

# The Future of Horse Racing And The Horse Race Wagering Product

**2010 NHBPA Summer  
Convention - Minnesota**



# Impact of Pennsylvania Gaming on Breeding and Horse Racing

- | <u>Mares Bred</u> | <u>Year</u> | <u>Stallions</u> |
|-------------------|-------------|------------------|
| ■ 1,209           | 2005        | 129              |
| ■ 1,158           | 2006        | 122              |
| ■ 1,173           | 2007        | 106              |
| ■ 1,407           | 2008        | 118              |
| ■ 1,722           | 2009        | 120              |
- Ranked 5<sup>th</sup> in USA for 2009
  - Behind Kentucky, Florida, Louisiana, California

# Foal Crop History

■ <u>Year</u>	<u>Foals</u>	<u>% of US Crop</u>	<u>Rank</u>
■ 2005	1,255	3.6%	7
■ 2006	1,258	3.6%	7
■ 2007	1,271	3.7%	7
■ 2008	1,388	4.4%	6

# Funding for PA Breeding Program

■ <u>Year</u>	<u>Breeder</u>	<u>Stallion</u>	<u>Total</u>
■ 2005	3,184,021	528,097	7,208,363
■ 2006	2,931,145	525,904	6,856,445
■ 2007	5,285,557	812,122	15,269,480
■ 2008	6,632,330	897,546	21,702,888
■ 2009	6,266,055	767,099	16,429,679
■ Decrease in 2009 due to Governor's Office using PM funding for PA State budget			

# Purse Distribution

■ <u>Year</u>	<u>Racing</u>	<u>Gaming</u>	<u>Total</u>	<u>Per Day</u>
■ 2005	11.9 +1.7		13.6	68,000
■ 2006	10.3 +1.5		11.8	65,000
■ 2007	10.5 +2.5		13.0	70,000
■ 2008	9.6 -4.2	18.5	23.9	119,000
■ 2009	9.8 -1.5	27.9	36.2	181,000
■ 2010	9.5	24.0	33.5	167,500

# History of Purse Increases

## Slots opened in February 2008

- Legislation passed July 2004
- PNGI agrees to loan HBPA purse monies in anticipation of gaming enhanced purses = \$6M
- 20%            6/1/07
- 20%            9/4/07
- 20%            2/5/08
- 10%            7/22/08
- 10-20%       3/18/09
- 20%            6/1/09
- 10% Cut       4/28/10

# PA Gaming Summary Data (July-June Fiscal Year)

<u>Year</u>	<u>Wagers</u>	<u>GTR</u>	<u>PRHDF</u>
06 – 07	5.455	455	54,549,578
07 – 08	17.289	1.405	168,570,391
08 – 09	22.510	1.754	210,480,335
09 – 10	29.308	2.165	259,711,317 **

- \*\* PN = 43,435,000
- PID = 28,902,000
- PHA = 66,854,000

## PRHDF Splits

Purses	80%
Breeders	16%
Health/Pension	4%

# Long-term Impact of Gaming on Racing

- Horsemen have physical control over purse \$\$ -  
Wire transfer into HBPA account
  - “Advice and Consent of the Horsemen”
- Horsemen have voice in Condition Book
- Backside Improvements of \$10 million
- Health Insurance and Pension Funding
  - 100 trainers covered at annual cost of \$1.4 million
  - Annual pension contribution of \$5,000 per year
  - Jockey health care contribution of \$250,000
- Horsemen leverage Simulcast signal fee



# Long-term Impact - continued

- Field Size increase to 8.53 for YTD 2010
- Installation of Tapeta synthetic surface at Presque Isle Downs in Erie, PA
- Live Racing protected
- Racing Days protected
- Increased quality of racing results in stabilization of handle and not decrease as experienced by industry
- During winter/spring – also eligibles!!

# Handle Growth in Period of Decline

■ <u>Year</u>	<u>US % Change</u>	<u>PN % Change</u>
■ 2008	- 7.3%	3.6%
■ 2009	- 9.8%	12.7%
■ Daily purses in 2007 =	\$ 70,000	
■ Daily purses in 2008 =	\$119,000	
■ Daily purses in 2009 =	\$181,000	

# PA State Legislative Budgetary Invasion of Purses from Gaming

- Effective 1/1/10, 34% of PRHDF reverts to Commonwealth of PA (FY 09 – 10)
  - Effective 7/1/10, 17% of PRHDF reverts
  - Reverts expire on 6/10/13
  - Effect of reverts for 09-10
  - |          | <u>Penn National</u>           | <u>All Tbred Tracks</u> |
|----------|--------------------------------|-------------------------|
| • Purses | \$5,700,000                    | \$17,800,000            |
| • H & P  | \$275K weekly floor protection |                         |
- Avoided additional \$11 M for FY2010 - 2011

# Lessons Learned

## What we would change, if we could

- Secure % contribution to industry similar to manner in which operators had security
- More accurately estimate backside improvement costs
- Insist on Pennsylvania Horse Racing Industry Marketing Fund as an “off the top” deduction
- Regular and continuous contact with PA legislators, especially newly elected ones
- Protection with “hold harmless” clause for additional gaming beyond slots