



An association of official horsemen's organizations

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TESTIMONY OF ALAN M. FOREMAN

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THOROUGHBRED HORSEMEN'S ASSOCIATIONS, INC.

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My name is Alan Foreman. I am Chairman and Chief Executive Officer of the Thoroughbred Horsemen's Associations. Together with our fellow organizations, the National Horsemen's Benevolent and Protective Association and Harness Horsemen International, we represent, through state and local horsemen's organizations, more than 70,000 licensed owners and trainers of thoroughbred and standardbred horses at racetracks throughout the United States. More importantly, the owners and trainers we represent employ a workforce of tens of thousands of other individuals who collectively represent the backbone of an industry that has existed in this country for over two hundred years.

Let me first explain to you what is meant by the term "horsemen." You have no doubt reviewed testimony

from representatives of the "racetracks." The racetrack is the facility or stadium where the public goes to view horse races and wager on the horses who are racing. The public can wager either on the live races being conducted at that track or on races simulcast to the facility from other tracks. The racetrack facility is also known as the frontside.

The horsemen are the people who breed, own, train and otherwise prepare the horse to race at a racetrack. They perform their work in the barn or stable area of the track where the horses are stabled known as the "backstretch" and the employees of owners and trainers who work in preparing the horse to race are known as backstretch workers. In contrast to the racetrack, the horsemen are responsible for providing the athletes for the daily race card. Without the horsemen and their horses, there can be no horse racing industry.

Horse racing provides a significant, positive economic impact, from rural communities to urban areas, to entire regions throughout the country, through the sport of horse racing and the agri-business of horse breeding. Their huge economic impact is generated because horse racing, unlike other sports or other forms of gaming activity, creates a demand for horses. This demand supports a large and varied infrastructure that is necessary to produce, sustain and showcase the horse

racing product that is the essence of the sport of horse racing.

A substantial horse breeding industry is needed to produce the horses to meet the market need created by horse racing. The horse owner, who purchases the animal for racing purposes, leads a chain of labor and small businesses that prepares the horse to race. There is diversity in the income levels of those who own race horses. A recent study conducted by the Barents Group dispelled the perception that the only individuals involved in racing and breeding are the very wealthy. The median income for all households in the U.S. in the study year was \$36,000; the median income for racehorse-owning households was about \$60,000. The following table sets out the distribution of households by income class.

Household Income Class	All Households (1993)	Racehorse-Owner Households
Under \$25,000	32.3%	10.0%
\$25,000-\$50,000	32.7%	26.6%
\$50,000-\$75,000	19.4%	22.9%
\$75,000-\$100,000	7.9%	18.4%
Over \$100,000	7.6%	18.0%
Unclassified	0.0%	4.1%
Total	100.0%	100.0%

Every horse owner employs a trainer, and the trainer may employ one or more grooms, hotwalkers, exercise riders, veterinarians, blacksmiths, jockeys and drivers. To this must be added hay and grain suppliers, tack suppliers, repair personnel, transportation companies and

a host of other small businesses who play a supporting role. In those states where racing is conducted, people employed in connection with the racing industry and many small businesses and cottage industries reside in each and every community. Every day, 365 days a year, from well before dawn until after dusk at our racetracks and farms throughout this country, this vast network of individuals and small businesses work to produce the racing program from state to state.

The racing industry is, to a great extent, a large community comprised of participants from across all socio-economic strata. Many backstretch workers depend on the racing industry for their livelihood and are not employable elsewhere. Racing provides decent work and wages to many individuals at the low end of the socio-economic strata who are poorly educated, economically disadvantaged or who suffer from some social problem. Racing is a family business for many. There are whole communities in this country whose residents are employed in racing. The history of the racing industry is filled with those who bought property, raised families, educated their children, paid taxes and contributed to their communities because of the health and vitality of the racing industry.

The racing industry, unlike any other, has historically provided for the needs of its participants

without regard for public dollars. Because many backstretch workers are provided places to live at breeding farms, training facilities and the backstretch of racetracks, the industry supports a large number of programs for them. Horsemen's organizations such as the ones for whom I represent at this hearing have spent tens of millions of dollars over the years from purse money to support social and welfare programs for backstretch employees. These organizations, which exist in every state where racing is conducted, provide health, medical, dental, eye and hospital benefits for participants, drug and alcohol abuse programs and family counseling, basic and continuing education and GED programs, scholarships, financial and other assistance, recreation programs, pension benefits, and a host of other services. In addition, horsemen support numerous charitable foundations throughout the country to assist those participants who are experiencing difficulties. For example, here in California, The California Thoroughbred Horsemen's Foundation is working with the Thoroughbred Trainers of California to provide health care services to backstretch workers and their dependents. The CTHF, based at Santa Anita Park, in Arcadia, California, offers assistance at Santa Anita, Bay Meadows in San Mateo, Del Mar Thoroughbred Club in Del Mar, as well as tracks that comprise California's fair circuit. The joint operation

has clinics at Santa Anita and Bay Meadows that are open five days a week that offer medical, dental and optometry services, OB-GYN and Pediatric services are available on Wednesdays and Fridays. The program contracts with a health care provider, which allows it to provide referrals to patients in the event that a specialist's care is required. The program is also actively involved in social work on the backstretch, providing drug and alcohol addiction recovery programs at every track. Meal vouchers and a chaplaincy program are also part of the jointly run program.

Without a strong, competitive racing industry, these programs and the workforce for whom they are provided could not be maintained. As a result, many of racing's participants would end up on public welfare rolls with the attendant social costs borne by the taxpaying public.

The lifeline for horsemen, and, in turn, the health and vitality of the racing industry is the handle, or dollars, wagered each day at the racetracks. A portion of each dollar bet at a racetrack is allocated to purses -- the prize money paid to winning horse owners. It is purse money that filters through the network of individuals who produce the daily racing card and the programs provided for them. Purse money allows the horse owner to buy horses from the breeder and pay the trainer

to train and condition his horses to race. Purse money allows the trainer to employ a groom and hotwalker, an exercise rider for training, veterinarian to care for the horse, blacksmith to shoe the horse, tack supplier to provide supplies for the horse and feed man to provide feed for the horse. A strong, competitive purse structure enables this network to thrive, with commensurate benefits flowing throughout the economy. Consequently, the principal focus and goal of the racing industry is to generate handle, because the health, vitality and survival of the industry depends upon it. It is well established and uncontroverted that a dollar lost by the racing industry to competition is a dollar lost from handle, which translates into a dollar lost from purses and a dollar unavailable to that vast network that supports the industry.

Opponents of gambling have suggested that it hurts other businesses in the area and does not lead to new growth and investment. An increase in wagering at racetracks, however, ensures that there is more money available for the track to return to the economy and leads directly to the likelihood that there will be more people interested in purchasing and breeding race horses. In fact, a study done for the American Horse Council Foundation suggested that an increase of 10% in the wagering handle had a total economic impact on the

economy of \$810 million and on employment of 17,500. This is because as wagering increases, the amount available for purses increases. The more money available for purse money, then the more likely it is that a person racing a horse can earn enough income to "pay its way." If this happens, then there is additional need for trainers, grooms, jockeys and drivers, veterinarians and the other service providers that make up racing and the agri-business it supports.

Dramatic changes in society in the past two decades have forced racing, as any other industry facing competitive forces, to re-position itself to maintain its market share. With the exception of casino gambling in Las Vegas and then Atlantic City, pari-mutuel wagering was essentially the only sanctioned exception to prohibitions against gaming. Racing existed as a monopoly in partnership with state governments that embraced the sport. That partnership, and racing's domination of the wagering market, began to erode in the 1970's with the legalization of lotteries in many states. The racing industry's business and regulatory partner became its competitor, siphoning precious dollars from racing. Society also changed, with the explosion of professional sports, computer and video entertainment, other leisure activities and ultimately, the expansion of casino gaming beyond Las Vegas and Atlantic City.

Racing, too, was not without its own faults, failing to embrace television and slow to respond to changing public tastes. Racing has responded in several ways to these societal changes - importing and exporting race cards through simulcasting, establishing off-track facilities and combining facilities with alternative forms of gaming.

Simulcasting, which many feared would negatively impact live racing and lead to the elimination of many racetracks, has been a success story. One of the criticisms of racing, a reflection on how society has changed, has been that it is too slow with long gaps of idle time between races. Today's generation of sports fans want more action and excitement. Simulcasting has enabled racing to respond, and in most instances, the response has been positive. It is extensively regulated under both federal and state laws. The betting public has clearly embraced simulcasting and the wagering dollars on imported cards underscore its popularity. It has livened the daily experience at the tracks and off track sites for the fans. Handle on imported cards exceeds wagering on live cards, but that is not necessarily a negative factor. At tracks where live cards compete against as many as 7-10 imported cards, handle on the live cards remain relatively strong, allowing racing to maintain its market share on the gross

business. Simulcasting has had a positive impact on gross wagering dollars and has substantially supplemented purse levels. It has also enabled many tracks to improve the quality of their product, allowing them to export their races to other tracks, thus generating additional dollars for purses. Horsemen have been vigilant to insure that approval to conduct simulcasting is tied to the protection and enhancement of live racing.

Off-track facilities have been another response to the changing marketplace. These facilities have enabled racing to take its product to markets where fans like the product but for various reasons need the convenience of a more accessible facility. Again, like simulcasting, off-track facilities have enabled racing to maintain and, in many instances, grow its market share. These facilities are tastefully done and have had no discernable negative impact on the communities where they operate. Wagering at off-track facilities has enabled overall handles to be maintained or expand which, for horsemen, has been a positive development because additional dollars have been generated for purses.

As for racing's embrace of alternative forms of gaming, there appears to be no industry consensus. Because of the significant growth of casino-style gaming across the country and the fact that some racetracks have been forced to compete directly with such gaming, racing

has been forced to examine its implications. The empirical data clearly suggests that racetracks that face direct competition from casino-style gaming suffer crippling decreases in business. For horsemen in those markets, the impact has been catastrophic. Most tracks that are seeking alternative gaming already face stiff new challenges from nearby casino style gaming facilities. These tracks wish to participate in alternative gaming in an effort to compete with new, state-approved casino style competition and enhance their racing industry, which has made major economic contributions for decades. Three states have aggressively dealt with this problem - Delaware, Iowa and West Virginia. Tracks in these states have been permitted to add slot machines or video lottery terminals to their facilities as a means to generate revenues to remain in business. In each instance, permitting alternative gaming at these facilities has been contingent upon the protection and preservation of live racing at those facilities. For those states which have embraced it, permitting expanding gaming only at racetracks has been a sensible decision. Racetracks are strictly regulated, age-controlled businesses with a proven record of responsible operations in a gaming environment. Revenues at these facilities have enabled racing to grow, with tremendous increases in purses and

monies available for horsemen. Again, tracks in these states have been able to improve the quality of their product and have been able to export their product to other tracks.

If there is an industry consensus on alternative gaming at racetracks, it is that the issue should be decided at the state or local level, where competitive forces dictate, but that any such expansion must be contingent upon the protection and enhancement of live racing at facilities where additional gaming is permitted. Furthermore, a fair share of revenues generated from such activities must be allocated to purses, which are the economic engine that drives racing.

In closing, let me emphasize once again the critical nature of handle and purses as they relate to the racing industry. Revenues generated for racing support purses, which in turn support the thousands of industry related jobs and the many sectors of agri-business that depend on racing.

Thank you.