blown operation probably by January -- I spoke with the Rooney family a couple of days ago. Aqueduct will have them. And that's going to impact greatly on New Jersey racing.

I didn't come here today with a solution to that problem. The solutions, as far as VLTs and purse subsidies, have been discussed. I certainly think that what's been done is important. I think that the purse subsidy that was negotiated or brokered before I was here was a good one. And it put us in the position that we are healthy and we will be healthy through 2007.

I don't know -- quite frankly, I do know -- the full-blown OTW system and the mature account wagering system will not put the New Jersey purse structure in a position to be higher than Pennsylvania, New York, or even as high, and we have to go forward. We at the Sports Authority are attempting to set another racing summit where the stakeholders, including representatives from the Atlantic City casinos-- I've had conversations with a number of--

SENATOR GORMLEY: They're not stakeholders.

MR. DOWD: They're stakeholders in the State of New Jersey, with an interest in the state.

SENATOR GORMLEY: No, they're not. No, no. They're singled out every time.

And why you were looking at all these-- And I want to apologize to the Chairperson, but you understand I just had to listen to this. What did you estimate you could get for the sale of the tracks?

MR. DOWD: Did I estimate-- I was not--

SENATOR GORMLEY: The Sports Authority has those numbers.

MR. DOWD: I was not an employee of the Sports Authority when that was done. My understanding is--

SENATOR GORMLEY: Through the Chair, would you get the numbers to the Committee?

MR. DOWD: --those bids were sealed.

SENATOR BUONO: Could you find that?

MR. DOWD: I don't have those numbers. My understanding is that the bidding -- the bids were never opened, because they were taken off. That's what I was told. I will confirm that with Mr. Zoffinger.

SENATOR GORMLEY: Well, through the Chair, could we check with Stuart Rabner, the counsel to the Governor? Because I assume because we are so transparent in government today, we'd like everybody to see what the number is.

MR. DOWD: I've never seen it, but--

SENATOR GORMLEY: So would you check with the counsel of the Governor, because we want transparency. Okay? In terms of the legislation -- and I don't want to belabor this -- a part of the delay was the horse racing industry, wasn't it? Don't just say it was-- Wasn't there a disagreement among the standardbreds, the thoroughbreds? Wasn't there some disagreement? It wasn't just us, was it? Wouldn't you say horse

racing disagreed among itself a little bit for the last few years? I mean, I'm not-- You could throw some blame at us -- I don't know why. But wasn't there some disagreement among the horse racing industry about splits and how much money people would get?

MR. HANDEL: That slowed the whole process down considerably.

SENATOR GORMLEY: Thank you.

MR. HANDEL: It started in '99, I think, and it took three years to get to the point--

SENATOR GORMLEY: Yes. It wasn't like you were ready when the bill passed. You started to negotiate once the bill passed. In many other venues you have--

MR. HANDEL: No. The splits were negotiated in advance, so that the bill, when it went to the Governor's desk and to you, had the acquiescence of all the industry segments in it.

SENATOR GORMLEY: Yes, but--

SENATOR BUONO: That's probably why it passed.

SENATOR GORMLEY: But there has been disagreements since 2002.

MR. DOWD: Only in negotiating the participation agreement. There was no fight after this bill passed as to who gets what share of the revenues. That was all decided before, as I understand it.

SENATOR GORMLEY: But--

MR. DOWD: That the problems were the individual permit holders -- the people who owned the licenses for the racetracks had to devise a participation agreement. What was the best way to do that in light

of the biggest participant being on the auction block. That's what I believe the problem was, Senator.

SENATOR GORMLEY: So, all right. Well, anyway, at least we can check and see if those could be unsealed and we could see the numbers.

MR. DOWD: I've never seen them. I'd be interested.

SENATOR BUONO: I already agree. I'm not encouraged that they will be unsealed, but we certainly can make that effort.

SENATOR GORMLEY: Or at least have whatever estimates were done -- by whatever accounting house in advance -- that estimated what the number would be, so we could see what it is. If this is what caused the delay, we ought to see as much information about what caused the delay.

MR. DOWD: I'd be interested in seeing them myself, Senator.

SENATOR BUONO: Moving forward. Yes.

MR. HANDEL: Madam Chair, members of the Committee, my name is Hal Handel. I'm the President of Atlantic City-- Our company is one of the two owners of Freehold Raceway, which comprises Pennwood Racing. And my colleague, Don Codey, will talk to you about what's going on in Freehold.

At Atlantic City, the news is reasonably bright for such a dour, beat-up, old facility. We're very excited about the fact that we will be opening the first off-track facility in New Jersey this Fall. We hope it will be before the Breeders' Cup. It depends on when the Racing Commission issues the license, which we're still waiting for. And we've already got a construction team together. We're putting together bid documents. We'd

like to get the thing bid out within a month and construction started. So sometime between October and December that facility should be opened. It's in Senator Asselta's district in the city of Vineland, on Delsea Drive. It's 13,800 square feet. It's a former car dealership. And I can honestly tell you, from having seen the off-track facilities in Pennsylvania, all of them -- the ones in Illinois, the ones in Kentucky -- it will be the nicest one in the country. And I think the standard that both we and the Sports Authority set when we do build these things--

SENATOR BUONO: Excuse me. You just made Senator Asselta's day.

MR. HANDEL: He came to the hearing in Vineland, and it's a superb facility. It will be state-of-the-art in terms of the amenities. It will be the first one in the country that's entirely flat-screened, plasma, high definition for sports. And I think it will be well worth the wait when you see it.

Mr. Codey is going to talk to you at length about how close Freehold is to its first and second off-track facilities, which again we wish it was a year ago we were talking about this, but at least we are talking about it now. And the few minutes I'm going to take of your time, I'd like to talk to you about Atlantic City Racetrack a little bit.

SENATOR BUONO: Great.

MR. HANDEL: We bought Atlantic City back in 2001 or 2002, and to say it's somewhat of a derelict property at this point would be very accurate. We've been surprised by the local response to the racetrack. The community of Hamilton Township supports the racetrack and actually made it known to us that they'd like to see the racetrack survive in some

fashion. That changed some of our thinking, and we're well along on a path now which could lead to the construction of a new grandstand that would conduct an abbreviated, say, 14- or 15-race day -- over a month -- meeting, 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. It requires the approval and acquiescence of a wide variety of local, county, State authorities. We're arduously trying to negotiate a way through all those things, and hope that by sometime this Fall we'll have something very concrete to show and something that will make you very proud, and certainly would make us very proud.

We understand how difficult the plight the New Jersey racing industry faces in 2008 and going forward. We think that if we do a good job with these off-track facilities they will certainly help to some degree. I'm not going to sit here and tell you I have the answer for what you should do or what the public policy should be with regard to the casino industry and the racing industry. But I can assure you we will certainly do our share to be an active player and to make a contribution to this industry.

Thank you.

SENATOR BUONO: Thank you.

Any questions from any--

Senator Asselta.

SENATOR ASSELTA: Real quick, a comment, Madam Chair.

Let me first, publicly, as I've done before, thank Pennwood and Atlantic City Racing Association for their confidence and commitment in this first project in Vineland. We have been down this road for a pretty

long time, but it wasn't an easy road. And we all know that, and there's been diversions along the way. And I think patience has been on the order here. And when it is finally complete, it will be, I think, one of the best in the country. And I thank you for, most importantly, your confidence in our area down there. But I was concerned about this week and some of the ideas that were put forward to reopen the whole process up. And I think I would like to know -- and my concern initially was, we're at the altar, why are we going to reopen this thing? And our commitment and your commitment to me, four or five years ago, was a handshake, and said we will put the first one in Vineland. Hal, you came in front of that committee and you said that. And I took your handshake as your word, and you delivered on your word.

So my concern was, if you've reopened this whole process up, there is no commitment to my hometown and my largest city in my district to put this facility there. So I just would like to comment how that would impact if we start all over again, the process.

MR. HANDEL: In my view, it would be catastrophic. This industry already is ill, and we should be trying to find ways to bring the industry back to a semblance of health. To reopen this process and put competitors -- with the racetracks operating gambling facilities 20 or 30 miles from the Meadowlands, Freehold, Monmouth Park, or Atlantic City -- is a death sentence for this industry. I can't be any more--

SENATOR ASSELTA: Clearer than that.

MR. HANDEL: The closest model that would follow is the worst model in the United States, and that's New York's.

SENATOR ASSELTA: Thank you very much, Hal. Thank you again.

SENATOR BUONO: Mr. Codey.

MR. CODEY: Good afternoon, Madam Chairwoman, members of the Committee. My name is Donald Codey. I'm the President of Pennwood Racing and the General Manager of Freehold Raceway.

At Freehold Raceway, we race 192 days a year, basically year-round, except with the exception of the months of June and July. We employ 300 employees, of which 170 are full-time employees that get benefits. We offer \$13 million in purses -- overnight purses during the course of the year. And our signature event during the course of the year is the Cane Pace, which is one of the triple crown events for pacers; very similar to the Hambletonian, being a triple crown event for trotters at the Meadowlands. That is our signature day. And last year we were fortunate enough -- we raced the Yonkers Trot, because of Yonkers being under construction, so we had the unique distinction of hosting two triple crown events at little Freehold Raceway in western Monmouth County.

The focus today is -- certainly one of the subjects has been the off-track wagering. We have submitted an application for a site in Dover Township, Toms River, on Route 37, which hopefully, with all the approvals being in place, that sometime early next Winter we'll have open. The site is a former Grand Union building. It will be 28,000 square feet, about twice the size of the facility in Vineland. And that is certainly because of the demographics of the area and the traffic that's driven along Route 37.

SENATOR BUONO: It's a good location.

MR. CODEY: Yes.

One of the unique aspects of that location is going to be what we call an *events room*. The people in the area keep saying that they have no place to have an event -- whether it's all the senior groups down there -- they're always looking for a place to have a meeting, to have a luncheon, a buffet, and everything. And there certainly will be days during the week, in the early part of the week, where we won't be using the entire facility, so we're going to make it available to the community.

Sometime next week we'll be meeting with people in the North Brunswick area, hopefully, to sign a lease in North Brunswick to open and begin the process of a second off-track wagering site. It's an automobile facility on Route 1. And that facility would probably be about--

SENATOR BUONO: What town is that?

MR. CODEY: It's in North Brunswick.

SENATOR BUONO: In North Brunswick. Where is it in North Brunswick?

MR. CODEY: It's on Route 1.

SENATOR BUONO: Right.

MR. CODEY: It's an auto dealership in New Brunswick.

MR. HANDEL: That wishes to remain unnamed at this point.

(laughter)

SENATOR BUONO: That was my next question. (laughter)

MR. CODEY: Unknown.

So that would follow our first facility, if everything goes right, so that we could probably have it open next Summer sometime.

There's been mention also about getting younger people and women involved in racing. I think the off-track facilities mirror that desire, in that if you go to these facilities in Pennsylvania, which are beautiful facilities with fine furniture -- granite, marble, and everything -- you see at night a lot of these younger couples, couples in their 20s and 30s that come there. And it's the thing to do on a Friday or a Saturday night instead of going to the movies, or another recreation or entertainment venue. They choose to go to the off-track facility, because their friends are there. They can sit down, get a hamburger or a salad or something, a beer; bet on a few races. So it's become an entertainment-type venue in those different facilities.

SENATOR BUONO: Okay. Thank you.

Any questions, Senators? (no response) No.

Okay. Thank you very much.

MR. DOWD: Thank you.

MR. HANDEL: Thank you.

MR. CODEY: Thank you.

SENATOR BUONO: Next, before our last panel, one individual is going to testify -- John Hindman. He's the Vice President of Communications and General Counsel, Television Games Network -- or TVG, as they're known.

Good afternoon.

J O H N H I N D M A N: Good afternoon, Madam Chair and members of the Committee. My name is John Hindman, and I'm here to speak on behalf of TVG.

SENATOR BUONO: I'm sorry. It looks like-- How do you spell it?

MR. HINDMAN: Hindman -- H-I-N-D-M-A-N.

SENATOR BUONO: There's an E in there?

MR. HINDMAN: H-I-N-D-M-A-N.

SENATOR BUONO: Oh, okay.

MR. HINDMAN: It's a common mistake.

SENATOR BUONO: Okay.

MR. HINDMAN: I'm here to speak on behalf of TVG, the interactive horse racing television network and wagering network. TVG is also the title sponsor of the \$2 million TVG Breeders' Cup Sprint Race. We have a long affiliation with the Breeders' Cup; perform other duties or aspects of the event, such as all of the shoulder programming leading up to and around the event. The simulcast goes into millions of OTBs worldwide. It's produced by TVG. And we're very much looking forward to the event next year, and we'll do our part to make it a success.

I also want to express our appreciation for the invitation to address you today regarding the future of horse racing as an economic asset to this state.

Admittedly, we are biased. However, we believe that horse racing can have a bright future as an economic engine to support employment, agriculture, greenspace preservation, racetracks, horse owners and breeders, and state government. A principal reason for our belief is account wagering. Horse racing has the most unique opportunity in gaming to take advantage of television and state-of-the-art, interactive technologies to conduct its lawful business and to take its product directly to the

customer. Account wagering is a fairly new development, but the early returns are promising. And it is clearly imperative for the racing industry to work in cooperation to realize this opportunity.

TVG believes that the key to maximizing account wagering is television. Following through on this belief, we have made a large investment in our cable and satellite television network, which is dedicated solely to the sport of horse racing. Today, TVG's television network is on the channel dial in 20 million American households in all 50 states. TVG is on both Dish Network and DIRECTV, as well as on cable systems, including Comcast and Cablevision, in 41 states. Currently in New Jersey, TVG is available on DIRECTV, Dish Network, and Cablevision; and we have a deep relationship with Comcast, which carries TVG in multiple markets across the country. Additionally, TVG makes its programming available on FOX Sports Net in several major metropolitan markets. Never before has the sport been so well exposed to so many people on a sustained, daily basis.

Television is crucial to the success of account wagering for two reasons: First, it has been proven by TVG and others that people will bet on what they can see. There is not a more effective way to drive wagering than through the power of television. Secondly, television is a vital tool in creating new fans for the sport. It has often been said that 30 years ago racing missed the television boat when almost all other forms of sports and entertainment were gravitating towards this medium. Without a doubt, television has been integral to the successes experienced by football, basketball, baseball, golf, car racing, and other sports in creating legions of new fans. While horse racing was far behind the curve, we are not anymore.

You will notice, with TVG, horse racing has an established, dedicated television presence. You will notice that others, such as golf, the NBA, Major League Baseball, and the NFL are following suit in starting up their own television networks dedicated solely to these sports. It is our belief, and indeed our sincere hope, that television will create new fans for racing as it has for so many other sports, and ultimately drive people back to the racing facilities.

I was listening to earlier speakers today comment about attracting women or attracting younger people to horse racing, and what some of the ideas are. And some of the things that we're doing at TVG is, yesterday we launched an entirely new slate of television programming. There's one program called Lady Luck. It's hosted by women. All of the guests are women. All it talks about is women in horse racing and women's issues in horse racing.

SENATOR BUONO: So men watch it, is that it? No.
(laughter)

MR. HINDMAN: Another new program is called Horse Racing 101, which is a show for beginners and that people find horse racing intimidating. So it explains absolutely every aspect of racing and everything that's going on that you're seeing on the television screen. We're very excited about that as we continue to invest in our television programming.

I want to take a moment to elaborate on the encouraging early returns that I mentioned earlier. Account wagering is the fastest growing sector of the horse racing industry. Generally available figures suggest the total U.S. account wagering has grown from 500 million in annual wagering to over 2 billion in annual wagering over the last five years. A look at

handle generated by account wagering hubs located in Oregon illustrates the growth. According to the Oregon Racing Commission figures, the Oregon wagering hubs collectively generated \$80 million in wagering in 2001. In 2005, the Oregon wagering hubs generated nearly \$1 billion in wagering. Within the account wagering sector, TVG has sustained among the highest growth rates. In 2001, TVG's total wagering was about \$48 million. In 2005, TVG's total wagering was \$397 million. During that time period, TVG's compounded, average growth rate in wagering, or CAGR, was 72 percent.

We at TVG realize that television and account wagering are only helpful to the racing industry if all of racing's participants are equitably compensated from the activity. From our inception, TVG has been committed to supporting racetracks, horsemen, state governments, and industry organizations from our wagering activities. Over 70 percent of the gross revenue generated by wagering through TVG is returned to these participants. Under this model, we have returned over \$175 million in revenue to the horse racing business.

TVG would like nothing more than the opportunity to put its products and services to work for the New Jersey racing industry and to compete on a level playing field for its benefit. With a premium quality television network and a good track record, we feel that we have something unique to offer. Our services require no capital investment by the State. It can be implemented literally within an hour after licensing, and are risk-free to the State now and in the future. And finally, dollars can begin to flow to the State immediately.

Thank you for your time today. I would be happy to answer any questions that you may have.

SENATOR BUONO: I just had a hypothetical question. Let's assume that TVG was authorized to accept account wagering. What would happen to the State's program? What would happen if you pulled out all of a sudden? Would people -- would their accounts be transferred, or would they have to start from scratch? How would that work?

MR. HINDMAN: In terms of if we came and left? First, I would find that to be a highly unlikely scenario under any circumstance. But the accounts are very easy to establish. It takes five minutes to establish and fund an account wagering account. And while you certainly never want to interrupt a customer experience, of course they -- just like going to a different bank, you can always do that.

SENATOR BUONO: Any other questions?

SENATOR GORMLEY: One question -- the growth potential, given your experience in other states, what do you foresee? How large could New Jersey be?

MR. HINDMAN: It's hard to say, because obviously we've never been in business here. And I understand from earlier testimony that there has been 60 million in wagering in the first two years. You can look at other comparable markets. One market where TVG does business is California. We started in 2002, and there was \$400 million in wagering last year. That's generally in terms of market size. You'd think it's larger than New Jersey certainly, as is New York, but New Jersey is certainly the third or fourth largest market in the country. So we believe it's significant. I know that other stakeholders in racing do, as well.

SENATOR GORMLEY: Thank you.

SENATOR BUONO: So how does it work in California? Do you have a multiyear contract? Tell me a little bit about that.

MR. HINDMAN: We were licensed by the California Horse Racing Board and were licensed for two-year terms. And there are three licensees currently operating in the state. You have to have a relationship with the racetrack in the state to be qualified to apply for a license in California.

SENATOR BUONO: Thank you.

MR. HINDMAN: Thank you.

SENATOR BUONO: And our last panel, which would be interesting to see what their reaction to your testimony is, is three individuals, if they would come up. I hope they're all still here. I see Leon is here, Leon Zimmerman, Standardbred Breeders and Owners Association; Michael Harrison, President, Thoroughbred Breeders' Association of New Jersey; and Dennis Drazin, President of New Jersey Thoroughbred Horsemen's Association. And if you could all three of you introduce yourself for the record, please?

DENNIS A. DRAZIN, ESQ.: My name is Dennis Drazin. I'm the President of the Thoroughbred Horsemen's Association of New Jersey.

LEON J. ZIMMERMAN: Leon Zimmerman. I represent the Standardbred Breeders and Owners Association of New Jersey.

MICHAEL HARRISON, ESQ.: Michael Harrison. I'm the President of Thoroughbred Breeders' Association of New Jersey. Excuse my problem of speaking.

SENATOR BUONO: Mr. Drazin, could you begin?

MR. DRAZIN: Chairman Buono, members of the Committee, thank you so much for inviting us here to come today to talk to you. I also want to thank the entire Legislature for all the support that they've given to the horse racing industry over the years. My involvement with this industry from the legislative end, aside from the fact that I've been involved in the industry for over 25 years individually, and as a family since the late '50s-- Initially, the first thing that the Legislature did for the industry was, as Senator Gormley has pointed out, in the initial years of the legislation, from '99 through 2001, there was substantial controversy among the different segments trying to agree upon splits. And that delayed the legislation initially.

To correct the record, this legislation was signed into law in August 2001. And the delay since then has been disturbing, of course, to the industry. You've heard some of the reasons for that in the testimony. But initially the Legislature, envisioning we'd need a gap to get us to that point, passed an \$18 million supplement and gave it to the industry. And we thank you for that.

And then the legislators tried to craft different ways to assist us over the years. They passed this legislation. They counted on us to get it up together as an industry, to move forward quickly. That didn't happen right away, so there was a summit. And this casino agreement came together, and, yes, we were given \$86 million by the casino industry and guaranteed another 16 million on top of that by the Sports Authority to make this four-year deal. And there has been a delay in getting that together. But there has been no fighting over splits or competition among the various horsemen's groups since you signed this legislation into effect.

In fact, we have agreed in writing with the groups and the Sports Authority on splits for any future revenue ventures that may come about.

In order to try to broach the subject -- and I'm not going to address it here. I'm going to try and answer a lot of things that have come up today. But I met with Senator Gormley in 2001. And I met with a number of the legislators in 2001. And part of the idea at that time was, is there a way for your guys to stand on your own without coming to us for money every year, without trying to ask for casino revenues? And actually, it was Senator Gormley that I felt came up with a brilliant idea, which was--

SENATOR GORMLEY: I knew I'd like his testimony.
(laughter)

SENATOR ASSELTA: No wonder why he stayed. Now I know. (laughter)

MR. DRAZIN: --to invest the CRDA money in Monmouth Park. And there was actually a plan that Senator Gormley came up with that was going to invest \$20 million, that I think was put into their budget back then.

SENATOR GORMLEY: Because what we were talking about -- we were talking about the Breeders' Cup, and you needed a hotel.

MR. DRAZIN: Right. Exactly.

SENATOR GORMLEY: I said, instead of -- the same debate we go with the Transportation Trust Fund. You have North Jersey CRDA money. You have a great venue -- this is a speech that Senator Karcher knows far better than I -- with a demographic in the region. If you updated the facility, you'd be competing with Saratoga, as opposed to how you're going to fix the roof every year.

MR. DRAZIN: And we embraced Senator Gormley's idea. And we were asked by this Committee and by Senator Gormley to come up with a plan. And in June of 2001, I submitted a plan at that time to Acting Governor Don DiFrancesco, this Senate Committee. I won't read all the people that we sent this to, but basically it was a phased-in plan that incorporated a lot of Senator Gormley's ideas. And it expanded as time went on to encompass the whole region -- to go all the way to the ocean, to include the train station, to build up more retail space, to give the sales tax to us for purses. It was a plan that was designed well, and I have a copy of it here that I can let you look at again.

SENATOR GORMLEY: And I want to be very careful because this is somebody else's county, so I'm very sensitive to that. But what we talked about was, the long overdue improvements on 35 and 36 through the Trust Fund. I mean, it's not that it would just benefit the track. It was using it as, shall we say, a part of a rationale to build a destination and not at the expense of the rest of the community. Trust Fund dollars should be going into 35 and 36. There should be CRDA money going in to create an economic engine, because the problem with the Breeders' Cup, as I was told, was you needed a hotel.

MR. DRAZIN: Correct.

SENATOR GORMLEY: And Senator Buono had talked earlier about all the spas being built in Atlantic City. (laughter) But forget the humor, given the demographic of the average wage in a 10-mile radius of Monmouth Park, the spa would get worn out, and it would be quite an-- It should be an upscale venue.

SENATOR BUONO: So what happened? What's the best-- I want to hear the end of the story.

SENATOR GORMLEY: Then I started arguing with McGreevey and it went all-- (laughter) Then I started running those ads about Trump-- (laughter)

MR. DRAZIN: He also suggested we might need an entertainment center that was big enough to hold a large convention, or someplace that could hold 1,000 people or more.

SENATOR GORMLEY: You wanted to upgrade the--

MR. DRAZIN: So what we did is, we ran with that idea. We not only submitted the plan, but then we made a commitment to get the Breeders' Cup for Monmouth Park. And partnering with the Sports Authority, we went out, we made a presentation, and we did our job getting the Breeders' Cup for New Jersey. And that's going to be a tremendous boom for the economy, for tourism.

When Dennis Dowd testified earlier that, based upon the statistics of all other Breeders' Cups, the economic impact of tourism is about \$60 million-- The numbers really show anywhere from 50 to 100 million. But certainly, it's going to be--

SENATOR BUONO: If I may interject this here, why would it be so difficult, even under the current criteria for a CRDA, to not be able to leverage CRDA funds?

SENATOR GORMLEY: It's not.

SENATOR BUONO: Oh, okay.

SENATOR GORMLEY: That's the point. There's a North Jersey pot of money.

SENATOR BUONO: Right.

SENATOR GORMLEY: There's a North Jersey pot of money for investment. This is a real investment and you're creating a destination, which you want the park to be.

MR. DRAZIN: My understanding -- and maybe I'm off base -- but my understanding was that Senator Gormley would embrace a way other than having slots at racetracks to try and help us.

SENATOR BUONO: Right. And it probably would help you more.

MR. DRAZIN: And CRDA was a way to do it. So certainly I support that position still.

SENATOR GORMLEY: What happened was, the following year we got into sort of a tax debate.

SENATOR BUONO: I remember. (laughter)

SENATOR GORMLEY: I was locked out of the Governor's office, and I guess it sort of faded. But the reality of it is, you have this incredible venue with great cache that has-- It's access. You could make Saratoga look like nothing. You have a demographic in the region, and the Transportation Trust Fund and the CRDA should be combining to make this a venue that, in and of itself, stands alone as a great attraction.

MR. DRAZIN: Yes. And perhaps Senator Karcher could endorse the fact that they've done a lot to develop our oceanfront in Monmouth County. That Long Branch--

SENATOR BUONO: Oh, yes.

MR. DRAZIN: --particularly Pier Village, is an attraction again. And that is in such close proximity to Monmouth Park that I think tying in this whole area to tourism would be an advantage for the state.

SENATOR BUONO: Absolutely, absolutely.

Yes, Senator Karcher.

SENATOR KARCHER: And certainly, both Mr. Drazin and, to some extent, Senator Gormley are absolutely right. This is an argument that has been kind of rolled out for the last few years. I just had a meeting a few weeks ago with the representatives of Oceanport. They are very frustrated as to what we are going to be doing, because they don't have a hotel and they don't have a restaurant. But this is something, in terms of the planning phase -- there is a high degree of frustration. I understand. But certainly, as Mr. Drazin pointed out, we have terrific destination points in Monmouth County. Red Bank is consistently rated one of the top destinations for people to go. We have hotels there. We have restaurants. We have an industry around that.

I have been promoting the idea of the fact that we have 411 acres that the State already owns in the hospital property at Marlboro Psychiatric Hospital that is now defunct, that is 411 bucolic, rolling acres with a small footprint of buildings there, that could be used in some way to go hand in hand with the other growth industry around Monmouth County -- open space, equine science. There are lots of opportunities for that piece of property, and it's not for lack of trying on my part and, I think, for many people in Monmouth County, to continue to promote those efforts. But it is certainly a high degree of frustration to make sure that those things are

communicated across the State to the front office, and to gain the support of those who hold the purse strings here in the Legislature.

So thank you for your concern.

SENATOR BUONO: We've got to set up a meeting with Tom Carver.

Thanks.

MR. DRAZIN: Just switch gears, just for a moment.

SENATOR BUONO: Sure.

MR. DRAZIN: I've heard some discussion about bringing the younger people out. And every year I have advocated a program that I think would start that process. Frankly, I was taken out first when I was 8 years old -- and it was to watch horses train in the morning, not to go to the racetrack to gamble. And I fell in love with horses. I've been trying to promote a program that would have children come out in the morning, not when you're racing and gambling. But to start a scholarship fund, to have children come out and paint horses while they're training in the morning. To write to every school in the state, to let them come out and offer a scholarship in different age categories -- maybe first through fifth -- that would introduce them to the horse industry, get their parents to bring them out there, and perhaps would ultimately, as they grow up, make them fans. And certainly that is something that I think would help attract a younger generation to come out. Although the Sports Authority thought it's a good idea every year, it just hasn't materialized yet. But we're going to try and work on it again for the future.

As far as the industry coming together as a whole, we've been working together as a whole for quite some time now. And in fact, we had

planned for, probably September or October this year, a symposium, which we're trying to work in conjunction with the standardbred industry and with the other horse industries in New Jersey. In fact, we have spoken to Karyn Malinowski at Rutgers, and she's anxious to help bring all this together. And we want to speak to you as a horse industry in New Jersey with one voice, because if we're not speaking as one voice, we might as well not speak, because you can't help us unless we agree. So we've been making efforts to do those over the last year, and will continue to do so.

Now, as far as the Sports Authority is concerned -- and I must tell you I support the Sports Authority -- I think they should be the ones that continue with the OTB project. I think that there have been delays which are unreasonable. I think, first of all, in 2001 when you passed the legislation, the contemplation that they were going to have this participation agreement amongst the groups was something that did take them a long time to formalize. And they can explain to you what their reasons were, but for my money it took them too long to do that. These OTBs should have been built. They were making representations to you at the time based upon the Pennsylvania projections that the horsemen's ends for purses would, within a full-fledged system, be about \$20 million a year. And that would have relieved a lot of the impact of what we needed to do to come back to you to ask for more money, because that would have helped to offset it. So it has been disappointing that these have not gone forward, but we believe that the best people to operate this system is the Sports Authority. We do not think you should privatize this. We do not think we need another bill, which will then just start the process over again. If you do another bill, the Racing Commission is going to have to do new

regulations. It's going to take them some time to do that. We're not going to see the fruits of this for quite some time.

I'm optimistic by the words of Mr. Dowd and Mr. Handel today, on the process of some of these OTBs being built. I'd like the timetable to be quicker, but I am concerned that in the letter that they addressed to Assemblyman Van Drew, that they then projected that some of the other OTBs may not be built until a timetable of going out through 2011. That's too long. They need to build these at a quicker pace.

And from what I understand from their projections on these, they're moneymakers. They're going to make money. These are an investment. Perhaps CRDA should just take it over and--

SENATOR GORMLEY: No, no, no. (laughter) I'm begging you. You got it. You got it. It's yours. It's yours. I'm begging you, please don't.

MR. DRAZIN: But, what I'm saying is, they are moneymakers. And as soon as they get up and running, you're going to have more revenue coming in to help support racing. But frankly, it's a Band-aid. We cannot compete with other states without a new revenue source. And we need to develop other ideas of producing revenue if casino gambling, in terms of slots at racetracks, is not in the cards. And in my opinion, we're never going to see slots or VLTs at racetracks, unless the casinos want to do that. If they come as an industry and say, "Look, we want to do this now because of the draw that's coming from other states," then it will happen. But I don't think it's going to happen without that.

What we need to do is capitalize on what we have. And we need to keep the racing industry healthy. It is something that does

encourage tourism. It is something that is valuable for this State. It is something that we need to keep.

And I thank you for all your efforts in supporting this.

That's all I have, but I can answer any questions if anyone has them.

SENATOR BUONO: Any questions or comments at this time?

(no response) No. None.

MR. ZIMMERMAN: I would echo almost everything that Mr. Drazin just referred to, but I want to talk to you about the standardbred industry. And I think to properly see how it got to be where it is today in New Jersey, you need to go back and look at where it was. It was not a pretty sight. We are the No. 1 harness racing state in the nation. That's true. We may not be much longer, depending on what the competition does to us. But right now, we are. And we are thanks to the supplement that the casino provided. And we are lucky, as some previous witness testified, that -- I think it was Mr. Carver -- but because Pennsylvania has messed up and New York has been slow, we're lucky that we haven't been tested as yet. And the first two years of that casino supplement money, which has kept us ahead of everybody else -- and it only lasts through next year -- may not be at that level, to compete at that level, with the other states once their new revenue sources are in full operation.

But to get back to a point that I really want to make: For decades prior to the early '70s, harness racing consisted of one racetrack in the afternoon -- Freehold Raceway. And that's all that it was except for, in the late '60s and early '70s, harness racing was brought to the Atlantic City Thoroughbred Racetrack. And it was there for several years, until finally it

was moved to Freehold so that the Atlantic City Raceway dates were raced at Freehold. So it was back again to just Freehold.

If any standardbred person had a really good horse, they had to go to New York -- to Roosevelt Raceway, to Yonkers Raceway -- or they had to go out on the grand circuit throughout the northeast and the Midwest where the purses were much higher, and that's where they could compete. Freehold and Atlantic City, the Atlantic City meet, did have a signature race of its own, each one of them. They were two races that really attracted horses from other states to come in to New Jersey. It wasn't until the early '70s, and the standardbred industry, just like many other people, shared the vision of the late Governor Cahill in recognizing the need to establish the Meadowlands Racetrack, which it did. And interestingly enough-- And this subject came up, Senator, at the Assembly committee, and the discussion of the length of time it has taken for OTWs to be established -- that it's four or five years and we're still waiting.

The interesting thing is that when the Meadowlands Racetrack was created, it was created by legislation, and the building erected and racing began in less than three years. And the reason that happened is, one, it was given a liquor license and did not have to negotiate with anyone for a liquor license. It was given the approval to go right into the municipality without the municipality having the right to approve it. And it was built from scratch on Meadowlands property that did not require negotiating with landlords and property owners, and things like that. So there's a balance there to look at. But in any event, it was so successful that on the opening night in September 1976, there were more than 46,000 people jamming that racetrack. They couldn't even get in. They turned them

away. And for many years thereafter, crowds of 20,000 per night were commonplace. Everyone came to the Meadowlands for harness racing. It significantly affected racing in New York, who suffered from the fact that the Meadowlands was existing. But with the financial help that the racetrack provided, New Jersey had a huge sports complex that put this state on the sports map nationally, as you know, with everything that's up there now.

But in any event, the best horses in the country and from Canada came to the Meadowlands to race. The best drivers, trainers came from everywhere, and they made New Jersey their homes. They established homes in New Jersey. Numerous breeding and training farms grew up all over the place. And the Sire Stakes Program, which is the harness racing breeder's program in New Jersey, in the Department of Agriculture, which had started in 1971 at a very small scale, skyrocketed to be the best in the nation as well. At one point, there were over 100 stallions standing at New Jersey breeding farms for breeding. Today there are 16.

And families that have owned standardbred farms for not only decades, but centuries, that go back generations, are buying land in other states now -- Pennsylvania and Delaware and New York -- for breeding farms. We're trying to get a look at the future.

The Meadowlands is the first racetrack with a \$2 million race. No other racetrack had that. It has a \$1 million race in July that equates with the triple crown of pacing in harness racing. In 1981, the standardbred industry went to Illinois and helped then Governor Byrne bring the Hambletonian to New Jersey. And it has made New Jersey, as a

result -- the Meadowlands -- the number one harness track in the world, with the No. 1 harness race in the world.

The Standardbred Breeders and Owners Association saw the opportunity here, created its own New Jersey race with a half-a-million dollar purse, and that is still to this day the richest state bred race in the country. And over the last 20 years or so, most of the people and most of the horses voted into our Harness Racing Hall of Fame have had their success at the Meadowlands.

So, yes, this has been a wonderful story. As you've heard, the quality of racing is superb. But it's no secret that racing has declined throughout the country and in New Jersey. And we need to keep our purses ahead of everyone else. And we've been fortunate, as I mentioned before, that the casino supplement has kept us going. But it's far important that we get the off-track wagering going, because that is going to bring racing to more people who don't go anymore, who don't travel the great distances to the track. And I think, just to emphasize that the racetracks that you look at are really the proverbial tip of the iceberg to this industry -- what you see there is not just the industry. The industry goes beyond that, and you've heard that from the Secretary of Agriculture as well.

So I thank you for the opportunity. I didn't want to read this. I've been kind of going through it. And I thank you for the opportunity to present this, and I hope that you can join with us in helping to make our future brighter.

SENATOR BUONO: Thank you.

MR. HARRISON: My name is Michael Harrison. I'm the President of the Thoroughbred Breeders' Association of New Jersey. And

what we do is we promote the breeding of thoroughbred racehorses and we administer the breeder's awards program for thoroughbreds in the State of New Jersey. And you've heard a great deal about open spaces, and certainly we contribute to open spaces. We have an industry that certainly is on the decline right now.

Just to give you some facts: A little over a decade ago, we had about 1,300 foals. Last year we had 295 foals. Now with that, obviously, we're losing land also. The State is losing land. There's always a lot of reasons why things happen, but I'm going to focus in on one of the main reasons. And one of the reasons that people are reluctant to breed in the State of New Jersey is that up until recently there weren't that many opportunities for their horses to run. There are 120 race days. Compare that with 340, or so, a little more than a decade ago. There's more opportunities in other states to race than there are in New Jersey.

So what we decided to do was to be proactive, and we had an out-of-state breeders' bill that was passed -- I'm sure you're all aware of that -- and that really has been a great help to us. We find people are talking about the program now. They were very happy to get awards last year, which was the first time we paid those awards. Unfortunately, one of our problems is, is that we took money out of our savings in order to do that. And I'm not sure how much longer we can afford to do that. And so, how do we get this money to continue this program? That's one of the questions that we're going to be asking.

Now, we've been proactive in a number of areas -- and you heard Charlie Kuperus talk about the New Jersey Thoroughbred Festival. That was an initiative that's really worked. I think we've sent all of you the

New Jersey Thoroughbred magazine. Have any of you seen it? We sent it to everyone. We sent it to participants in the racing industry, and it's been a phenomenal success. We've gotten some awards because of it. We've had a lot of interest.

But again, the bottom line is, without funding we can't run a program that's competitive with other states, and what other states, we think, will be giving in the future.

So the question then becomes: Well, what do we do as an industry? And I want to say that we are being proactive. We've been talking very closely with the THA. We're working very closely with the THA. We reached out to the SBOA and some of its members to start a dialogue with them. And we hope also to get the Sports and Exposition Authority involved in this dialogue. We certainly do want to speak as one group.

Now, what do we do going forward? Well, I can tell you right now that as far as off-track betting facilities, I think it's unrealistic to think that anyone other than the Sports and Exposition Authority should be running this program. Now, do I think they have done a good job in getting this running? And the answer quite frankly, and I agree with Senator Gormley, is that, no, they haven't. Here we are, we're five years later and we don't have one up and running. And I was quite critical of them the other day when we were in the Assembly hearing.

And my solution is that I think -- well, let me go back a second. When the Sports and Exposition Authority got up to speak, what they sort of alluded to was that there was some internal discussions: Isn't this a good idea? Is this not a good idea? How do we make it work? Do we make it

work? I think that's one of the reasons why they're not quite as far along as they should be. And my solution to it is that, well, at some point we've got to get a time frame, a realistic one that works for everyone. And there's got to be penalties there if it doesn't happen. I think that's the only way we're going to force them to do anything.

I saw a letter from the Sports and Exposition Authority that has completion of this system in 2011. That's ridiculous.

SENATOR GORMLEY: That soon?

MR. HARRISON: Excuse me?

SENATOR GORMLEY: That soon?

SENATOR KARCHER: Don't worry. You'll still be here.

(laughter)

SENATOR ASSELTA: Yes, but that's total completion of all the facilities.

SENATOR BUONO: Statewide, statewide.

SENATOR ASSELTA: Yes. That's realistic. That's what we call realistic, by the way. I'm going to get behind the Sports Authority on this. This is not an easy job.

MR. HARRISON: I'm sure it's not, but I say, okay, we've had five years. We don't have any -- how many are we going to have? When is it going to be done? Obviously, we need a realistic timetable, but I think there's got to be some penalties associated with not meeting that timetable. Now, will OTB be the answer for us? And looking at our figures, the answer is no. There is not going to be enough money there, even with OTB and what their projections are.

So, obviously, we've got to look at what the alternatives are. Dennis and Senator Gormley brought up the destination idea in Monmouth. That's certainly something to consider. But I think we've got to start to talk to the casino industry and try and work something out. We cannot survive--

SENATOR BUONO: As well as the legislators in the district where the racetracks are. Seriously, yes.

MR. HARRISON: Yes.

SENATOR BUONO: Because there are local concerns that might come into play. And even if there aren't, I think it's important just to bring everybody into the process. Otherwise, if people are splintered, just as in your industry or our industry, our profession, you don't move forward as quickly.

MR. HARRISON: All right. I mean, I think it's great we're going to have a symposium. I certainly support that idea. But I think we need to do a little more than that. We have to have regular meetings with the industry participants and see where we can go with that. Now, I don't know to what extent this Committee can be a facilitator of that, but maybe that's something that the Committee can help us with.

SENATOR BUONO: When is the symposium occurring again?

MR. HARRISON: I guess in the Fall.

MR. DRAZIN: We're trying to schedule it for September or October.

MR. ZIMMERMAN: Can I add one other thing?

SENATOR BUONO: Sure.

MR. ZIMMERMAN: It's just an interesting thing. I've always felt that once, in 1985, once we joined with the casinos to provide simulcasting of horse racing into the casinos and established race books there -- such as were successful in Las Vegas -- we became partners. And we certainly should share interests in trying to help each other. And that's what happened here. The interesting thing I find, as I look around elsewhere, because the casino industry-- And I can't ascribe their motives--

SENATOR GORMLEY: I'll tell you when you're done.

MR. ZIMMERMAN: --or whatever -- whether it's their interest in the future or hedging their bets, or whatever, but a lot of casino industry people are investing in racetracks throughout the United States. The new racetrack in Chester, Pennsylvania, for example, is owned partly by Harrahs, and that's an interesting observation. I think that shows that there is a partnership and a working together that's good for both industries. Mohegan Sun, from Connecticut, bought Pocono Downs in Pennsylvania. Harrahs owns a racetrack in Louisiana.

Maybe those bids that you were talking about, Senator Gormley, about the Meadowlands Racetrack -- I had heard that one of the people interested in bidding on that was Harrahs. So I think there's a better future for gambling in New Jersey, both for the casinos and for the racing industry.

SENATOR BUONO: Senator Gormley, you had a comment?

SENATOR GORMLEY: I worked on simulcasting for three or four years. That's the advantage of being here a long time (laughter) -- one of the advantages -- and that was a partnership just on simulcasting.

MR. ZIMMERMAN: Yes, I understand that.

SENATOR GORMLEY: It wasn't a blood oath on anything else.

MR. ZIMMERMAN: No, no, no. I understand that. But it was the first step.

SENATOR GORMLEY: And the facility--

SENATOR BUONO: He's trying to be nice, Senator Gormley.
(laughter)

MR. ZIMMERMAN: Yes, I'm trying to be nice, Senator Gormley. (laughter)

SENATOR GORMLEY: He wants money from the industry to subsidize the industry. That's what he wants. I want to make sure that history is correct in this. And the only reason the last deal was done, a gun was to people's heads to get rid of comps. It wasn't out of love. We're still doing the residual from the fight the year before with the Trump exemption, the taxation. Now let's put all the history out there.

I think what happened is that if you look around the country -- I don't want to get into it -- but there's slot parlors. You know that, and I know that. They're high taxed, undercapitalized, and create very few jobs, as opposed to what's happening in New Jersey.

MR. ZIMMERMAN: Oh, no. I understand that. That's why they're getting into it.

SENATOR GORMLEY: Well, isn't it about jobs?

MR. ZIMMERMAN: All I'm suggesting to you--

SENATOR GORMLEY: I mean, that's your argument, and that's my argument also. It's about jobs and the economy of the State as a whole. And what you have to do is, if you look at-- I sincerely suggested

alternate ideas, not for the sake of being a diversion. I think Dennis knows I would have supported that -- wanted to help and wanted to do it in such a way that you didn't affect either industry. But the reality of it is, you come to the end of the day it comes down to: We want the money from the casinos the following year. It's the only conclusion. You accurately portrayed history from '98 to 2001 -- let's say it was an internal disagreement. From 2001, it was a circumstance with the Sports Authority that we couldn't quite get there. A lot of circumstances, but it's eight years. Now, admittedly, it takes a couple of years. But when they passed casino gaming in 1976 in New Jersey, we're up and running in 1978. It just took a long time, and it would seem there is some growth potential in the wagering process, given the initial numbers that -- 17 percent -- has come in. So if people look to that, look to-- But it's just frustrating to me that the conclusion is, at the end of the day, let's go back to the casinos -- an industry that's creating a lot of jobs, is stable now, and was set back by the circumstances of the subsidy, and whatever. We had a gun to our head -- had no choice. We just lost the majority, and I had a gun put you my head. It wasn't on the merits. That's the reality of it.

So I would appreciate if we come to a different conclusion.

SENATOR BUONO: And that's why we're having this hearing. Quite frankly, before Senator Gormley's last comments, I thought that this had been a very productive meeting.

SENATOR GORMLEY: I told the truth.

SENATOR BUONO: And I still think it has been. I think it's cleared up a lot of misconceptions that I've had about the industry. I think we've discussed some very doable alternatives, or strategies, for

sustainability in the industry that I haven't thought of. But the fact is, at the end of the day, time is marching on, time has just about run out. And it's going to run out next year for the purse supplement, and now you know that you have the force of two legislative committees with their eyes upon the process and to see how fast they will -- the off-track wagering will progress.

And I think that the symposium, for example, is a wonderful thing to look forward to, and I think it's something that we can collaborate on, and perhaps we can be partners -- this Committee. I can't speak for the Assembly Committee, although I did hear the tenor of the meeting was a bit different. But I'm happy to work with you. I would like this not to be the end of the process, but the beginning, and work toward a solution to assisting the racing industry to flourish and to benefit the entire state.

SENATOR GORMLEY: Can I get back to positive suggestions, Senator?

MR. DRAZIN: Actually, Senator Buono, the symposium that we're doing -- we're trying to coordinate the date, because the Assembly happens to be having a day at the track that day. Perhaps it would be a good idea to include the Senate, and let everybody come.

SENATOR BUONO: Sure. I think so.

MR. ZIMMERMAN: I think Mr. Drazin is right about that. I think one of the things we envision is that you will be included, that you will participate. Not you personally, but--

SENATOR BUONO: Right.

MR. ZIMMERMAN: --but the members of the Legislature. I think that's consensual to an effective symposium.

SENATOR GORMLEY: Can I make a suggestion?

SENATOR BUONO: Yes, sure. Go ahead.

SENATOR GORMLEY: Can I -- and I don't question the sincerity of this symposium -- I think, through the Chair and through the home county Senator who is affected, I think -- set up a meeting with the Governor's Office. Go see Gary Rose and sit down with all the resources and assets you have right now and start thinking of solutions, so the symposium can deal with your conclusion, respectfully. I mean that respectfully. By the way, we're going to be here a lot in June, especially the last 10 days. So we'll have a lot of idle time.

SENATOR BUONO: That's very true. It's going to be a long, long week.

SENATOR GORMLEY: We will be here a lot on other matters. In fact, this could be actually relaxing compared to what we're going to be going through.

SENATOR BUONO: It will be. A diversion.

SENATOR GORMLEY: So to take the wherewithal of the Senators' time that -- now, with Gary Rose sitting there, you couldn't have a more -- a person working under the Department of Commerce who gets it, who really gets investment. Take advantage of it before the symposium and come up with a plan -- and merge all these ideas and see what capital that you can put together. I just -- instead of waiting for the symposium, respectfully. Because we can point fingers. I can get too hyper, or whatever, but the reality of it is, you lost eight years.

MR. DRAZIN: No. That's a good idea. And we'll take your advice.

SENATOR GORMLEY: And he's very competent and businesslike.

SENATOR BUONO: All right.

Well, thank you all.

And this meeting is in recess.

(HEARING CONCLUDED)