



Massachusetts Horse Racing Committee Meeting Minutes

Date/Time: June 10, 2019 – 11:00 a.m.

Place: Massachusetts Gaming Commission
101 Federal Street, 12th Floor
Boston, MA 02110

Present: Brian Fitzgerald, Chair
Commissioner Gayle Cameron, MGC Representative
Peter Goldberg, Standardbred Representative
Joe Savage, Thoroughbred Representative
Emily Kowtoniuk, Treasurer's Representative

Catherine Blue, MGC General Counsel
Dr. Alexandra Lightbown, MGC Director of Racing
Cathy Judd-Stein, MGC Chair
Chad Bourque, MGC Financial Analyst
Steve O'Toole, Plainridge Park Casino Director of Racing
Nancy Longobardi, SOM Secretary/Treasurer
Alice Szpila Tisbert, HHANE
Robert McHugh, President, HHANE
Paul Umbrello, Executive Director, NEHBPA
Leslie Fleming

Call to Order

The Chair called the Horse Racing Committee ("Committee") meeting to order at 11:08 a.m. He introduced himself and stated that he looks forward to serving on the Committee. He made note that there are two new members, Joe Savage, and Emily Kowtoniuk, and asked that all members introduce themselves,

Attorney Savage then introduced himself, stating that he is a partner at Goodwin's Securities Litigation & White Collar Defense group, and is a Fellow of the American College of Trial Lawyers and the Litigation Counsel of America. He also served on Massachusetts Governor Deval Patrick's Task Force on Ethics Reform and is a founding board member and former chairman of the New England Innocence Project. He is looking forward to serving on the Committee.

Ms. Kowtoniuk then introduced herself to the Committee, stating that she serves as Deputy Legislative Director at Massachusetts State Treasury. She also serves as Counsel and Vice President of State Affairs at Ads Ventures, Inc. She also looks forward to serving on the Committee.

Approval of Minutes

The Committee will post the minutes from the meeting of October 18, 2017, in draft form in lieu of a vote, due to lack of quorum at this meeting. Commissioner Cameron and Mr. Goldberg both stated that they find the¹minutes to be accurate with no typographical errors.

Update by Dr. Alexandra Lightbown, Director of Racing, Massachusetts Gaming Commission, on the 2019 Racing Season

Dr. Lightbown summarized the 2019 racing calendar for the members. She then gave an overview of the history of racing in Massachusetts as well as of the Committee's activity since 2015 for the new members.

Dr. Lightbown updated the Committee on the status of the 2018 annual report, stating that it will be completed in a few weeks, and will go to the Commission at that time for approval at a Commission meeting.

Commissioner Cameron requested a more detailed presentation from Dr. Lightbown for the new members at the next meeting. Dr. Lightbown agreed to have such a presentation ready for the next meeting.

Update by Catherine Blue, MGC General Counsel on Racing Bills before the Legislature

Ms. Blue stated that there are three bills before the legislature. HB 3819 has made it through the house and is in front of the senate ways and means currently. She also described HB 13, which is very broad and regulates racing through regulation promulgation. Lastly, she described the SB 101 Senator Boncore bill, which is much more specific in terms of take-outs of wagers, allows Standardbred and Thoroughbred racing to have a 5-year license, and allows for a simulcasting license as long as the establishment is looking to develop a racetrack. The Commission will continue to monitor these bills.

Mr. Savage inquired about carving out health and welfare and breeding support in the legislature. Ms. Blue stated that there is breeder legislature out there, and the Commission will continue to monitor its status.

Ms. Kowtoniuk stated that there was a provision in the legislature that swept \$15M from the Horse Race Development Fund. Ms. Blue noted for the committee that this has been filed in the past but has not made it to the final budget.

¹¹ Lack of a to the fact that only 2 members currently on the Committee attended the October 27, 2017 meeting. The balance of the current members were appointed after the October 27, 2017 meeting.

Discussion of Next Steps

The Chair felt it was appropriate to meet again soon to discuss a plan about moving forward. He then suggested scheduling a meeting in the fall, perhaps in October.

Commissioner Cameron suggested addressing the split, racing days, and the economics around racing. She suggested the submission of a brief from each of the racing groups regarding the split, addressing whether or not it should be changed and if changed, what the split should be. Commissioner Cameron suggested that this be an agenda item for the next meeting.

Mr. Goldberg stated that the committee is late on the split for 2019. He asked if it was prudent to skip a year as the committee needs to rely on the previous years' metrics to calculate split proposals. He then stated that the committee owes it to the statute to re-look at the split for 2019. In the past, the committee has been late and has asked to make it retroactive. Commissioner Cameron stated that this kind of postponement affects the breeders. Mr. Goldberg added that it also affects owners, trainers, breeding centers, farms, and training centers. He stated that the committee needs to look at 2017 and 2018 as soon as possible, get the metrics done and calculate 2019.

Commissioner Cameron asked if there are any legal issues with that, to which Ms. Blue stated that looking at two years of metrics should be fine.

Mr. Savage stated that he is in favor of having all the information available. He suggested waiting to see what action is taken by the legislature on renewing racing legislation before scheduling the next meeting date. Mr. Savage stated that the committee needs more info before it can start to prepare briefs in favor of a change in the split.

Mr. Goldberg stated that 2017 is done and the committee can use those figures and suggested that there be no delay. He asked when the 2018 report numbers will be complete, to which Dr. Lightbown answered that 2018 would be completed in July, and then it can be put on the next meeting agenda. She stated that in the past, she has given the data out while with the caveat that it has not been approved by the Commission.

Mr. Savage stated that it is most helpful to the committee if an expert reviews the numbers and advises. This would determine whether or not it makes sense to change the split or anything at all.

There was discussion around what the statute states, and the intent of the statute to protect racing.

Commissioner Cameron stated that thoroughbred and standardbred hasn't changed dramatically and that giving extra time is appropriate to thoroughly analyze the data first. Mr. Goldberg noted that he is not in favor of taking until the fall to start the process.

It was confirmed that members will receive 2017 and 2018 data. Mr. Savage asked for partial numbers from 2019 and stated that he would like to focus on economic development for the breeders. He then requested that more detailed information be provided, to include focused economic data.

Mr. Goldberg suggested the middle of July for the next meeting. Mr. Savage proposed October 16, 2019, with a briefing schedule set prior to the meeting date. After discussion by the committee, September 18, 2019, was agreed upon for the next meeting to take place, and due date of September 4, 2019, for position papers.

Mr. Goldberg moved to schedule the next meeting for September 18, 2019, with position papers due on September 4, 2019, two weeks prior to the meeting. Commissioner Cameron seconded the motion.

The motion passed unanimously.

A further motion to adjourn the meeting was made by Ms. Kowtoniuk. Commissioner Cameron seconded the motion.

The motion passed unanimously.

The meeting adjourned at 11:47 a.m.

**Position of the Standardbred Industry Regarding the
2019 Reallocation of the Race Horse Development Fund**

Pursuant to M.G.L. c. 23K §60(b)

Background

From August of 2012 through October of 2014, the Horse Racing Committee (“HRC”) of the Massachusetts Gaming Commission (“MGC”) held numerous public meetings, reviewed reams of documents, hired industry experts, commissioned an academic based study, invited and received public comment and heard well-reasoned arguments from both the Standardbred (“SB”) industry and the Thoroughbred (“TB”) industry. Through its exhaustive research, discussion and debates, the HRC formally sent its recommendation to the Mass Gaming Commission on October 24, 2014. After plugging in all of the applicable *metrics* as required by the Massachusetts Gaming Statute, the HRC recommended to the MGC, by a vote of 3-2, a split of the Race Horse Development Fund (“RHDF”) of 75% to the Massachusetts TB industry and 25% to the Massachusetts SB industry. It is important to note, that even with the numbers as they were in 2014, the two (2) dissenting voters had offered their opinions that the split should have been more equitable. Both HRC dissenters opined that more than 25% should have been allocated to the SB industry.

In 2016 the HRC began discussions regarding its responsibility to the residents of the Commonwealth to review the allocation (split) of the racehorse development fund (RHDF). After much research, review, discussion and debate, the HRC voted 4-1 to reallocate the RHDF split to 55% to the Standardbreds and 45% to the Thoroughbreds. This reallocation was accepted and then made retroactive back to January 1, 2016 by the Massachusetts Gaming Commission.

Much discussion was had at the HRC meetings of the potential change to the future racing landscape in Massachusetts. There was never any certainty as to whether or not *either* industry would be able to survive the current business/economic climate. Confirming this, **both** industries, early on, made it clear to the MGC that *if they* (Suffolk Downs & Plainridge Racecourse) did **not** receive a gaming license, **living racing would cease for that industry in Massachusetts**. In August of 2013, the applicant for the Class 2 license at Plainridge Racecourse, Ourway realty, was found “**not suitable**” by the MGC. Things looked awfully

bleak for the SB industry before Penn National Gaming came onto the scene. After Penn National was awarded the Class 2 gaming license, a new life was breathed into Standardbred racing in Massachusetts. **As a condition of this license, live racing not only had to continue at Plainridge, but they had to increase the number of live race days for the next three (3) years.** Obviously, the legislature, after researching and debating the gaming law for many, many years, decided and determined that **more live racing days was economically & environmentally beneficial to the Commonwealth of Massachusetts.** Live racing days have distinct direct and indirect financial and agricultural benefits to the Commonwealth. It was certainly clear to the Massachusetts legislature that **more live racing days meant more economic and agricultural benefits to the Commonwealth of Massachusetts.**

The most important and major metric discussed from August 2012 through October of 2014 at the HRC was the number of live race days for both horse racing industries. In 2014 the TB's raced 62 days and the SB's raced 80 days. **The decision made at that time by the HRC to revisit the split on an annual basis was in large part due to the potential change to the live horse racing landscape in Massachusetts.** The number of live race days was the major consideration during these discussions. Of course, more live racing days means higher total handle (on track wagering), **more employment days**, more food and beverage sales, more security, more veterinarians, more blacksmith's, more feed being sold, more hay, more taxes being paid to the Commonwealth...and the list goes on. **For these two (2) years the TB industry was steadfast in its claim that they were going to race as many days as the SB Industry in Massachusetts.**

The actual facts and the gaming commission numbers do not lie. The facts and numbers are clear and cannot and ***must not*** be ignored by the HRC. The Massachusetts' horseracing landscape shifted dramatically beginning with the 2015 racing season:

- In 2015, the SB's raced 100 days and the TB's merely 3.
- In 2016 the SB's raced 115 days and the TB's a mere 6.

- In 2017 the SB's raced 125 days and the TB's a mere 8.
- In 2018 the SB's raced 110 days and the TB's a mere 8.

The gaming statute has not been changed. The criteria to be looked at and analyzed by the HRC have not changed. Only the metrics are changing as every possible metric points to the **Standardbred Industry being the unquestionable economic leader in Massachusetts when it comes to economic and agricultural benefits provided due to horse racing in the Commonwealth.**

The split between the TB industry and the SB industry in Massachusetts **must** be reallocated once again to keep the intent and directive of the legislature and the gaming statute alive and to continue the benefits to the residents of the Commonwealth of Massachusetts provided by **more live horseracing and all of the economic and environmental benefits it provides.** The HHANE commissioned an industry leader, The Innovation Group of New Orleans, LA to obtain the data as required, and perform an analysis consistent with M.G.L. c. 23K § 60 (b) and what has been directed by the HRC in our recommendation to the MCG in October 2014 and thereafter. After performing this analysis in 2019 (based upon 2018 data), it is quite clear that there needs to be **another reallocation** of the RHDF *split*. The numbers from 2014 to 2015 changed quite dramatically and the numbers from 2015 to 2018 continue to move in a direction favoring a larger portion of the RHDF to the SB Industry. The numbers basically “flip-flopped,” from 2014 – 2015 and this trend now continues.

Despite years of listening to the TB Industry tell the HRC that they would be back to substantial live racing soon...**the TB's continue to make little or no progress in increasing its' live race days beyond the paltry eight (8) days per year currently raced.** The SB Industry continues to be the commanding “leader” in **all** of the categories in which the TB Industry led when the original split was decided. (The Innovation Group report is attached hereto and is hereby incorporated by reference and made a part of this SB position paper).

Purses

In 2014 the TB industry awarded \$6,929,400 in purses compared to \$2,268,300 for the SB industry. Thus the **TB industry awarded 75.34%** of the total purses in 2014. At that time the RHDF split was 75% - TB & 25% - SB. In 2015, the SB awarded \$4,210,636.00 as compared to \$1,620,200 for the TB. Thus, **in 2015, the SB industry awarded 72%** of the total purses in Massachusetts! In 2016, the Standardbred Industry in Massachusetts awarded \$7,954,092 in purses as compared to \$2,735,900 by the TB's. Thus, in 2016 **the SB industry awarded 74%** of the total purses in Massachusetts! In 2017 the SB Industry again increased purses to a record \$9,912,523. As opposed to the TB purses paid out of a mere \$3,844,000.00. Even though this was the case, in 2017 the RHDF split moved only to 60%-SB & 40% - TB. In 2018, this trend continued as the SB paid purses increased to \$10,932,409 and the TB purses increased slightly to \$4,733,800. This represents a complete and undeniable "flip-flop" in favor of the Standardbred industry since 2015 which has continued **each & every year since!** (See Innovation Report, Table #3, Table #4 & Table #5 at pp. 3 & 4).

Furthermore, some of the purses awarded by the Thoroughbred Industry in 2016, 2017 & 2018 were *actually raced outside of Massachusetts, in upstate New York*. Races run outside of Massachusetts obviously do not provide **the same economic benefit to Massachusetts as those raced within Massachusetts**. **Each and every Standardbred race and dollar paid out in purses was raced in Massachusetts in 2015, 2016, 2017 & 2018!**

Employment Numbers

There is always a real difficulty in calculating the *effect* of the employment numbers for many reasons. First, the number of actual W2 employees at Plainridge *decreased* from 2014 to 2015, but **not** because there were less employees, but because Penn National Gaming took over much of the actual day-to-day workload in Plainridge. Obviously, with the building and opening of the

Plainridge Park Casino, many, many jobs were added at the location. Furthermore, Suffolk Downs shows a decrease to 116 W2 employees in 2018, however, since they only raced eight (8) days, these employees could not have made much of an economic impact on the Commonwealth. Finally, when we include the 1099 recipients of both facilities, the picture becomes more clear: 577 total employees at Plainridge and 483 for the TB Industry. In 2013, the same calculations were: 511 for Plainridge and 714 for Suffolk. So, in **2013 the TB has 58.3% of the employees while the SB industry had 41.7%. In 2015, the SB had 66.47% of the employment compared to 33.5% for the TB industry.** In 2018, The SB's had 54% of the employees and the TB's had 46%. The numbers became even more difficult to measure in 2016 due to the issuance of multi-year licenses. As of 2015 the MGC allowed SB owners, drivers and trainers to obtain a 1 year, 2 year or 3 year license. The figures provided by the MGC **only indicate licenses actually issued that year.** In other words, if an owner applied for and received a 3 year license in 2017, this owner would **not** appear as an "Occupational Licensee" in 2017 or even 2018! The MGC has indicated to me that it cannot provide the actual numbers of owner, trainer or driver licenses that were actually in effect in 2016. In a report which was sent to the SB Industry on June 26, 2017, the MGC indicated:

****This does not include multi-year licenses paid for in previous years. At Plainridge many licensees have taken out multi-year licenses.**

In any event, the occupational numbers are again skewed heavily in favor of the SB Industry when we consider the number of live race days for each Industry. It is simple math to compare the positive economic effects on the Commonwealth of trainers when, even if you take the numbers provided by the MGC of "licenses issued" to trainers in 2016, SB – 154 & TB – 145. While the numbers have not yet been received for the 2018 trainers licenses, you can be certain, based upon the number of live race days, that the numbers continue to favor the SB Industry. Furthermore, looking at the past numbers, one must consider the economic effects upon the Commonwealth of 154 SB trainers racing 115 days in Massachusetts and training their horses for a period of approximately ten (10) months compared to the 145 TB trainers who ship their horses into Massachusetts to race for two (2) days at a time, three (4) times per summer. There is

obviously a much greater economic benefit to the Commonwealth from **154 SB trainers racing 110 days and stabling/training for 300 plus days** as opposed to the 145 TB trainers racing a grand total of eight (8) days in Massachusetts! (See Innovation Report, Table #6 & Table #7 at pp. 5 & 6).

Relative Needs of the Industries

Although this was *conceded* by the TB industry in 2014 as being “equal,” the changing landscape for the two (2) industries has clearly tipped the scales on this metric completely **in favor of the SB Industry!**

The TB industry has, however, continually miscalculated and misled the HRC in its calculations regarding what purse structure is needed by the SB Industry to compete in its region. In 2015, **with only its 25% share of the RHDF allocation**, Plainridge had the fourth **lowest** average purse per race of all the Northeast tracks that it competes with. Plainridge awarded total purses that were **Ten Million (\$10,000,000.00) dollars lower** than the average in the region. This, in spite of the fact that Plainridge Park was *required by law* to race virtually the same number of days as these other tracks (110 versus a 113 day average). Even **after** receiving the 25% from the RHDF, the SB industry’s needs remained significant.

In 2016, after receiving 55% of the RHDF, the SB purses increased to \$7,954,092. While this was a substantial increase, and the SB Industry stakeholders were extremely thankful to the HRC, MGC and the legislature for the increased funding, the additional purse monies received by the SB Industry **only moved Plainridge Park Racecourse up to 14th (out of 23 tracks) in the northeast region for average “purse per race.”** Thus, **even after receiving 55% of the RHDF in 2016, Plainridge remained in the lower half of the racetracks in the northeast region.** When we looked at the “average purse per card (or race day),” Plainridge moves even further down the “standings” to number 19 out of 23 racetracks in the northeast region.

In 2018, after receiving 60% of the RHDF, the SB purses increased to \$10,872,177. While this increase continues to help the SB Industry compete with other northeastern tracks, Plainridge still only ranks 11th in the region for purses paid. Plainridge still pays out \$4,000,000.00 **less than the average amount** paid by all harness tracks in the region. If we compare apples-to-apples, tracks of the same size, Plainridge is more than **\$6,000,000. per year behind the average for the region!** (See Innovation Report, Table #8, Table #9 & Table #10 at pp. 7 & 8).

Conversely, the TB Industry awarded an average of \$400,000.00 a day in 2015. The six (6) days raced by the TB's in 2016 required \$2,735,900.00 (\$455,983.33 per day). In 2017, the TB's raced a grand total of only eight (8) days! Once again, in 2018 the TB's raced a mere eight (8) days of live racing in Massachusetts. The TB Industry's needs for purses was certainly met by the monies provided to the purse fund via simulcasting proceeds and live handle proceeds. Furthermore the TB industry currently has **unspent funds in its purse account well in excess of this amount.** The TB's current escrowed purse money exceeds **thirteen million (\$13,000,000.00) dollars!** Even if the TB's were to not receive a single penny from the RHDF, what they have already deposited into the purse account from monies earned from simulcasting, live handle and the RHDF, the TB's would in fact, need **absolutely no money** from the RHDF for many years to come...**if ever at all!**

Live Racing Handle

The chart on page nine (12) of The Innovation Group report succinctly illustrates this metric. Quite simply, in 2014 the TB Industry led with 81% of the total live racing handle to 19% for the SB Industry. In 2015 the SB Industry led with 63% of the total handle to 37% for the TB industry. In 2016 the SB Industry continued to lead with 56% of the total live handle generated on track in Massachusetts. In 2017, the live racing handle was an even 50/50 split. For 2018 the split was again just about 50/50. (See Innovation Report, Table 11 at p. 12)

The important metric to remember here, is that the **"per card" live handle for Plainridge has increased steadily in each of the past four (4) years.** The "per card" live handle for the TB

Industry continues to **remain stagnant** each year. What was once a huge metric “in favor” of the TB Industry has changed to a metric that clearly favors the SB Industry in our discussion. (See Innovation Report, Table #11 at p. 9).

Breeding and Training Farms

It is extremely important to point out that this criteria calls for “**breeding and training farms,**” not merely “Farms that house a thoroughbred or a standardbred horse.” Surveys aside, the best and most accurate way to measure breeding farms is to look at actual foals born each year for each industry. The actual physical farms themselves do not vary too much from year to year for each, but the residents (stallions, mares, foals) of those facilities does. The Innovation Group chart on page thirteen (13) of the attached report clearly shows a **continuing** positive trend for Massachusetts bred SB foals, broodmares, and breeders. Increases from 2014 to 2015, from 2015 to 2016, from 2016 to 2017 and again in 2018 are **proof of a positive trend in SB breeding**. In 2014 there were 36 foals born in Massachusetts. In 2015 that same number was 48. In 2016 there were 51 foals born. **In 2017, that number jumped substantially to 92!** **Once again, in 2018 that number continued to increase to a record number of foals, 96!** The Jockey Club Massachusetts Fact Book indicates that there were 26 foals born in 2014. That number in 2015 was 10. In 2016 there were 9 foals listed by this book. In 2017 there were 16 foals born and again, only 8 in 2018!

So in 2014 the SB industry had 64.3% of the Mass bred foals compared to 35.7% for the TB industry. In 2015 the SB industry had 89% compared to 11% for the TB. In 2016 the SB Industry had 85% compared to 15% of the mass bred foals for the TB Industry. In 2017 the TB listed 16 foals born. So, in 2017 the SB Industry still had 85% of the registered foals in Massachusetts.

While the SB foals increased to a record level or 96 foals born in 2018, we do not have any information for the TB foals in 2018. What do have however, is the fact that **the number of TB mares has decreased from 23 in 2017 (producing 16 foals) to only 8 in 2018!** Therefore the

number of TB foals could, at most be 8, and more likely than not, is somewhat less than that! While the SB foals, mares and breeders continues its steep climb, the numbers pertaining to TB breeding in Massachusetts continues to decrease. (See Innovation Report, Table #22 at p. 18).

Discretionary Criteria

A review of these metrics has been done and is a part of the Innovation Group report attached hereto. Much of this data goes hand-in-hand with the above-mentioned five (5) statutory criteria. The most telling of these, and by far the most discussed in the first six (6) years of the HRC analysis is **live race days**. In 2014 the Standardbreds raced 80 days and the Thoroughbreds 62. This calculated to 56% for the SB's and 44% for the TB's. In 2015 the numbers were 100 days for the SB's and only 3 days for the TB's. This calculates to 97% for the SB and 3% for the TB. In 2016 the Standardbreds raced one hundred and fifteen (115) days (as legislatively mandated) and the TB's raced a total of six (6) days. 95% of the live horse races in Massachusetts in 2016 were Standardbred harness races! This pattern continued again in 2017 & 2018. The SB Industry raced 94% & 93% respectively of all the live racing days in these two (2) years! It must also be remembered that while the SB's are racing 115 days (and 125 days in 2017), the race season is from early April through November. While horses generally take a well-deserved break after the season, most of them will "winter" on Massachusetts' Farms and start back up training (to get ready for the next year's season) in mid-January to early February. This adds up to an "active" season of approximately ten (10) months in Massachusetts for the SB racehorses. During this "season," the horses are not only racing, but training on almost a daily basis. While racing, most SB racehorses will race on a weekly basis, and "jog" or "train" approximately 4 or 5 other days of the week. SB horse racing is a much more labor intensive endeavor than TB racing, which relates to a much stronger positive economic effect upon the Commonwealth by the SB Industry than the TB Industry! (See Innovation Report, Table #15 at p. 14).

Mass Bred Horse Sold at Public Auction: Another of the discretionary criteria to be looked at is the number of **Mass-Bred horses** sold each year at public auction. In 2016 the SB Industry sold a total of four (4) Mass-Breds at public auction. In 2017 that number rose to five (5). Once again, in 2018 the number rose to nine (9). Even more telling is the sales revenues brought into Massachusetts each year. Gross sales revenues for the SB Mass-Breds sold at public auction went from \$121,000.00 in 2016 to \$209,000.00 in 2017 to a **record high** \$797,000.00 in 2018! Conversely, **no records** at all were found regarding any Mass-Bred TB's sold at public auction in this last three (3) year period! (See Innovation Report, Table #16 at p. 14).

Capital Expenditures: For the past three (3) years, each and every year substantial amounts of money have been spent to complete capital projects at Plainridge Park. The chart in The Innovation Group report on page16-17 highlights this. In 2018 alone, in excess of \$315,543.00 was spent for capital improvements. (See Innovation Report at pp. 16 & 17).

Finally, the Harness Horseman's Association of New England (HHANE) is the officially recognized by the MGC as the organization that represents the participants of Massachusetts' harness racing industry. In 2018 the HHANE researched and developed a Retirement Savings Program (RSP) that is allowing, for the first time ever in Massachusetts, harness industry members to earn credits for their retirement accounts starting in 2018! Over \$800,000.00 of the \$1.4 million received for health & welfare have been used to provide for the RSP. This is another prime example of just how the RHDF payments to the SB Industry are *actually* benefiting the Massachusetts SB horsemen & women!

Conclusion

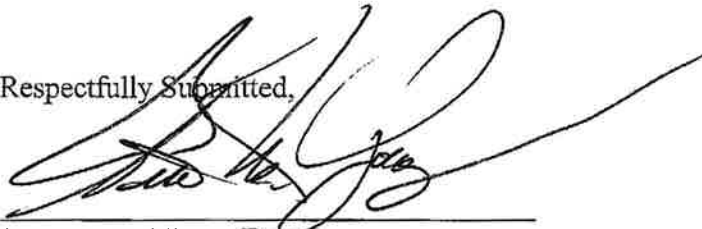
The law that the HRC has been charged to follow **has not changed**. The numbers do not lie. A thorough and in-depth review of the changes in the applicable metrics bear out **only one conclusion: the Standardbred Industry in Massachusetts needs, deserves, and is required by law to get “the lion’s share,” if not all of the RHDF. The TB Industry already has “escrowed” enough purse money to race for *decades to come*. The SB Industry, while doing well and improving still needs additional funds to continue this positive trend, especially with **the competition from other tracks!** That “fair share” would be a percentage much greater than the 60%SB - 40%TB split that was recommended by the HRC to the MGC in 2017! At that HRC vote, the members who ultimately voted “for” the 60/40 split agreed that the metrics (*even at that time*) clearly favored more than 60% going to the Standardbred Industry, *however*, it was voiced that “too big of a movement at one time could be disruptive to the thoroughbred industry.”**

At that time (and previously!) there were statements from TB leaders that a “new racing facility would be opened **within a year.**” Our HRC gave homage to those statements and limited the last movement from 55% to 60%, keeping in step with the idea that moving “too much too fast” could hamper the TB plans for that new racetrack. Well, that new TB racetrack is no closer to being built now than it was 2017! The TB’s have millions in their coffers.

It is time, almost two (2) years later, to finally continue to adjust the split as the metrics and the law dictates. The five (5) members of the Horse Racing Committee have been charged by the law to represent the citizens of the Commonwealth of Massachusetts. We must do our due diligence to protect our residents and the clear ideals behind the Massachusetts gaming statute. The law, the research and calculations are clear. To do what the law requires and what the citizens of the Commonwealth of Massachusetts deserve, the hard-working horsemen and women of the Massachusetts Standardbred Industry should receive, the full amount (100%) of the RHDF for 2019.

Standardbred Position Paper
September 4, 2019
Page Twelve (12)

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Peter M. Goldberg", written over a horizontal line.

Peter M. Goldberg, Esq.

Representing:

Harness Horseman's Association of New England (HHANE)
Standardbred Owners of Massachusetts (SOM, Inc.)



**Economic Impact Study,
New England Harness
Horseracing Industry
Plainville, MA**

Prepared for:

HARNESS HORSEMAN'S ASSOCIATION OF NEW ENGLAND
STANDARD BRED OWNERS OF MASSACHUSETTS, INC.

September 2019

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INTRODUCTION

The Innovation Group was commissioned by the Harness Horseman's Association of New England (HHANE) and the Standardbred Owners of Massachusetts, Inc. ("SOM") to assess the economic impacts of the Standardbred horseracing industry in Massachusetts, specifically in regard to the six criteria established by the Massachusetts Horse Racing Committee for the distribution of the Race Horse Development Fund ("Fund" or "RHDF").

The Expanded Gaming Act of 2011 allocated a percentage of gaming revenue from future licensed facilities to a Race Horse Development Fund to support the state's racing industry and established a Horse Racing Committee ("Committee") to recommend to the Massachusetts Gaming Commission ("Commission") how the funds will be allocated between the Thoroughbred and Standardbred segments. The law set forth five minimum criteria that the Committee was to evaluate:

- 1) The average purses awarded at Thoroughbred and Standardbred racing facilities;
- 2) The total employment numbers, both direct and indirect, attributable to each horse racing industry;
- 3) The relative needs of each horse racing industry for increased purses;
- 4) The amount of the live racing handle generated by each horse racing industry;
- 5) The number of breeding and training farms of each industry that are located in the Commonwealth.

In 2014, the Commission accepted the Horse Racing Committee recommendation to distribute 25% of the Fund to the Standardbreds and 75% to the Thoroughbreds. The Committee's final report also recommended to reassess the split on an annual basis and included a sixth category of criteria—such as number of live race days and number of stallions, mares, and foals residing in Massachusetts—to be considered in subsequent reviews.

The Commission can only change the distribution percentage upon a recommendation by the Committee. In June 2016, the Horse Racing Committee voted four to one, to revise the split to distribute 55% of the Fund to Standardbreds and 45% to Thoroughbreds. The Commission accepted the Committee's recommendation and made the split retroactive to January 1, 2016. This was revised once more in 2017 to its current split of 60% to Standardbreds and 40% to Thoroughbreds retroactive to January 1st of that year.

The primary focus of this report is to reassess the economic impacts of the Standardbred industry relative to the Thoroughbred industry based upon the six criteria. The report concludes with a recommendation to the committee for the most appropriate distribution of gaming revenue for horseracing based upon the direct impacts that both segments currently have on the Commonwealth and the future outlook on relative needs of the Standardbreds to accommodate race days in 2019.

The RHDF contributions totaled \$16 million in 2018, with 96% or \$15.4 million dedicated to purse supplements.¹ Standardbreds received \$9.9 million in supplements while awarding nearly \$11 million in purses, a deficit of \$1.7 million. The situation for Thoroughbreds was reversed, with \$5.8 million in supplements contrasted with just \$4.7 million in purses awarded, leaving a balance of over \$1 million in their account from 2018 contributions alone.

Table 1: 2018 RHDF Contributions & Distributions

	Total	Standardbreds	Thoroughbreds
Total Fund GGR Contributions	\$16,077,788	\$9,646,673	\$6,431,115
Available Purse Supplements	\$15,029,126	\$9,259,430	\$5,769,696
Purses Awarded	\$15,666,209	\$10,932,409	\$4,733,800
Balance		(\$1,672,979)	\$1,035,896

Source: Mass Gaming Commission; The Innovation Group

In 2018 Standardbreds remain the dominant segment of the Massachusetts horse racing industry. The Standardbred segment accounts for either the large or the vast majority of most of the key criteria that drive economic benefits for the Commonwealth, including 70% of purses awarded, 49% of live handle, 92% of races, and 70% of Mass-bred starters.

While it appears that Standardbreds only comprise 47% of occupational licenses for the year, it is important to note that the total occupational licenses listed below only represent those *issued* in 2018 not the *total active* licenses for Standardbreds. Based on previous years, it can be estimated that the total active licenses for Standardbreds is closer to 1,700 or 57% of total occupational licenses issued in the state.

Table 2: Standardbred Share of Key Metrics

	2018	2017	2016
Purses	70%	72%	74%
Live Racing Handle	49%	50%	56%
Live Race Days	93%	94%	95%
Live Races	92%	93%	95%
Mass-Bred Starters	70%	62%	58%
Mass-Bred Starts	83%	76%	75%
Mass Start Earnings	73%	69%	60%
Occupational Licenses	47%	53%	60%

Source: Mass Gaming Commission; Standardbred Owners of Massachusetts; Massachusetts Jockey Club; The Innovation Group

¹ The RHDF monies for the Standardbred and Thoroughbred industries are allocated 80% to overnight purses and 16% to breeders which are used to fund the restricted race purses.

ANALYSIS OF THE FIVE STATUTORY CRITERIA

This section compares the two horse racing segments regarding the five statutory criteria. Overall, with the decline in operations at Suffolk Downs in 2015, the ratios between Standardbred and Thoroughbred impacts flipped in favor of the Standardbreds. In 2018, the Standardbred industry accounted for 70% of purses awarded, 92% of races, 49% of live racing handle, and 54% of employment.

1) Purses

Due to the revised split of the RHDF, total purses awarded in Massachusetts reached \$15.7 million in 2018, up 14% from the year prior. The Standardbreds awarded over **70%** of total purses in Massachusetts for the year, compared to **30%** by the Thoroughbreds. These percentages represent the current distribution of purses between the two segments. The split between the two segments has completely reversed since 2013 when the Thoroughbreds awarded over 81% of the total purses for the year.

In 2018, the total number of races held annually decreased in Massachusetts for the first time since the RHDF was established. Despite an increase in Thoroughbreds races from the previous year, Standardbreds still represented 92% of the total annual races in Massachusetts for the year. The average purse per race for Standardbreds has increased in 2018 from the previous year due to the increased distributions from the RHDF. Although this had a positive direct effect on Standardbred breeding in Massachusetts, the state continues to rank third to last in the Northeast region for total purses awarded to restricted races. Total Purse trends for Massachusetts horse racing are shown in the following table.

Table 3: Total Purses Awarded at Races

		Standardbred	% Share	Thoroughbred	% Share	Total
Total Purses	2014	\$2,574,902	26%	\$7,425,874	74%	\$10,007,426
	2015	\$4,210,636	72%	\$1,620,200*	28%	\$5,830,836
	2016	\$7,954,092	74%	\$2,735,900	26%	\$10,689,992
	2017	\$9,912,523	72%	\$3,844,306	28%	\$13,756,829
	2018	\$10,932,409	70%	\$4,733,800	30%	\$15,666,209
Number of Races	2014	736	57%	560	43%	1,296
	2015	949	96%	36	4%	985
	2016	1,092	95%	63	5%	1,155
	2017	1,182	93%	92	7%	1,274
	2018	1,128	92%	98	8%	1,226
AVG Purse per Race	2014	\$3,499		\$13,260		
	2015	\$4,437		\$45,006		
	2016	\$7,284		\$43,427		
	2017	\$8,386		\$41,786		
	2018	\$9,692		\$48,304		

Source: Mass Gaming Commission Annual Reports; The Innovation Group
 *Note: 2015 - 2018 Total does not include purses awarded at Finger Lakes

Both horse racing segments in the Commonwealth participate in restricted races, those that are open only to Massachusetts Bred horses. The Standardbred industry held four times the number of restricted races than Thoroughbreds throughout the 2018 season and the total purses awarded by Standardbreds were nearly four times the amount of the Thoroughbreds. The increase in funds from the RHDF has greatly benefited the local Standardbred industry, as average purse per restricted race for Standardbreds has doubled annually from \$9,941 in 2014, to \$20,013 in 2015, to \$38,873 in 2016. The purse increased again in 2018, bringing the average more in line with restricted race purses offered by Thoroughbreds.

Table 4: 2018 Restricted Race Purses

	Standardbred	% Share	Thoroughbred	% Share
Total Purse	\$1,776,802	80%	\$450,000	20%
Number of Races	36	80%	9	20%
AVG Purse per Race	\$49,356		\$50,000	

Source: Mass Gaming Commission Annual Report, The Innovation Group
 *Note: 2018 Total does not include \$75,000 in purses awarded at Finger Lakes

Excluding the number of restricted races and their purses from annual totals, the Standardbred industry awarded **68%** of all purses for the 2018 season for an average \$8,384 per race compared to **32%** for the Thoroughbred industry.

Table 5: 2018 Total Purse - Without Restricted Races

	Standardbred	% Share	Thoroughbred	% Share
Total Purse	\$9,155,607	68%	\$4,283,800	32%
Number of Races	1,092	92%	89	8%
AVG Purse per Race	\$8,384		\$48,133	

Source: Mass Gaming Commission Annual Report, The Innovation Group

Pertinent to the economic impact accruing to the commonwealth is the distribution of purses to Massachusetts starters. As detailed in section 6f later in the report, Standardbreds earned 73% of the total earnings for Mass-bred starters in Massachusetts.

2) Employment Impacts

Direct employment in the horse racing industry is a broad and extensive network involving racetrack operations as well as the breeders, trainers and owners of race horses. Breeders, trainers and owners often perform a combination of these activities and as a sector can be collectively termed “racing enterprises.”

Racing enterprises expend the vast majority of the revenue they earn in the local economy in the ordinary course of business. For instance, the racing operations employ trainers, assistant trainers, horse grooms, farm/ranch workers, drivers/jockeys, exercise riders and administrative personnel.

Additionally, the industry relies to a large degree on service providers as contract labor for such things as farrier, pony persons, veterinary services, and transportation services. Other expenditures include horse purchases, stallion fees, trainer fees, veterinary services, stabling charges, blacksmith services, tack/groom supplies, transportation costs, insurance and administrative costs. The trainer fees often include day fees (horse care expenses) related to such things as vitamins, medical equipment, medical prescriptions, groom and hot walker wages, exercise rider wages, and feed and bedding (hay/straw).

The ultimate source of this extensive economic activity are purses. Purses provide the revenues that drive the racing operations sector. Currently, the Thoroughbred segment lacks the full-time infrastructure—i.e., a fully operating racetrack—for distributing purse awards.

It should be noted that economic multipliers from the Bureau of Economic Analysis or IMPLAN do not distinguish between the Standardbred and Thoroughbred segments. To derive the indirect and induced impacts, the direct impacts would be multiplied by the same amount for the Standardbred and Thoroughbred segments. Therefore, for the purpose of this employment comparison, direct employment is sufficient.

The most valid method for the purpose of comparing direct employment in the two segments is to utilize the same data source. Utilizing different data sources or methodologies can result in invalid comparisons. For this analysis, we only utilized employment categories from occupational license data provided by the Massachusetts Gaming Commission. If we exclude all out-of-state license holders, the Standardbred industry directly employs **62%** of all licensed residents in the racing industry. Additionally, training and breeding farms employ stable help that are not licensed.

Table 6: 2018 Occupational Licenses by Employment Category

	Standardbred	Thoroughbred
Apprentice Jockey		2
Assistant Starter		1
Assistant Trainer		22
Authorized Agent		1
Blacksmith	2	1
Driver	111	
Jockey		61
Pony Person		7
Racing Official	16	18
Stable Employee	103	120
Track Employee	11	1
Trainer	178	185
Valet		11
Vendor	15	21
Vendor Security		11
Veterinarian	2	2
Total Licenses	438	464
<i>Share of Licenses</i>	<i>49%</i>	<i>51%</i>
% Licensed MA Residents	30%	17%
Licensed MA Residents	133	81
<i>Share of MA Residents</i>	<i>62%</i>	<i>38%</i>

Source: Mass Gaming Commission

Based on the information provided by the Massachusetts Race Horse Committee, in 2018, the ratio was relatively even between the Standardbred and Thoroughbred segments at 47% and 53% respectively. However, this does not adequately portray the Standardbred and Thoroughbred industries, as the total occupational licenses listed above only represent those *issued* in 2018 not the *total active* licenses for the season. Although the Massachusetts Gaming Commission allows for multi-year licensing options for up to three years for Standardbreds, they currently have no way to track the annual licenses that are in effect for the season. Based on previous years, it can be estimated that annual licenses account for 2/3 of the total active licenses in a year. That approximation would indicate the Standardbreds total active licenses is closer to **1,700**.

With an 8-month racing season and adding in a ninth or tenth month for arrival and preparation, harness racing in Massachusetts effectively represents a permanent economic impact to the Commonwealth. Out-of-state horses that are stabled at Plainridge for the season bring economic impacts to the Commonwealth for more three-quarters of the year, whereas the induced impact of out-of-state racing teams at Suffolk are highly temporary, lasting just a few days a year.

There were 110 race days for the Standardbred segment in 2018, 14 times greater than the 8 race days held for Thoroughbreds. In other words, economic impacts from spending by out-of-state racers and from direct racetrack employment are magnified 14 times in favor of the Standardbreds.

This magnification could be at play for the 116 Thoroughbred W2s reported in a memo issued by the Racing Division from July 2019. Given that Suffolk Downs had officially closed all racetrack operations as of October 2014 and conducted only 8 days of live racing in 2018, it is difficult to assess what level of employment the 116 represents considering the track had 183 W2 employees in 2014, a full race season. The 52 W2 employees at Plainridge represent permanent, year-round employment. Furthermore, the 52 is not a full account of employees who work at the racetrack since a number of departments—including housekeeping, finance, and food and beverage—were consolidated by Penn National Gaming into the overall property operations. In 2014, prior to the opening of the casino, Plainridge Racecourse reported 127 W2s.

Table 7: 2018 Employees

Employees	Standardbred	Thoroughbred
W2	52	116
1099	525	367
Total	577	483
% Share	54%	46%

Source: Horse Racing Division Revised Memo to Mass Gaming Commission

Given all these caveats and complicating factors, W2s—in the absence of data showing total annual compensation paid out—do not provide a valid apples-to-apples comparison of the economic impacts generated by racing-related employment. The result of the occupational license comparison, although imperfect, would be the most valid measurement given the available data. However, given the limitations discussed above regarding active versus issued licenses for the 2018 season, we have no method to quantify racing-related employment for each sector. At minimum, we estimate that the Standardbred segment in terms of employment contributes in excess of two-thirds of the economic impact of the racing industry to the Commonwealth due to the distribution of licenses and employment in addition to length of the racing season by sector.

3) Relative Needs for Increased Purses

Plainridge racetrack competes with 23 other harness tracks in the Northeast region of the country. All regional competitors receive purse supplements from casino operations in their respective states, with the exception of New Jersey and Virginia, which currently prohibits casino gambling.

In 2015, Plainridge had the fifth lowest average purse awarded per race at \$4,436, up only slightly from 2014 when they were the lowest of the region. The total purses awarded at Plainridge in 2015 was \$10 million lower than the regional average despite the fact that Plainridge raced close to the same number of days as the regional average (113).

However, following the adjusted split in RDHF distributions, Plainridge is no longer one of the least competitive tracks. The 2018 season resulted in an average purse per race at \$9,369, more than twice the 2015 average. Plainridge currently ranks 11th among the 24 regional competitors for total purses, although total annual purses awarded remains **\$3.6 million below** the regional average.

Table 8: 2018 Northeast Harness Racetracks Ranked by Purses

Rank	Track	State	Track Size	Cards	Races	Purses	Avg. Purse per Race	Avg. Purse per Card
1	Yonkers Raceway	NY	H	267	2,640	\$59,510,960	\$22,542	\$222,887
2	Mohegan Sun Pocono	PA	F	136	1,859	\$35,298,331	\$18,988	\$259,547
3	Northfield Park	OH	H	219	3,365	\$31,526,032	\$9,369	\$143,954
4	The Meadows	PA	F	192	2,403	\$28,409,982	\$11,823	\$147,969
5	Harrah's Philadelphia	PA	F	145	2,003	\$28,010,584	\$13,984	\$193,176
6	Meadowlands	NJ	M	93	991	\$22,585,208	\$22,790	\$242,852
7	Saratoga Harness	NY	H	171	1,992	\$17,379,300	\$8,725	\$101,633
8	Scioto Downs	OH	F	90	1,104	\$17,077,681	\$15,469	\$189,752
9	Miami Valley Racing	OH	F	87	1,185	\$14,569,013	\$12,295	\$167,460
10	Dover Downs	DE	F	83	1,019	\$14,136,565	\$13,873	\$170,320
11	Plainridge Park	MA	F	116	1,163	\$10,872,177	\$9,348	\$93,726
12	Harrington Raceway	DE	H	65	811	\$8,560,170	\$10,555	\$131,695
13	Monticello Raceway	NY	H	195	1,783	\$8,479,083	\$4,756	\$43,482
14	Hollywood Dayton Raceway	OH	F	76	1,017	\$8,453,406	\$8,312	\$111,229
15	Tioga Downs	NY	F	57	665	\$7,380,205	\$11,098	\$129,477
16	Vernon Downs	NY	S	69	769	\$5,610,830	\$7,296	\$81,316
17	Batavia Downs	NY	H	70	675	\$5,605,842	\$8,305	\$80,083
18	Buffalo Raceway	NY	H	61	673	\$5,190,729	\$7,713	\$85,094
19	Rosecroft Raceway	MD	F	69	746	\$4,885,208	\$6,549	\$70,800
20	Freehold Raceway	NJ	H	92	908	\$4,687,454	\$5,162	\$50,951
21	Ocean Downs	MD	H	50	572	\$4,160,339	\$7,273	\$83,207
22	Scarborough Downs	ME	H	82	736	\$3,608,062	\$4,902	\$44,001
23	Bangor Raceway	ME	H	48	392	\$1,554,714	\$3,966	\$32,390
24	Shenandoah Downs	VA	H	16	154	\$832,065	\$5,403	\$52,004
Northeast Average				106	1,234	\$14,515,998	\$10,437	\$122,042
<i>Track Size F Average</i>				<i>105</i>	<i>1,316</i>	<i>\$16,909,315</i>	<i>\$12,174</i>	<i>\$153,346</i>

Source: US Trotting Association; The Innovation Group

If we compare Plainridge to only those tracks of a similar size (5/8 mile - F), the track ranks 7th of all ten competitors in the Northeast compared to 2015 when they ranked the lowest. The total annual purses awarded at Plainridge increased 10% in 2018, though was only two-thirds of the F-track average for the 2018 season (\$16.9 million).

Table 9: 2018 Restricted Race Purses by State

State	Restricted Purses	% of Total Purses	Total Purses
Ohio	\$17,299,013	24%	\$71,626,132
New York	\$16,688,081	15%	\$109,156,949
Pennsylvania	\$15,737,873	17%	\$91,718,897
Delaware	\$2,861,650	13%	\$22,696,735
Maine	\$2,044,845	40%	\$5,162,776
New Jersey	\$1,990,081	7%	\$27,272,662
Massachusetts	\$1,856,283	17%	\$10,872,177
Maryland	\$1,793,634	20%	\$9,045,547
Virginia	\$297,200	36%	\$832,065
NE Total	\$60,568,660		\$348,383,940

Source: US Trotting Association; The Innovation Group

Although the redistribution has allowed the Standardbred industry to increase the purses awarded for restricted races in 2018, Massachusetts still has the third lowest total allotment for resident owners in the Northeast. Massachusetts currently uses 17% of their total purses for restricted races, only slightly lower than the regional average of 21%. However, if the Standardbreds were able to increase the allotment to 20-25% (\$2 - \$2.7 million), Massachusetts Bred owners would still fair worse than half of their neighbors. This further supports the need for increased purses to the Standardbred industry from the RHDF.

By contrast, as noted previously, the Thoroughbred segment was unable to distribute the supplements it *received* in 2018 under the new RDHF 60/40 split and currently has an unexpended fund balance of \$13.9 million. This is far greater than the \$4.8 million in purses forecasted for the Thoroughbred's 2019 meets.

Table 10: RHDF Totals*

	Casino Revenue & Fees**	Amount Distributed	Balance in Fund
Thoroughbred	\$35,146,567	\$21,266,914	\$13,879,653
Standardbred	\$36,371,346	\$36,354,153	\$17,193
Totals	\$71,517,913	\$57,621,067	\$13,896,847

Source: Mass Gaming Commission *Total account includes payments and distributions through July 2019

**Gaming license fees and gaming revenue sharing payment (9% of Plainridge GGR and 0.6% of MGM and Encore GGR)

4) Live Racing Handle

Live racing handle at Plainridge increased annually after the RHDF was introduced, although 2018 saw a slight decline due to the reduced number of races. In 2018, the Standardbred segment accounted for **49%** of all live racing handle in the Commonwealth. Overall, because of the precipitous drop at Suffolk Downs, total live handle in Massachusetts declined by 66% down to \$2 million in 2015 but rebounded slightly the past three years to \$3.3 million. Live handle is preferred over simulcast export since a larger share is retained by the racetrack and the state.

Table 11: Live Racing Handle

	Standardbred	% Share	Thoroughbred	% Share	Total
2014	\$1,108,715	19%	\$4,789,715	81%	\$5,898,430
2015	\$1,253,511	63%	\$746,497	37%	\$2,000,008
2016	\$1,500,125	56%	\$1,175,183	44%	\$2,675,308
2017	\$1,660,794	50%	\$1,686,335	50%	\$3,347,129
2018	\$1,601,453	49%	\$1,698,268	51%	\$3,299,721
C.A.G.R 2014-18	10%		-40%		-14%

Source: Mass Gaming Commission Annual Report, The Innovation Group

The 10% annual increase in Standardbred live handle shows how the purse supplements have made a positive impact and reversed a long-standing trend of declining live handle that has afflicted horse racing in general and Plainridge in particular. Live handle at Plainridge peaked in 2003 at \$4.3 million before dropping dramatically to just \$1.1 million prior to purse supplements from the slot machine funding. Meanwhile, despite receiving 75% of the RHDF for 2014 and 2015, Suffolk saw a decline in purses awarded as well as live handle generated.

5) Breeding and Training Farms

The Standardbred Owners of Massachusetts (SOM) is recognized by the Commission as the official organization for Massachusetts' standardbred breeding program. The SOM provided the following statistics on horses in the program from the **43** farms registered with the Massachusetts Department of Agriculture Resources (DAR), as shown in Figure 1.

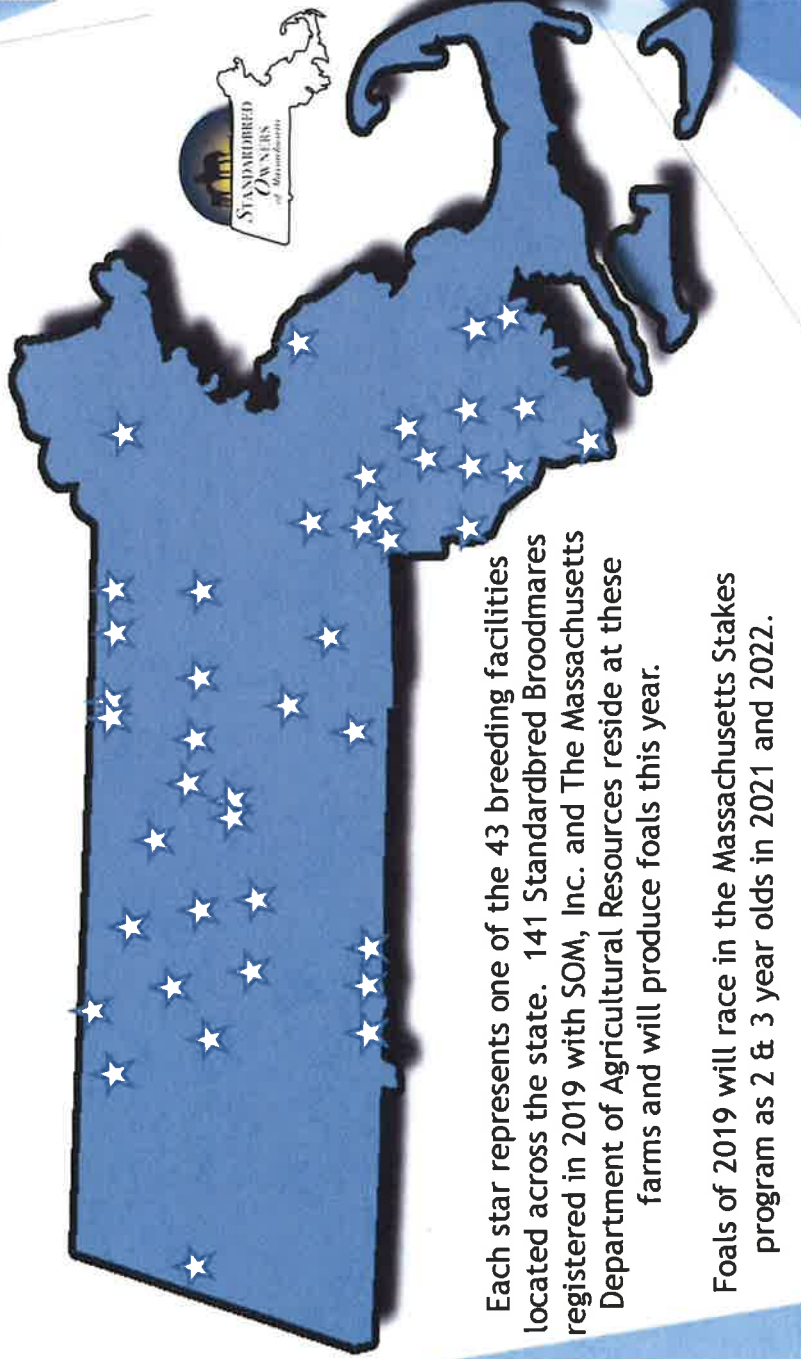
Table 12: Standardbred Breeding Program Statistics

Year	Breeders	Broodmares	Stallions	Yearlings	Two Year Olds	Three Year Olds	Mass Bred Starters (all ages)	Mass Bred Starts	Mass Bred Earnings (all ages)
2014	56	44	2	49	49	23	84	1,076	\$1,428,886
2015	68	56	1	36	47	49	94	1,198	\$2,320,551
2016	72	65	1	48	35	44	97	1,376	\$2,661,912
2017	74	111	0	51	49	35	105	1,650	\$2,867,277
2018	82	116	0	92	51	41	108	1,539	\$3,539,365
2019	84	141	0	96*	-	-	-	-	-

Source: Standardbred Owners of Massachusetts, Inc. *Preliminary

Figure 1: Standardbreds of Massachusetts Registered Breeding Farm Map

Massachusetts Standardbred Breeding Farms



Farm	Town
1. Ash Lane Farm	New Braintree
2. Briar Hill Farm	Rehoboth
3. Gordon Blue Farm	Raynham
4. Courdin Farm	Belchertown
5. Crimson Acres	Orange
6. D&D Performance Horses	Agwam
7. Dickson Farm	Princeton
8. Ryan Farm	Grafton
9. Four Winds Farm	Oxford
10. Greenleaf Farm	Dighton
11. Green Horse	Hampden
12. Greenleaf Farmsteads	Greenfield
13. Karel Ranch	Westport
14. Lathens Farm	Witchendon
15. Britton Stables	West Townsend
16. Legacy Stable	Middleboro
17. Linden Lodge Farm	Taunton
18. Longbarrel Farm	Norfolk
19. Madin Farm	New Braintree
20. Mascovette Farm	East Longmeadow
21. Mike Mulhens Farm	Plainville
22. Ralph Anderson Stable	Wrentham
23. Ray Barnes Farm	Northfield
24. Richards Farm	Leominster
25. Rolling Meadows Farm	Eschater
26. Seabrook Farm	Schubert
27. Sebring Stables	Schubert
28. Sugar Maple Farm	Pittsfield
29. Todd O Des Stable	Pepperell
30. Willowdale Farm	Witchendon
31. It's a Pleasure	Leicester
32. Uphold Farm	Orange
33. Huxac Farm	Wilton
34. Seams Farm	Haverhill
35. LeBlanc Stables	Norton
36. UMass	Gardner
37. Lande End Farm	Hull
38. Drum Run Farm	Assonet
39. Minor Choice	Phillipston
40. Rubarb Stable	Northgate
41. Dale Anderson	Medway
42. Rose Farm	Foxboro
43. Overhill Farm	Shelburne Falls
	Rehoboth

The Hadley Farm, one of the Standardbred's registered breeding farms, is a nationally recognized teaching and research facility at the University of Massachusetts Amherst (UMASS). As part of the Equine Science Concentration under the Veterinary & Animal Sciences Department, this 130-acre farm has the ability to board a limited number of foaling broodmares on site for students to work with. According to the program coordinator, Standardbreds have accounted for approximately 1/3 of all foaling clients. Another component of the program provides artificial insemination services for 60+ mares per year. As confirmed by the program coordinator of UMASS Amhurst, there has been an increase in Standardbred breeding over the past 2 years.

While the DAR is the designated state agency responsible for farm registration, they are unable to provide a list of farms by activity. Therefore, there may be a greater number of farms in Massachusetts that participate in breeding and/or training programs for the standardbred industry. The US Trotting Association is the sole issuer of registration documents for Standardbred horses, which must first be registered with the USTA (by law) before being eligible to race in North America— or to subsequently be used in the Standardbred breeding industry. The USTA has confirmed 242 individual USTA members and 10 stables, farms, and/or corporations in Massachusetts. Again, while this number is not wholly representative of the Standardbred farms in Massachusetts it does provide a minimum number of farms.

Data was not publicly available for the Thoroughbred industry according to the Massachusetts Thoroughbred Breeders Association (MTBA). However, the MTBA allows for members to advertise their farms on the association's website. According to the list, there are **19** Thoroughbred farms that are self-classified as breeding farms.

ANALYSIS OF THE DISCRETIONARY CRITERIA

As noted, under Section 6) the Committee provided a list of other criteria “consistent with the statute, including but not limited to”:

- a. Pool size;
- b. Field size;
- c. Number of live race days and total races;
- d. Number of Mass-bred starters;
- e. Number of Mass-bred starts;
- f. Amount of Mass-bred purses earned;
- g. Number of restricted Mass-bred races;
- h. Number of W2 and 1099 employees;
- i. Capital expenditures to racing facilities;
- j. Gross terminal revenue on live race days vs. non-live race days at the Category 2 Gaming Facilities;
- k. Number and types of occupational licensees;
- l. Number of stallions, mares, and foals residing in Mass;
- m. Number of breeders registered with relevant breed organizations;
- n. Number and average sale price of MA- bred horses sold at public auction;
- o. Such other criteria consistent with the statute.

The following sections assess these criteria where data is available.

a. Pool Size

In pari-mutuel betting, all bets for a particular race are placed together in a pool where payouts are calculated by sharing the pool amongst winning bets. The average pool size is determined by taking the total handle (live and exported) placed on races for the year divided by the number of races. Standardbred races typically have lower pari-mutuel handles than Thoroughbreds, and thus lower pool sizes. For Standardbreds, the upward trend in average pool size is a result of a greater increase in total handle relative to the increase in number of race days over the past five years.

Table 13: Average Pool Size

	Standardbred	Thoroughbred
2014	\$10,442	\$77,637
2015	\$14,688	\$67,744
2016	\$16,493	\$69,095
2017	\$18,607	\$56,354
2018	\$16,756	\$62,619
% Change '14-'18	13%	-5%

Source: Mass Gaming Commission; The Innovation Group

b. Field Size

Field size is calculated as the average number of horses participating in a race. In general, it is widely accepted that field size is positively correlated to wagering pools and racing handle. As the number of horses participating in a race increases, the probability of each horse winning decreases thus creating more wagering options and winning chances for bettors. Field size for the Standardbreds has improved over the past five years as the industry continues to increase purse supplements. The Thoroughbred field size is similar to the national average reported by the Jockey Club at 8.28 for 2018.

Table 14: Field Size

	Standardbred	Thoroughbred
2014	7.0	7.2
2015	7.0	8.1
2016	7.2	7.4
2017	7.4	7.9
2018	7.6	8.7

Source: Mass Gaming Commission Annual Report

c. Live Race Days and Total Races

The Standardbred industry reduced race days to **110** for the 2018 season, extending from April through November. The total number of races for Standardbreds was 1,128 or **92%** of total races in the Commonwealth, compared with the 98 races held by the Thoroughbreds.

Following the approval by the Massachusetts Gaming Commission, the Thoroughbreds contracted again with Suffolk Downs to host 8 live race days (4 2-day festivals) for the 2018 season. Thoroughbreds held 98 races for the 2018 season or 8% of all races in the Commonwealth. In addition, it is worthwhile to note that the Massachusetts Thoroughbred Breeders Association announced plans for restricted races to be held in neighboring New York State at Finger Lakes racetrack. The economic impacts of racing out of state are minimal compared to hosting events in state.

Table 15: Live Race Days and Number of Races

		Standardbred	% Share	Thoroughbred	% Share
2014	Racing Days	80	56%	62	44%
	# of Races	736	57%	560	43%
2015	Racing Days	105	97%	3	3%
	# of Races	949	96%	36	4%
2016	Racing Days	115	95%	6	5%
	# of Races	1,092	95%	63	5%
2017	Racing Days	125	94%	8	6%
	# of Races	1,182	93%	92	7%
2018	Racing Days	110	93%	8	7%
	# of Races	1,128	92%	98	8%

Source: Mass Gaming Commission Annual Report;

d. Mass-bred Starters

The following table displays the number of Massachusetts bred horses that started a race in 2018, not limited to restricted races. The number of starters in the Commonwealth was identical for the two segments back in 2013; however, since then the number of Thoroughbred starters declined as the number of Standardbred starters simultaneously increased. Standardbred starters currently comprise **70%** of all Mass-bred starters in Massachusetts.

Table 16: Massachusetts Bred Starters

	Standardbred	% Share	Thoroughbred	% Share
2013	77	50%	77	50%
2014	84	54%	73	46%
2015	94	58%	67	42%
2016	97	58%	71	42%
2017	105	62%	65	38%
2018	108	70%	46	30%

Source: Jockey Club 2018 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

e. Mass-bred Starts

The average number of starts per Standardbred starter is more than double that of a Thoroughbred starter with every Standardbred starting an average of 14.3 races per year. Despite having only 70% of the starters, the total number of starts for Standardbreds comprised **83%** of all starts in the Commonwealth for 2018.

Table 17: Number of Mass-Bred Starts & Average Start per Starter

	Standardbred	% Share	Thoroughbred	% Share
2014	1,076	69%	485	31%
2015	1,198	75%	405	25%
2016	1,376	75%	459	25%
2017	1,389	76%	427	24%
2018	1,539	83%	326	17%
2014	12.8		6.6	
2015	12.7		6.0	
2016	14.2		6.5	
2017	13.2		6.6	
2018	14.3		7.1	

Source: Jockey Club 2018 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

f. Mass-bred Purses Earned

Of Mass-bred horses, Standardbreds earned \$2.2 million more in purses than Thoroughbreds. Standardbreds earned **73%** of the total earnings for Mass-bred starters for 2018.

Table 18: Purses Earned by Mass-Bred Starters

	Standardbred	% Share	Thoroughbred	% Share
2014	\$1,428,883	65%	\$779,666	35%
2015	\$2,320,551	67%	\$1,153,099	33%
2016	\$2,661,912	60%	\$1,745,343	40%
2017	\$2,867,277	69%	\$1,309,574	31%
2018	\$3,539,365	73%	\$1,296,085	27%

Source: Jockey Club 2018 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

g. Restricted Mass-bred Races

The number of restricted races in the Commonwealth for Standardbreds increased to 36 from the previous year but remained at 9 for Thoroughbreds. The out-of-state restricted races held by Thoroughbreds at Finger Lakes are not included in 2015-2018 totals.

Table 19: Restricted Races by Industry

	Standardbred	Thoroughbred
2014	21	8
2015	32	9
2016	32	9
2017	34	9
2018	36	9

Source: Mass Gaming Commission Annual Report and Memo

h. W2 and 1099 Employees

The number of employees that support horse racing in Massachusetts is broken into two components, full and part-time employees that were issued W2's from racetrack operations and contract employees that were issued 1099 forms from racetrack operations.

Given that Suffolk Downs had officially closed all racetrack operations as of October 2014, the number of W2 employees for 8 days of live racing in 2018 seems high considering the track only had 183 W2 employees in 2014 during a full race season. Plainridge on the other hand experienced a drop in W2 employment from 2014 as racetrack operations merged with the Plainridge casino when the category II facility opened in July 2015. A majority of the 127 employees performing racetrack functions in 2014 such as housekeeping, finance, and food and beverage were absorbed by Penn National Gaming. The 52 W2 employees at Plainridge represent permanent, year-end employment.

Using the numbers presented by the Horse Racing Division, the current distribution of employment in Massachusetts is **54%** for Standardbreds and **46%** for Thoroughbreds.

Table 20: 2018 Employees

Employees	Standardbred	Thoroughbred
W2	52	116
1099	525	367
Total	577	483
<i>% Share</i>	<i>54%</i>	<i>46%</i>

Source: Horse Racing Division Revised Memo to Mass Gaming Commission

i. Capital Expenditures to Racing Facilities

In 2018, Plainridge Park utilized \$315,543 from the Harness Horse Capital Improvement Trust Fund. This fund sets aside a portion of the wagering pool for licensees to enhance horse racing tracks and facilities under the direction and supervision of the state racing commissioners.

The following is a non-exhaustive list of capital improvements to operations at Plainridge in recent years. We do not have any information on Suffolk Down's use of the Running Horse Capital Improvement Trust Fund.

Projects Completed (2016)

- Race Paddock Renovation
- Ship-In Barn
- Infield Video Display
- Track Equipment
- Outdoor Trackside Seating

Projects Completed (2017)

- HD Video Board
- Water Truck

Projects Completed (2018)

- Roofing and Miscellaneous Repairs to Barn & Paddock
- Surveillance
- Stall Matting
- Stall Gates

j. Impact of Live Racing on Gross Terminal (Slot Machine) Revenue

The impact of live racing on gross terminal revenue cannot be estimated due to the lack of available data from gaming facilities on daily slot machine revenue.

k. Occupational Licensees

Many of the employment positions for both horse racing segments require licensure by the Massachusetts Gaming Commission. The license categories differ according to employment by each segment, with fees associated by license type. However, it is important to note that these numbers do not reflect the number of persons employed by each segment.

Although the Massachusetts Gaming Commission allows for multi-year licensing options for up to three years for Standardbreds, they currently have no way to track the annual licenses that are in effect for the season. Based on previous years, it can be estimated that annual licenses account for 2/3 of the total active licenses in a year. That approximation would indicate the Standardbreds total active licenses is closer to **1,700**.

Table 21: Occupational Licenses by Industry*

	Standardbred	Thoroughbred
2014	1,120	1,413
2015	1,081	570
2016	1,649	1,088
2017	1,161	1,025
2018	1,142	1,307

Source: Mass Gaming Commission Annual Report
 *Does not include multi-year licenses paid for in previous years.
 At Plainridge many licensees have taken out multi-year licenses.

l. Resident Stallions, Mares, and Foals

The data presented on the number of resident stallions, mares and foals was only available for horses registered through each industry's breeder association. Thoroughbred statistics from the

Jockey Club's annual Fact Book indicated that 3 registered stallions and 8 mares resided in the Commonwealth for 2018. It is important to note that this data may not be wholly representative of the industry as many breeders may have chosen not to register for the year given the limited racing season. The Massachusetts Department of Agriculture Resources (DAR) noted differing statistics than those compiled in the table below, again based upon the number of registrants. The DAR had 7 registered broodmares and 5 stallions for 2018. They also reported that 15 foals were registered at the DAR for 2017, compared to the 16 reported by The Jockey Club.

In comparison, the Standardbred Owners of Massachusetts (SOM), the official breeding association for the Commonwealth, reported significantly higher breeding statistics for all four years that data was available for Thoroughbreds. The total number of registered standardbred mares was double the number reported by the Jockey Club in 2014 and more than fourteen times the amount in 2018.

The SOM also reports the number of foals in a given year by using the number of registered yearlings from the following year. For example, in 2015 SOM received 36 registrations for yearlings therefore the number of foals in 2014 is 36. Although this number is accurate, the actual number of foals may have been larger as some do not live through their infancy. The total number of foals is not yet available for 2018 given the late registration period, but trends indicate that the Standardbred breeding program is rapidly expanding in the state.

Table 22: Registered Breeding Horses

		Standardbred	Thoroughbred
2014	Stallions	2	8
	Mares	44	23
	Foals	36	26
2015	Stallions	1	2
	Mares	56	5
	Foals	48	10
2016	Stallions	1	5
	Mares	65	20
	Foals	51	9
2017	Stallions	0	3
	Mares	111	23
	Foals	92	16
2018	Stallions	0	3
	Mares	116	8
	Foals	96*	N/A

Source: Jockey Club 2018 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics *Preliminary

Early statistics from SOM confirms this, with 141 broodmares registered in the Mass Bred program for 2019, up 22% from the previous year. If the year-over-year trends are consistent, the Standardbreds could expect upward of 100 registered foals for 2018 and even more in 2019.

Massachusetts Standardbred Breeding Statistics 2014-2018



Source: Standardbred Owners Massachusetts Inc. Breeding Statistics; *Preliminary number for 2018 Foals

m. Registered Breeders

The Standardbreds have registered **82** breeders with the Standardbred Owners of Massachusetts for 2018, 8 more than in 2017. The increasing number indicates that the demand for Massachusetts Standardbred horses is improving. Data was not publicly available for the Thoroughbred industry.

Table 23: Registered Massachusetts Breeders

	Standardbred	Thoroughbred
2014	56	N/A
2015	68	N/A
2016	72	N/A
2017	74	N/A
2018	82	N/A

Source: Standardbred Owners Massachusetts Inc. Breeding Statistics

n. Mass-bred Horses Sold at Auction

As noted previously, the Standardbred breeding industry has been improving over the past few years as demand for Mass-bred horses increases. The Standardbred Owners of Massachusetts (SOM) compiled a list of the eligible yearlings that were sold at major public auctions from 2016-2018. The Mass-bred horses were sold through one of five major auctions, the Standardbred

Yearling Sale in Pennsylvania, Lexington Selected Yearling Sale in Kentucky, Morrisville College Yearling Sale New York, Goshen Yearling Sale New York, and Ohio Selected Jug.

Sale prices for the 18 Mass-bred horses totaled **\$1,127,000**, for an average of \$62,611 per horse over the three-year period. The Perfect Lindy which sold for \$320,000 in 2014, was the sixth most expensive standardbred yearling sold at auction in 2014.² The following table shows statistics for the Mass-bred Standardbred horses sold at public auction.

Table 24: Massachusetts Bred Standardbred Horses Sold (Public Auction)

Year (Age)	Name	Sex	Sire	Dam	Auction Sale	Price
2016	Camo	C	Dejarnbro	Dontevenknowmyname	2016 Ohio Jug	\$22,000
2016	Party Like A Lindy	C	Lucky Chucky	Lindys Gone Crazy	2016 HSBY	\$34,000
2016	Momma Don't Dance	F	Art Major	Mommy Robin Q	2016 HSBY	\$55,000
2016	One Tough Lindy	F	Lucky Chucky	Tough Girl Lindy	2016 MCYS	\$10,000
Average						\$30,250
2016 Total	4					\$121,000
2017	Borderline	F	Crazed	About to Bee	2017 LEX	\$25,000
2017	Heart of Lindy	C	Art Major	Antoinette Hanover	2017 HSBY	\$65,000
2017	Lindy Bojangles	C	Trixtion	Benedicta Jet	2017 LEX	\$65,000
2017	Ev's Girl	F	Crazed	Lindy's Lullaby	2017 HSBY	\$29,000
2017	Fantasy Maker	C	American Ideal	My Fantasy	2020 HSBY	\$25,000
Average						\$41,800
2017 Total	5					\$209,000
2018	R Maddy Blue Chip	C	American Ideal	Frontierpan	2018 HSBY	\$62,000
2018	Lindyspeak	C	Artspeak	Lindy's Bandita	2018 HSBY	\$50,000
2018	Odds On Orlando	F	Captaintreacherous	Lindy's Old Lady	2018 LEX	\$100,000
2018	Locked Up Lindy	C	Trixtion	Love Lockdown	2018 LEX	\$60,000
2018	Ready For Moni	C	Ready Cash	Nothing But Moni	2018 LEX	\$220,000
2018	Crazy For Sofia	F	Crazed	Snowblind Lindy	2018 MCYS	\$31,000
2018	Rojas Blue Chip	F	American Ideal	Southwind Swallow	2018 GOSHEN	\$13,000
2018	Crazy For Luca	C	Crazed	Teachmehowto Lindy	2018 MCYS	\$16,000
2018	Wyatt J	C	American Ideal	ThinkPink	2018 LEX	\$245,000
Average						\$88,556
2018 Total	9					\$797,000
3 Year Average						\$62,611
3 Year Total	18					\$1,127,000

Source: Standardbred Owners of Massachusetts

No records were found of Mass-bred Thoroughbred horses that were sold at auction over the past five years through leading Thoroughbred auction houses, Fasig-Tipton and Keeneland Inc.

² United States Trotting Association. "The Trotting and Pacing Guide" 2014, pg 212.
http://www.ustrotting.com/tracksideside/tpg/pdf/2015/TP2015_203-216_BreedingSales.pdf

o. Other criteria

The Harness Horseman's Association of New England (HHANE) is officially recognized by the MGC as the representative organization of participants in Massachusetts' harness racing industry. As such, HHANE receives 4% of the RHDF's allocations to benefit the health and welfare of owners, trainers, and drivers in this industry segment.

In 2016, board members formed a special committee tasked with developing a plan to utilize monies from the RHDF to fund a Retirement Savings Program (RSP). The RSP plan submitted by HHANE representatives was approved by the MGC in May 2018. Members were able to earn credits for their accounts starting with the 2018 season. Since the development of the RHDF, over \$800,000 of \$1.4 million in funds have been used to provide for the RSP.

The Retirement Savings Program, and its members, rely entirely upon the distribution of monies from RHDF, many of whom have no other retirement savings plan in place.

CONCLUSION

The Standardbred industry has shown an increase in most performance indicators for 2018 and continues to contribute the **large majority** of economic impacts to the Commonwealth.

The redistribution of RHDF funds in favor of Standardbreds in 2016 and 2017 has had a positive effect on the racing industry in Massachusetts. It has allowed the Standardbreds to more than double the amount of purses awarded. This increase made the industry slightly more competitive in the Northeast region which led to an increase in field size, pool size and wagering (live and total handle). The increased purse sizes have also led to an expanded breeding program in the Commonwealth, more than doubling the number of registered broodmares in 2019 and their potential foals.

Although the redistribution has allowed the Standardbred industry to double the purses awarded for races the past three years, there are not enough funds remaining in the account to accommodate the approved race dates, let alone increase the average purse per race as shown in the table below.

Table 25: 2019 Estimated Purse Distribution and Relative Needs

	Total	Standardbred	Thoroughbred
2019 Estimated GGR Payments to RHDF*	\$18,343,062		
2019 Estimated Number of Races		1,107	98
2018 Average Purse Per Race		\$9,692	\$48,304
Total Purses Needed		\$10,728,880	\$4,733,800
2019 RHDF Purse Funds Available**		\$10,565,604	\$7,043,736
<i>Balance</i>		<i>(\$163,276)</i>	<i>\$2,309,936</i>

Source: Mass Gaming Commission; The Innovation Group; *Based on Annualized GGR through July 2019; **Utilizing 96% of 60/40 split

Furthermore, the Thoroughbreds have a total of \$13.9 million unexpended funds in their RHDF account. While the Thoroughbred industry has expressed a desire to utilize those funds to build new equestrian center or renovate a defunct track, the current laws do not regulate the use of this fund for this purpose.

Table 26: RHDF Totals*

	Casino Revenue & Fees**	Amount Distributed	Balance in Fund
Thoroughbred	\$35,146,567	\$21,266,914	\$13,879,653
Standardbred	\$36,371,346	\$36,354,153	\$17,193
Totals	\$71,517,913	\$57,621,067	\$13,896,847

Source: Mass Gaming Commission *Total account includes payments and distributions through June 2019

**Gaming license fees and gaming revenue sharing payment (9% of Plainridge GGR and 0.6% of MGM and Encore GGR)

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

**MEMORANDUM OF THE NEW ENGLAND HORSEMEN'S
BENEVOLENT AND PROTECTIVE ASSOCIATION, INC. AND
MASSACHUSETTS THOROUGHBRED BREEDERS ASSOCIATION
REGARDING RACE-HORSE DEVELOPMENT FUND ALLOCATION**

I. INTRODUCTION

The New England Horsemen's Benevolent and Protective Association, Inc. ("NEHBPA") and the Massachusetts Thoroughbred Breeders Association ("MTBA") submit this memorandum to the Horse Racing Committee (the "Committee") regarding the split of the Race-Horse Development Fund ("RHDF" or the "Fund") between thoroughbred and standardbred racing. Between 2015 and 2018, the allocation of race days and purses in Massachusetts shifted dramatically away from thoroughbred to standardbred racing. As demonstrated in the attached "Update on the Massachusetts Horse Racing Industry 2012-2018" prepared by Dr. Margaret A. Ray ("The Ray Report" attached as Exhibit A), that experiment has failed. The reallocation of RHDF funding has had dire consequences for the Massachusetts thoroughbred industry, with a sharp decline in annual live handle and a steady decrease in breeding program numbers. Meanwhile, inflated standardbred purses have generated only infinitesimal growth in standardbred live handle and failed to attract competitive field sizes in standardbred races.

To that end, the five statutory factors that this Committee must consider in splitting the RHDF favor allocating a greater percentage to the thoroughbred industry. "Market signals indicate a much greater likelihood that purse money allocated to Thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and create a competitive and sustainable racing industry." *See Ray Report, p. 11.*

Accordingly, the NEHBPA and MTBA respectfully requests that this Committee distribute a greater percentage of the Fund to the thoroughbred segment. Further, the NEHBPA and MTBA strongly recommend that any change to the RHDF split should not apply retroactively.

II. ANALYSIS

A. The Factors Set Forth in MGL c. 23K § 60(b) Support Allocating Greater Funds to Thoroughbred Industry.

MGL c. 23K § 60(b) requires this Committee to consider the following non-exhaustive list of factors when determining the fund allocation between thoroughbred and standardbred racing:

(i) the average purses awarded at thoroughbred and standardbred racing facilities; (ii) the total employment numbers, both direct and indirect, attributable to each horse racing industry; (iii) the relative needs of each horse racing industry for increased purses; (iv) the amount of the live racing handle generated by each horse racing industry; and (v) the number of breeding and training farms of each industry that are located in the commonwealth.

See MGL c. 23K § 60(b). As set forth in the Ray Report and summarized below, those five factors should guide the committee to distribute a greater share of the Fund to the thoroughbred industry.¹

¹ The Committee should not focus on the number of race days for either segment as the sole or primary factor in allocating funds. The legislature did not include the number of race days as one of the enumerated factors that the Committee is required to consider in allocating the RHDF. M.G.L. c. 23K, § 60. Rendering a decision based on this factor favors the standardbred industry and ignores key aspects and needs unique to the thoroughbred industry and thus does not serve the public interest expressed in the statute – the support of **both** industries. Furthermore, the industry has not set a firm race schedule for the 2020 season, and any adjustment of the split on future days would be purely speculative at this point in time. Finally, to the extent the Committee considers race days from 2018 and 2019, the 2017 Committee’s decision to adjust the split to 60% standardbred and 40% thoroughbred was made when the standardbreds were racing more days (125 days in 2017) than they currently are racing (108 days in 2019).

1) Higher Average Purses at Standardbred Racing Facilities Have Not Resulted in a Proportionate Increase in Live Handle.

As set forth in the Ray Report, the standardbred/thoroughbred purse distribution changed from 21%/79% in 2013 to 70%/30% in 2018. The average daily purses for standardbred racing increased 335% during this period as a result of more robust RHDF funding. Ray Report, p 4. The average daily purses for thoroughbred racing also increased during this period due only to a steep decline in race days. Ray Report, p. 4. As set forth more fully below, *the significant increase in standardbred purses between 2012 and 2018 corresponded with only a minimal increase in live handle during the same period. Infra* at § II(B)(3). Live handle measures the demand for the wagering product. Despite throwing millions of dollars at Standardbred purses over the past few years, there has been no increase in demand in Massachusetts for standardbred racing. As a result, the Commonwealth is seeing no return for its investment in standardbred racing. There is no additional wagering handle that is being taxed (for the Commonwealth's benefit), being returned to the current licensee as track revenue or being returned to the horsemen as purse supplements. Moreover, the increased standardbred purse sizes have failed to attract additional horses into these races. Ray Report, p. 9. In 2017, the average standardbred field size in Massachusetts was more than one horse below the average at other standardbred racetracks. Ray Report, p. 9. Because these subsidized purse funds are not attracting larger fields, there has been no increase in demand for veterinarian services, agricultural services or a growth in the standardbred economy in Massachusetts. In short, inflated standardbred purses have not led to a proportionate increase in public interest, wagering, or field size.

2) ***Despite Limited Race Days and Decreased Purses, Thoroughbred Industry Produced More W-2s and Occupational Licenses in 2018.***

The Ray Report demonstrates that thoroughbred racing generates more employment in the Commonwealth than standardbred racing. Despite limited race days and the steep increase in standardbred total purses over the same time frame, the thoroughbred industry in Massachusetts generated more occupational licenses and W2 employees for Massachusetts in 2018 than the standardbred industry. Ray Report, p. 8. Between 2017 and 2018, thoroughbred occupational licenses increased while standardbred occupational licenses decreased. Ray Report, pp. 7-8. In sum, the employment numbers do not support the continued experiment of shifting funding away from the thoroughbred industry.

3) ***Thoroughbred Racing Still Generates 76% of Handle in the Commonwealth.***

“Wagering serves as the ultimate market signal as to the demand for racing,” and live handle data demonstrates a continuing market preference for Thoroughbred racing. Ray Report, p. 9. Thoroughbred racing brings in a disproportionately high percentage of live handle in the Commonwealth. “Despite the dramatic shift in the allocation of both purses and race days from Thoroughbreds to Standardbreds over the period 2012 - 2018, Thoroughbred racing still produces roughly 76% of handle in the Commonwealth while receiving only 30% of total purse money.” Ray Report, p. 5.

The reallocation of purse money from thoroughbred to standardbred racing has failed to generate more public interest in or live handle from the standardbred segment of the industry. Massachusetts saw a 57% decrease in total handle between 2012 and 2017. *Id.* The following year (2017-2018), after this Committee last voted to allocate more

funding to the standardbred industry, the overall live handle in the Commonwealth fell another 1.4% (despite a slight increase in thoroughbred handle). *Id.*

The live handle data demonstrates both that the public strongly prefers thoroughbred racing and that RHDF funds have a greater positive economic impact when directed to the thoroughbred segment. “[D]ata for purses and handle show that between 2012 and 2017 for every 1% decrease in purses, Thoroughbred live handle decreased by 1.39% while for every 1% increase in Standardbred purses, live handle increased minimally by only .075%.” *Id.*

4) *Thoroughbred Racing Has a Relatively High Need for RHDF Funds.*

With the closure of Suffolk Downs, the thoroughbred industry in Massachusetts has an increased need for RHDF funding. The statutory purpose of the RHDF is “to support the thoroughbred and standardbred horse racing industries” in the Commonwealth. *See* M.G.L. c. 23K § 60(b). To that end, 16% of any RHDF award to the thoroughbred segment goes toward the Thoroughbred Breeding Program, including breeders’ awards. *See* M.G.L. c. 23K § 60(c)(ii). Without an operational thoroughbred track, Massachusetts breeders must travel out of state to race their horses in New York or rely on breeders’ awards paid by the MTBA with RHDF funding as a source of income. Those breeders are eligible for, and increasingly dependent upon, breeders’ awards funded by the RHDF.

Additionally, 4% of any RHDF grants fund “health and pension benefits for the members of the horsemen’s organizations representing the owners and trainers...for the benefit of the organization’s members, their families, employees and others...” *See* M.G.L. c. 23K § 60(c)(iii). Until a Thoroughbred racetrack is up and running in the

Commonwealth, RHDF funds become a critical source (and for many the only) for health and welfare benefits as these horsemen have no method of earning a living if they remain in the Commonwealth.

To decrease RHDF funding for either the Massachusetts Thoroughbred Breeding Program or the health and medical benefits for NEHBPA members at this critical juncture would cripple the thoroughbred industry. This Committee should further its objective of preserving the racing industry by providing adequate RHDF funding for the thoroughbred program.

5) *Number of Breeding and Trading Farms Located in Massachusetts*

The data on breeding/trading farms in the Commonwealth highlights the negative effects of decreasing the thoroughbred share of the RHDF. *See Ray Report*, pp. 6, 9. In 2012, there were 40 thoroughbred foals born and registered in Massachusetts; by 2015, that number had fallen to 10. *See Ray Report*, p. 6. The Committee should be motivated to reverse the pattern of decline in thoroughbred breeding, since “Thoroughbred breeding has a larger impact on employment than Standardbred breeding” in the Commonwealth. *Id.* at 9.

In conclusion, the five factors set forth in M.G.L. 23K §60 all demonstrate the wisdom of and need for increased RHDF allocations to thoroughbred racing.

B. *A Decision to Continue the Split RHDF in Favor of Standardbred Would Continue to Have Significant Negative Impact on the Thoroughbred Racing Industry in Massachusetts.*

To continue allocating a majority of the RHDF to standardbred racing or to increase the Standardbred Allocation would have profound negative impact on the thoroughbred industry (and larger racing industry) in Massachusetts. Following the

closure of Suffolk Downs, thoroughbred breeders and horsemen are working to attract outside investment and establish new racing opportunities in the Commonwealth. The NEHBPA needs the support of the MGC and the Committee to revitalize thoroughbred racing in Massachusetts. Any redistribution of the RHDF away from thoroughbred racing—particularly a retroactive policy—would merely dissuade much needed investment.

Furthermore, with limited thoroughbred racing opportunities available in-state, the NEHBPA and MTBA currently rely heavily on both the 16% of any RHDF award allocated to the Thoroughbred Breeding Program, and the 4% allocated to health and pension benefits. *See* M.G.L. c. 23K § 60(c)(ii)-(iii).

The Massachusetts legislature drafted M.G.L. c. 23K § 60, created the RHDF, and commissioned this Committee with the stated intent of supporting the horse racing industry. With that goal in mind, the Committee should provide support and cover to the thoroughbred segment while it builds a strategy to move forward following the closure of Suffolk Downs. In this regard, the previous decision to make the change in the split retroactive was an unauthorized and unwise decision that should not be repeated here.

The Commission and the Committee are the stewards of the thoroughbred racing industry in Massachusetts. In creating the RHDF, the Legislature has entrusted the Committee and the Commission with a great responsibility to ensure that the thoroughbred industry thrives in the Commonwealth. They are fiduciaries. To make any split adjustment retroactively is a breach of that responsibility and only fosters distrust between the Committee and the horsemen/breeders. Retroactive laws are grossly unfair and violate the basic sense of fairness that the rules should not change after the game has

been played. Retroactivity creates great uncertainty. The horsemen cannot properly plan and/or budget because the horsemen will not know when the Committee will adjust the split, what the split will be, whether the split will be retroactive and when those payments will reduce monthly outlays from the RHDF.

This is a time when stability should be paramount as various investors consider continued racing options. A process that retroactively adjusts a split does not enhance that process. Even if it were lawful, which it is not. See Exhibit B.

CONCLUSION

In sum, the experiment of shifting purse money from thoroughbred to standardbred racing in Massachusetts has failed. As set forth in the Ray Report, the thoroughbred segment of the racing industry is much more responsive to changes in purses than the standardbred segment, and “changes in the Thoroughbred segment of the industry have larger economic impact on the region.” Ray Report, p. 9. To that end, the infusion of RHDF funding into standardbred racing (at the expense of thoroughbred racing) has triggered only a minimal rise in standardbred handle and a steep decline in thoroughbred handle. Ray Report, p. 5. Seven years into this experiment, larger standardbred purses have not produced a significant increase in demand and/or wagering from that industry.

Furthermore, the Committee ignores national trends by continuing to provide the standardbred segment a greater share of RHDF funding. Between 2012 and 2017 the economic health of the U.S. Thoroughbred racing industry improved. Ray Report, p. 8. Meanwhile, the U.S. Standardbred racing industry has seen decreased wagering between 2016 and 2017 despite increases in total purses. *Id.* Reallocation of RHDF funding from

thoroughbreds to standardbreds runs counter to the economic indicators for the two segments of the racing industry. As Dr. Ray concludes:

The Thoroughbred segment of the industry is much better positioned to become competitive as a result of purse supplements. Handle is the best market signal of the ability of the activity to continue in the absence of subsidies and the Thoroughbred segment of the industry shows greater strength in these areas both in the Commonwealth and nationally.

Ray Report at 10.

Finally, as noted by Commissioner Cameron in a recent Commission meeting:

There are groups that are possibly working toward building tracks here in the Commonwealth. So that would certainly be ideal, and, yes, something to take into consideration with the work of the committee. I think that the work of the committee is not – it's not critical that we haven't met because there really is no change, meaning race days at Plainridge, race days for thoroughbreds...

As Commissioner Cameron noted, nothing has changed with respect to race days that would justify a further reduction in the thoroughbred allocation – indeed it might deter investment in the construction of a thoroughbred track. Rather, as set forth in Dr. Ray's 2019 report and recommendation, the thoroughbred allocation should increase.

Dated: September 4, 2019

Respectfully Submitted,



Joseph F. Savage, Jr., Esq.
NEHBPA and MTBA Representative to the Horse Racing Committee

Exhibit A

Update on the Massachusetts Horse Racing Industry 2012 - 2018

Report prepared for the NEHPBA

Prepared by

Dr. Margaret A. Ray

**Professor of Economics
University of Mary Washington**

August, 2019

This report presents an analysis of Standardbred and Thoroughbred racing data for the Commonwealth of Massachusetts and the United States between 2012 and 2018. The analysis focuses on the economic health of both segments of the racing industry (Standardbred and Thoroughbred) in Massachusetts with emphasis on how changes in the allocation of purses and the number of race days have affected industry performance and sustainability between 2012 and 2018.

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Executive Summary

- The racing industry in Massachusetts consists of two segments; Thoroughbred and Standardbred. While breeding, racing, and training horses for these two segments have much in common, there are also important differences in the structure of the segments and their impact on the Massachusetts economy.
- Purse supplements are allocated to the racing industry based on 5 criteria identified by M.G.L. c. 23K, section 60. The criteria address 3 general goals; economic impact, sustainability of the industry, and quality of life in the community.
- Since the 2014 Report to the Horse Racing Committee have been significant changes in the allocation of purses and race days in Massachusetts.
- Between 2013 and 2018 there was a shift in the allocation of purses and race days from Thoroughbred to Standardbred racing. Over this period, there was a 335% increase in Standardbred purses and a 49% decline in Thoroughbred purses and the number of race days increased for Standardbreds while it decreased significantly for Thoroughbreds.
- As a result of the reallocation of purses and race days, there was a significant decline in total handle bet on live races between 2012 and 2018. Total live handle in the Commonwealth fell by 57% between 2012 and 2017 (from \$7,836,862 to \$3,347,129) and fell another 1.4% between 2017 and 2018, despite an increase in Thoroughbred live handle.
- The Live and On Track Handle and Total Handle from racing in Massachusetts remain disproportionally from Thoroughbred racing in 2018. Despite the dramatic shift in the allocation of both purses and race days from Thoroughbreds to Standardbreds over the period 2012 - 2018, Thoroughbred racing still produces roughly 76% of handle in the Commonwealth while receiving only 30% of total purse money.
- Thoroughbred field size increased by between 2012 and 2018 (to higher than the national average) and continued to increase in 2018 despite no change in the number of race days. Standardbred field size showed a smaller increase over the time period. Thoroughbred field size remains significantly higher than Standardbred field size in Massachusetts in 2018.
- Data for employment and breeding in the racing industry illustrates that the Thoroughbred industry is much more responsive to changes in the allocation of purses and race days.
- Over the period 2013 – 2018 the allocation of purses and race days in the Commonwealth of Massachusetts has changed counter to the evidence of the health of the two segments of the racing industry nationwide.

II. Introduction

This report presents an analysis of Standardbred and Thoroughbred racing data for the Commonwealth of Massachusetts and the United States between 2012 and 2018. The analysis focuses on the economic health of both segments of the racing industry (Standardbred and Thoroughbred) in Massachusetts with emphasis on how changes in the allocation of purses and the number of race days have affected industry performance and sustainability between 2012 and 2018.

This report updates the analysis presented in the author's 2014 report to the Horse Racing Committee of the Massachusetts Gaming Commission. The analysis and conclusions presented here are based on available data for the period and years of experience as an economist and equine industry expert.

III. Data

Several sources of data for the U.S. and Massachusetts horse racing industries were used for this analysis. The data for years prior to 2014 is from the 2014 report provided to the Horse Racing Committee. The most recent data (2015 – 2018) is from the Annual Reports of the Massachusetts Gaming Commission Division of Racing, the American Horse Council, the United States Trotting Association, and the Jockey Club. It should be noted that data and information provided for the Thoroughbred segment of the industry are generally more comprehensive and reliable than for the Standardbred segment. Data is presented below for the 5 categories of data used in the 2014 report;

- (i) Purse data
- (ii) Handle data
- (iii) Breeding and farm data
- (iv) Comparison data
- (v) Employment data

(i) Massachusetts Purses and Race Days

<u>Total Annual Purse</u>	<u>2013</u>	<u>2017</u>	<u>2018</u>
Standardbred	2,513,101 (21%)	9,912,523 (72%)	10,932,409 (70%)
Thoroughbred	9,362,966 (79%)	3,844,306 (28%)	4,733,800 (30%)

Race Days

Standardbred	92	125	110
Thoroughbred	80	8	8

<u>Average Daily Purses</u>	<u>2012</u>	<u>2017</u>	<u>2018</u>
Standardbred	30,000	79,300	83,233
Thoroughbred	114,000	480,538	591,725

The Standardbred/Thoroughbred purse distribution has changed from 21%/79% in 2013 to 70%/30% in 2018. This represents a 335% increase in Standardbred purses and a 49% decline in Thoroughbred purses over the period. Average daily purses increased for Standardbreds between 2012 and 2018 as a result of the 335% increase in total purses. Average daily purses also increased for Thoroughbreds between 2012 and 2018 due to the steep decline in race days (which more than offset the 49% decline in purses). Between 2017 and 2018 Standardbred purses were increased and race days were decreased, causing average daily purses to increase 5%. Thoroughbred purses were increased by and race days stayed the same, causing a 23% increase in average daily purses.

(ii) Massachusetts Handle, Revenue and Field Size

<u>Live Racing Handle</u>	<u>2012</u>	<u>2017</u>	<u>2018</u>
Standardbred:	1,358,788	1,660,794	1,601,453
Thoroughbred:	6,478,074	1,686,335	1,698,268
TOTAL	7,836,862	3,347,129	3,299,721 (1.4 % decrease 2017-18)

<u>Simulcast Racing Handle</u>	<u>2017</u>	<u>2018</u>
Plainridge Park Casino	54,071,128	51,726,862 (-4.4%)
Sterling Suffolk Downs	155,618,333	164,176,239 (+5.5%)

Total Handle (2018)

Plainridge Park Casino	53,328,315 (24%)
Sterling Suffolk Downs	165,874,507 (76%)

<u>Average Field Size</u>	<u>2012</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Standardbred:	7.07	7.22	7.39	7.57
Thoroughbred:	7.24	7.40	7.90	8.70

The significant decrease in the number of Thoroughbred race days between 2012 and 2018 (a 90% decrease from 80 to 8) is associated with a decrease in live handle from Thoroughbred racing of \$4.8 million (74%) over the period. The 335% increase in Standardbred total purses between 2012 and 2018 is associated with only an 18% increase in live handle. And between 2017 and 2018 the gap in the increase in purses between Thoroughbreds and Standardbreds widened but the increase in handle narrowed relative to the 2012-2017 change. Total live handle in the Commonwealth fell by 57% between 2012 and 2017 (from \$7,836,862 to \$3,347,129) and fell another 1.4% between 2017 and 2018 despite an increase in Thoroughbred live handle.

These data for purses and handle show that between 2012 and 2017 for every 1% decrease in purses, Thoroughbred live handle decreased by 1.39% while for every 1% increase in Standardbred purses, live handle increased minimally by only .075%.

The Live and On Track Handle and Total Handle from racing in Massachusetts remain disproportionally from Thoroughbred racing in 2018. Despite the dramatic shift in the allocation of both purses and race days from Thoroughbreds to Standardbreds over the period 2012 - 2018, Thoroughbred racing still produces roughly 76% of handle in the Commonwealth while receiving only 30% of total purse money.

Thoroughbred field size increased by 9% between 2012 and 2017 (to higher than the national average) while Standardbred field size only increased 4.5% over the same period despite the increased purses. Between 2017 and 2018, Thoroughbred field size increased an additional 10% to 8.7 and Standardbred field size increased by 2.4% to 7.57. The gap between Thoroughbred and Standardbred field size further increased between 2017 and 2018.

(iii) Massachusetts Breeding/Population Data

Number of Farms in Massachusetts (2013)

Standardbred	62
Thoroughbred	13

Massachusetts Racehorse Breeding Stock

Thoroughbred

Foals born and registered in MA	40 (2012)	10 (2015)
Mares bred to MA stallions	46 (2013)	19 (2016)
Active Stallions	19 (2013)	4 (2016)

Standardbred

Yearlings	49(2013)
Resident Broodmares	59(2012)
Active Stallions	0

Data for breeding stock and foal crop for Thoroughbreds in 2016 show the impact of the change in purses and races between 2012 and 2016 (please refer also to the graph in the Analysis section).

(iv) National Comparison Data

	<u>2016</u>	<u>2017</u>	<u>Change</u>
<u>U.S. Total Purse</u>			
Standardbred:	423,067,634 (28%)	432,995,289 (29%)	+2.35%
Thoroughbred:	1,083,695,684(72%)	1,079,739,805(71%)	-0.37%
<u>U.S. Total Wagered</u>			
Standardbred	1,446,768,707	1,383,189,222	-4.39%
Thoroughbred	10,732,724,106	10,903,635,795	+1.59%
<u>U.S. Wagering per Race</u>			
Standardbred	37,323	37,327	0
Thoroughbred	280,344	289,775	+3.36%
<u>U.S. Wagering per Race Day</u>			
Standardbred	393,679	383,155	-2.67%
Thoroughbred	2,298,720	2,384,351	+3.73%
<u>U.S. Race Days</u>			
Standardbred	3,675	3,610	-1.77%
Thoroughbred	4,669	4,573	-1.97%
<u>U.S. Average Field Size</u>			
	<u>2016</u>	<u>2017</u>	
Standardbred:			
Thoroughbred:	7.8	7.73	

The division of purses between Standardbreds and Thoroughbreds in the United States is the inverse of the division of purses in Massachusetts (29%/71% versus 70%/30%). Total U.S. Standardbred purses increased in 2017 while Thoroughbred total purses decreased slightly.

For the U.S., wagering on Thoroughbreds (both total and per day) increased between 2016 and 2017 for Thoroughbreds while it declined for Standardbreds. It is important to note that Standardbred wagering decreased while Standardbred purses increased. On the other hand, Thoroughbred wagering increased even while purses decreased slightly. U.S. wagering on Standardbreds per race day was virtually unchanged while wagering per day declined. Thoroughbred wagering in the U.S. per race and per race day increased. National purse and handle data indicate differences in the economic health of the two racing sectors. Thoroughbred racing has shown increases in wagering over the past three years while Standardbred wagering has declined.

The number of race days declined for all racing over the time period. Thoroughbred average field size in the U.S. decreased slightly between 2016 and 2017 while it increased in Massachusetts. The Standardbred field size increased slightly in Massachusetts. However, data on the Standardbred breeding industry indicate continued concern with the availability of quality horses. Daqin Zoccali notes, "In the year 2020 there will be 7,000 fewer Standardbreds on the racetrack in North America than there were in 2015. Furthermore, the meat and potatoes of the horses that will make up the overnight horse population (between ages four and nine) in 2020 will be numbered at just 6,500 on this entire continent, compared to 10,582 in 2015. In 2002, there were over 20,000 of those horses competing. Thus, 60-percent of the decrease in horse population will be those horses that are filling up overnight cards on a daily basis. That is a major problem for the industry."

(v) Massachusetts Racing Industry Employment

	2013		2018	
	<u>W2</u>	<u>1099</u>	<u>W2</u>	<u>1099</u>
Plainridge	97	148	52	525
Suffolk	170	268	116	367
<u>Occupational licenses</u>	<u>2013</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Standardbred	983	1632	1162	1142
Thoroughbred	2135	1084	1025	1307

The increase in total purses is shown in the increase in 1099s for both Suffolk and Plainridge between 2013 and 2018. The 2017 employment data show a decline in both Standardbred and Thoroughbred occupational licenses and Suffolk and Plainridge W2s, consistent with the changes in race days over the period. The 2018 data show an increase in Thoroughbred occupational licenses from 2017 and a continued decline in Standardbred occupational licenses.

Despite the significant decrease in the number of Thoroughbred race days between 2012 and 2018 (a 90% decrease from 80 to 8) and the 335% increase in Standardbred total purses over the same time frame, the thoroughbred industry in Massachusetts generated more occupational licenses and W2 employees for Massachusetts in 2018 than the standardbred industry.

III. Analysis

Over the past several decades, horse racing in the United States has become increasingly dependent on the infusion of purse and incentive money funded by casino revenues. Between 1990 and 2003, slot revenues supported a boom in Thoroughbred racing handle. But Thoroughbred handle declined every year between 2003 and 2012. In 2010, the President and CEO of NTRA observed, "We need to get beyond this tough economic time and look carefully at all the things we can do to build our business, to rebuild handle now in horse racing." It had become clear that reliance on slot revenues had caused the industry to ignore market signals and led to inefficiency. Thoroughbred racing has begun to address this issue.

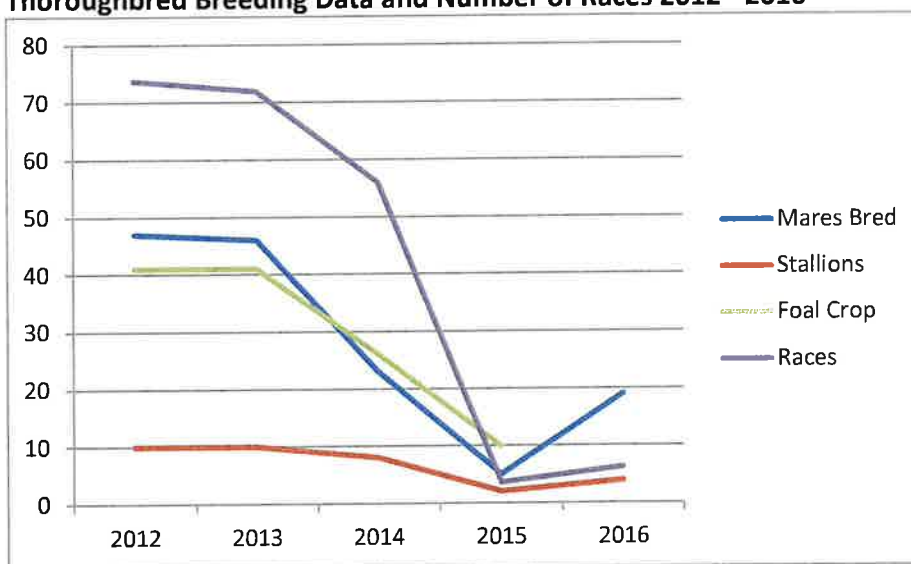
In describing Harness racing, Bob Marks notes, "Many of those who've grown up in the sport over the last quarter century are accustomed to empty grandstands and subsidization, and may even feel a sense of entitlement to that slot revenue." But increased reliance on subsidization is a risky strategy going forward. The "decoupling" of pari-mutuel racing and casinos appears to be an increasingly popular policy. While the Thoroughbred racing industry has shown an awareness of the need to respond to market forces, Harness racing seems father behind in this realization. In February 2018, Bob Marks observes, "...we go on as if it will never end" and "We can certainly examine the product to try and ascertain what works and what doesn't", but he questions whether there is a solution to the problems in harness racing. The data show that harness racing in the U.S. faces a very uncertain future.

Between 2012 and 2017 the economic health of the U.S. Thoroughbred racing industry improved. Declines in purses and wagering from 2012 - 2014 changed to steady purses and increases in wagering over the past 3 years. Meanwhile, the U.S. Standardbred racing industry has seen decreased wagering between 2016 and 2017 despite increases in total purses.

Since 2012, the allocation of purses and race days in Massachusetts has shifted from Thoroughbred racing to Standardbred racing. While overall purses increased by 15.84% between 2012 and 2018 (from \$11,876,067 to \$15,666,209), Standardbred purses increased by 335% while Thoroughbred purses decreased by 49%. The number of Standardbred race days increased over the period while the number of Thoroughbred race days decreased dramatically to only 8 days in 2018. This reallocation runs counter to the economic indicators for the two segments of the racing industry nation-wide and is nonsensical. Massachusetts is increasing its allocation of purses to Standardbred racing which is showing declines in wagering and wagering per race in the U.S. and the Commonwealth while decreasing its support for Thoroughbred racing.

Wagering serves as the ultimate market signal as to the demand for racing. However, in addition to providing entertainment, racing has an economic impact on the region. The data above show that the Thoroughbred racing industry in Massachusetts is much more responsive to changes in purses and race days than the Standardbred segment of the industry and that changes in the Thoroughbred segment of the industry have a larger economic impact on the region. The graph below shows the correlation between the races held each year and the Thoroughbred breeding industry. Since Thoroughbred breeding has a larger impact on employment than Standardbred breeding, changes in the number of Thoroughbred races has a magnified economic impact on the Commonwealth.

Thoroughbred Breeding Data and Number of Races 2012 - 2016



Average field size has increased significantly for Thoroughbreds between 2012 and 2018 as a result of the reduction in the number of races. The increase in Thoroughbred field size makes Massachusetts Thoroughbred field size greater than the national Thoroughbred average field size. Field size for Massachusetts Standardbreds also increased, but by a smaller amount. The average in Massachusetts is more than a horse below the 2017 average at other Standardbred racetracks (e.g. Hawthorn at 8.49 and Woodbine at 8.80). So while the Thoroughbred segment of the industry has more horses per race and breeding is responsive to changes in purses, the response of Standardbred field size to increased purses is weaker and reflects the trend of declining breeding in the national industry.

IV. Conclusions

Purse supplements are allocated to the racing industry based on 5 criteria identified by M.G.L. c.194 of the Acts of 2011, section 60. These criteria address 3 general goals of economic impact, industry sustainability, and quality of life in the community.

Economic Impact

From 2012 – 2018, there have been significant changes in the racing industry in Massachusetts as a result of reallocation of purse funds and race days from Thoroughbred racing to Standardbred racing. There was a 57% decrease in total handle in the Commonwealth between 2012 and 2017 and an additional 1.4% decline between 2017 and 2018. Between 2017 and 2018, Thoroughbred handle increased, but not enough to offset the larger decrease in Standardbred handle. Associated with the decrease in total handle is a decrease in the economic impact from racing. The reallocation from Standardbred racing to Thoroughbred racing resulted in less consumer demand for racing along with the income and employment that it creates.

Thoroughbred racing is associated with larger income and employment effects than Standardbred racing (see the 2014 report to the Gaming Commission for details) and future increases in the allocation of purses to Thoroughbred racing will result in a net gain in the economic impact of the industry.

Industry Sustainability

When purses are funded through handle, the racing industry has a strong incentive to provide high quality racing as valued by the market. Higher handle translates into higher purses and raising handle is the only way to increase industry revenues. However, when purses are subsidized, the racing industry has no incentive to provide high quality racing. If purses do not depend on racing handle, the racing industry does not respond to market force and the large and steady stream of purse money will protect below average producers from market forces and be unsustainable without continued subsidization.

A goal of any purse supplements should be to maximize the probability that the resulting purse structure and industry activity is sustainable. Sustainability requires a purse structure that assures an average field size large enough to generate acceptable live racing handle and develop and maintain associated breeding and training facilities within the Commonwealth. In addition, it is necessary to consider sustainability in the context of potential changes in the future. That is, what is the likelihood that expansions in the industry that result from increased purse supplements could continue if there were, for example, a macroeconomic downturn or a reduction of purse supplements in the future? The Thoroughbred segment of the industry is much better positioned to become competitive as a result of purse supplements. Handle is the best market signal of the ability of the activity to continue in the absence of subsidies and the Thoroughbred segment of the industry shows greater strength in these areas both in the Commonwealth and nationally. Between

2017 and 2018, thoroughbred handle increased in Massachusetts while Standardbred handle fell and Thoroughbred field size increased more than Standardbred field size.

Quality of Life

The racing industry contributes to enhanced quality of life in the Commonwealth by providing an entertainment product, contributing to the economy, and preserving open space. Because the Thoroughbred segment of the industry generates more handle, employment and breeding per race than the Standardbred segment, the effect on each of these is higher from each dollar of purse money allocated to the Thoroughbred segment of the racing industry.

Considerable experience researching the racing industry, evaluation of national, regional, and Massachusetts data related to racing all point to a distribution of purses and race days allocated to the Thoroughbred racing segment of the industry in order to best achieve the goals of the Commonwealth. Market signals indicate a much greater likelihood that purse money allocated to Thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and create a competitive and sustainable racing industry.

The updated data included in this report reinforces the recommendation from the 2014 report that the Horse Racing Committee should allocate the Race-Horse Development Fund 85%-90% to the thoroughbred industry and 10-15% to the standardbred industry.

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Exhibit B



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December 4, 2017

VIA HAND DELIVERY

Chairman Stephen Crosby
Massachusetts Gaming Commission
101 Federal Street
12th Floor
Boston, MA 02110

Re: **Retroactive Application of Change in Ratio of Distribution from Race Horse
Development Fund**

Dear Chairman Crosby:

This firm represents the New England Horsemen's Benevolent and Protective Association, Inc. ("NEHBPA"). I am writing this letter to communicate the position of the NEHBPA with respect to the Massachusetts Gaming Commission's (the "Commission") vote as to the horse racing committee's (the "Committee") October 18, 2017 recommendation to retroactively change the percentage of funds allocated between the thoroughbred and standardbred industries from the Race Horse Development Fund (the "RHDF") as of January 1, 2017. For the reasons stated herein, the NEHBPA respectfully requests that the Commission vote against the Committee's recommendation.

In 2014, the Committee commissioned a report from Dr. Margaret Ray regarding the allocation of the RHDF. That report recommended a split of 85%-90% to the thoroughbred industry and 10%-15% to the standardbred industry. A copy of that report is attached hereto as Exhibit A. Despite that expert recommendation, at the outset of the RHDF, the Committee directed 75% of the RHDF's revenue to the thoroughbred industry and 25% to the standardbred industry. In 2016, the Committee recommended that the ratio change to its current 55%-45% split, with the action retroactive to January 1, 2016. The Commission approved that recommendation. Now, the Commission is considering whether to approve of the Committee's recommendation to retroactively adjust the split once again to the thoroughbred industry's detriment with a 60%-40% split in favor of the standardbred industry retroactive to January 1, 2017. The basis for the Committee's 2016 and 2017 recommendations to adjust the split and make the adjustments retroactive is unclear from the public record. There was no expert report or expert testimony (similar to the report prepared by Dr. Ray) solicited by the Committee that recommended an adjustment of the split. It is clear, however, that the Committee's recommendation to the Commission to make that adjustment retroactive is illegal, unconstitutional, and constitutes bad public policy.

First, the Commission lacks legal authority to apply the ratio changes retroactively. Second, the Commission may not apply a new retroactive policy where a prior policy existed.

Third, even if the Commission had legal authority, such retroactive application is unconstitutional under applicable Massachusetts law. Finally, even if the retroactive application is legal and constitutional, it constitutes bad public policy and should be rejected by the Commission.

I. The Commission Lacks Legal Authority to Apply the Ratio Change Retroactively.

Massachusetts law requires several steps when determining whether a statute or regulation may be applied retroactively. First, a statute or regulation operates retroactively if it attaches new legal consequences to events that occurred before its enactment. *Moe v. Sex Offender Registry Bd.*, 467 Mass. 598, 607 (2014).¹ Here, it is plain that the change in ratio of distribution of the RHDF fund attaches new legal consequences as it results in the reduction of monies distributed from the RHDF to the detriment of the thoroughbred industry. The new rule also would require the Commission to recoup funds already distributed to the thoroughbred industry.

Second, in order for a new policy to be applied retroactively, the Legislature must have intended policy at issue to be retroactive. In general, “[r]etroactive legislation has always been looked upon with disfavor . . . and even its constitutionality has been conditioned upon a rationality requirement beyond that applied to other legislation.” *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 223 (1988); see also *Landgraf v. USI Film Prod.*, 511 U.S. 244, 264 (1994) (“[R]etroactivity is not favored in the law . . . congressional enactments and administrative rules will not be construed to have retroactive effect unless their language requires this result.”) (internal quotations omitted) (quoting *Bowen*, 488 U.S. at 208). As such, under Massachusetts law, “[a]s a general matter, all statutes are prospective in their operation, unless an intention that they shall be retrospective appears by necessary implication from their words, context or objects when considered in light of the subject matter, the pre-existing state of the law and the effect upon existent rights, remedies and obligations.” *Moe*, 467 Mass. at 609 (internal quotations and citations omitted). “Such implication must be unequivocally clear.” *Id.* (internal quotations and citations omitted).

The applicable statutory authority here is M.G.L. c. 23K, § 60. Under that statute, the Committee is authorized to recommend how the RHDF is to be allocated between the thoroughbred and standardbred industries. The Commission is only permitted to change the distribution percentage upon the Committee’s recommendation. M.G.L. c. 23K, § 60.

There is no authority in M.G.L. c. 23K, § 60 that authorizes the Commission to amend its rules retroactively. See M.G.L. c. 23K, § 60. Under Massachusetts law, the Legislature must have been “unequivocally clear” in its intent to allow retroactive application of an amendment to the Commission’s rules. See *Moe*, 467 Mass. at 609. If the Legislature had such intent, it would have stated so in the statute itself and made that intent part of the law. It did not, and so the Commission is not permitted to apply changes to its rules retroactively to the detriment of the thoroughbred industry. See *id.*

¹ Principles governing statutory construction and application also apply to regulatory and policy changes. See *Biogen IDEC MA, Inc.*, 454 Mass. at 190.



II. The Commission May Not Apply a New Policy Retroactively Where a Prior Policy Existed.

Further, in general, “[a] new policy may not be retroactively applied where a prior agency policy existed, unless the existing policy was plainly contrary to the enabling statute.” *Biogen IDEC MA, Inc. v. Treasurer & Receiver Gen.*, 454 Mass. 174, 190 (2009). Rather, “regulatory changes may operate retroactively (1) where legislative intent expressly or impliedly indicates retroactive application is desirable; (2) where the statute is ameliorative or curative in nature; or (3) where fulfillment of the parties’ reasonable expectations may require the statute’s retroactive application.” *Id.* (internal quotation and citations omitted). None of these limited circumstances exists here. As discussed above, there is no evidence of legislative intent for the Commission’s rules to apply retroactively. Further, the new policy is not ameliorative or curative in nature – it is not being enacted to correct errors, omissions, and/or neglects. *See id.* Finally, the parties detrimentally affected by the change—those in the thoroughbred industry—most assuredly did not have an expectation that the change would be applied retroactively. *See id.*

III. Retroactive Application of the Ratio Changes is Unconstitutional under Massachusetts Law.

Even if the Legislature had intended that the Commission have authority to apply its new rules retroactively, the retroactive application must be constitutional. *Moe*, 467 Mass. at 610. “[R]etroactive laws must meet the test of reasonableness to comport with State constitutional due process requirements.” *Id.* at 611 (internal quotations and citations omitted). Ultimately, the reasonableness inquiry asks whether it is fair and equitable to apply the law retroactively. *Id.* “In determining whether the application is equitable—and thus whether the regulation is reasonable—we examine the statute from three perspectives: the nature of the public interest which motivated the Legislature to enact the retroactive statute; the nature of the rights affected retroactively; and the extent and scope of the statutory effect or impact, and then we balance these various perspectives.” *Id.* at 611-12 (internal quotations and citations omitted).

A. Public Interest

As to the first factor, “the inquiry is not only whether the . . . public interest is important, but also whether that interest is reasonably served by the statute.” *Bird Anderson v. BNY Mellon, N.A.*, 463 Mass. 299, 308 (2012). The purpose of the allocation of funds in the RHDF is shown in the plain text of the statute: the funds shall be distributed between the industries “**to support the thoroughbred and standardbred horse racing industries** under this section. In making its recommendations, the committee shall consider certain criteria including, but not limited to: (i) the average purses awarded at thoroughbred and standardbred racing facilities; (ii) the total employment numbers, both direct and indirect, attributable to each horse racing industry; (iii) the relative needs of each horse racing industry for increased purses; (iv) the amount of the live racing handle generated by each horse racing industry; and (v) the number of breeding and training farms of each industry that are located in the commonwealth.” M.G.L. c. 23K, § 60 (emphasis added).



The Committee's October 18, 2017 recommendation presents no findings regarding these five factors to the Commission. Rather, based on public reporting of the Committee's meeting, the Committee's recommendation resulted from a request by the standardbred industry to increase the purses at Plainridge Park. The standardbred horsemen believe that they are entitled to a larger share of the funds distributed from the RHDF because they had 115 days on the 2016 live racing calendar whereas Suffolk Downs, the thoroughbred track, raced only six days. The Committee's recommendation appeared to base its decision simply based on this factor alone. Days of racing is not an enumerated factor in M.G.L. c. 23K, § 60. Rendering a decision based on this factor only favors the standardbred industry and ignores key aspects and needs unique to the thoroughbred industry and thus does not serve the public interest expressed in the statute – the support of **both** industries.

Simply looking at the number of live racing days between the industries ignores the revenue generated from these racing days. The handle for the six thoroughbred racing days at Suffolk Downs was \$1,175,183, compared to the handle for 115 standardbred racing days, which was \$1,500,125. There is clearly a public interest in supporting thoroughbred racing as shown by the public's preference for it, demonstrated by these numbers – thoroughbred racing generated nearly as much revenue in six days as standardbred racing generated in 115 days.

B. Nature of Rights Affected Retroactively

The nature of the rights affected in this case is monies that have already been distributed to those in the thoroughbred industry. As stated above, the Commission would be required to recoup funds already distributed to and used by the thoroughbred industry. Because the retroactive application of the new policy would adversely affect the established property rights of the thoroughbred industry, it would be unfair to the thoroughbred industry to disrupt its expectation of distribution from the RHDF. *See Bird Anderson*, 463 Mass. at 312 (“In the area of property law, the retroactive invalidation of an established principle is to be undertaken with great caution.”) (internal quotation and citation omitted); *Hawley v. Northampton*, 8 Mass. 3, 39 (1811).

C. Extent and Scope of the Policy Effect or Impact

In considering the third factor, “[t]he burden imposed by the retroactive statute must be reasonable in scope and extent. In making that determination, we have asked whether the imposition is short-term, or of infinite duration . . . We have also considered whether the scope of the statute is narrowly drawn to treat the problem perceived by the legislature.” *Doe v. Sex Offender Registry Bd.*, 450 Mass. 780, 792 (2008). In this case, the retroactive new percentages could be indefinite in duration. M.G.L. c. 23K, § 60 states that the Committee “shall” make recommendations as to the percentages of distribution from the RHDF, but the statute does not require the Committee to do so at any particular time. Further, the stated purpose of the Legislature in M.G.L. c. 23K, § 60 is to support both industries.

D. Balancing the Factors

On balance, the three factors show that the retroactive application of the new policy is likely unconstitutional under Massachusetts law. The new policy does not serve the stated nature



of the public interest expressed in M.G.L. c. c. 23K, § 60—the support of both the thoroughbred and standardbred industries—and is not narrowly drawn to serve that interest. Further, the retroactive application of the new policy would adversely affect the thoroughbred industry's property rights.

IV. Retroactive Adjustment of the Split is Bad Public Policy.

The Commission and the Committee are the stewards of the thoroughbred racing industry in Massachusetts. In creating the RHDF, the Legislature has entrusted the Committee and this Commission with a great responsibility to ensure that the thoroughbred industry thrives in the Commonwealth. They are fiduciaries. To make the split adjustment retroactively is a breach of that responsibility and only fosters distrust between the Commission and the thoroughbred horsemen/breeders. Retroactive laws are grossly unfair and violate the basic sense of fairness that the rules should not change after the game has been played.

This retroactive adjustment impacts much more than purses. This proposal guts the thoroughbred breeding program for 2018 and slashes health and welfare benefits for the thoroughbred horsemen in 2018 as any retroactive cuts for 2017 will reduce 2018 payments. Retroactivity creates great uncertainty. The horsemen cannot properly plan and/or budget because the horsemen have no idea when the Commission will adjust the 2018 split, what the split will be, whether the split will be retroactive and when those payments will reduce 2018 monthly outlays from the RHDF to the horsemen.

Finally, it sets a troubling precedent. Currently, the Commission has proposed legislation, that if enacted, would provide tremendous control to the Commission over the future of thoroughbred racing in Massachusetts. The NEHBPA has testified that M.G.L. c. 128A and 128C need to be updated and the Commission should be given greater control over the future of thoroughbred racing in Massachusetts. There needs to be clear legislation and a clear leader in the Commonwealth to encourage outside investment in thoroughbred racing in Massachusetts. Annual retroactive redistribution of the RHDF is not good leadership and creates uncertainty that will dissuade investment, not encourage it.



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IV. Conclusion.

For the reasons stated herein, the NEHBPA respectfully requests that the Commission vote against the Committee's recommendation.

Thank you for your time and attention.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Neil D. Raphael".

Neil D. Raphael

Cc: Catherine Blue, Esq.
Commissioner Gayle Cameron
Commissioner Lloyd MacDonald
Commissioner Enrique Zuniga
Commissioner Bruce Stebbins
Joseph F. Savage, Jr., Esq. (NEHBPA HRC Delegate)

Exhibit A

Commonwealth of Massachusetts Race Horse Development Fund

Report to the Massachusetts Gaming Commission
Horse Racing Committee

Prepared by

Dr. Margaret A. Ray
Professor of Economics
University of Mary Washington

May 8, 2014

This report presents an economic analysis performed to aid the Horse Racing Committee in determining an appropriate distribution of the Race Horse Development Fund based on the criteria provided in M.G.L. c.23K, Section 60(b).

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Executive Summary

- The racing industry in Massachusetts consists of two segments; thoroughbred and standardbred. While breeding, racing, and training horses for these two segments have much in common, there are also important differences. In particular, thoroughbred horses participate in flat races and standardbred horses participate in harness races, which leads to differences in racehorse characteristics and training, farm size and location, and labor intensiveness and managerial structure of breeding and training businesses.
- Allocation of purse supplements typically consider 3 general goals; economic impact, sustainability of the industry, and quality of life in the community. The 5 criteria identified by M.G.L. c.194 of the Acts of 2011, section 60 relate to these 3 general goals.
- This study analyzes the criteria outlined in the legislation creating the Race Horse Development Fund using the following data; **purses** (total annual purses, average daily purses, and average purse per race), **employment** (W2's and 1099's, occupational licenses, direct employment), **relative need** (regional and national purses, purse money added, field size), **handle** (live racing handle), **number of breeding and training farms** (number of farms, breeding stock, size of farms).
- The thoroughbred segment of the industry generates a significantly higher economic impact, is considerably more likely to become sustainable, and provides a much more highly valued entertainment product.
- The standardbred segment of the racing industry provides a benefit with respect to differentiating the racing industry's entertainment product. The regional popularity of harness racing provides the potential for successful marketing of small, high quality race meets. In addition, standardbred farms expand the distribution of greenspace across the commonwealth.
- Using the current distribution of purses as a baseline, employment, sustainability, handle, and farm data are used to determine the recommended distribution of the Race Horse Development Fund. The analysis indicates allocating a disproportionate share of the funds to the thoroughbred segment of the industry best meets the desired goals represented in the criteria outlined in the legislation.
- In addition to the distribution of the fund, this report includes recommendations related to determining optimal the number of race days, allocating purse supplements among race types, and using evaluation metrics to evaluate the long-term success of the fund.

II. Overview

This report presents an analysis of the Massachusetts horse racing industry and recommendations regarding the allocation of the Commonwealth of Massachusetts Race Horse Development Fund as requested in the consulting agreement between the Massachusetts Gaming Commission and Dr. Margaret A. Ray. Section III of this report outlines the evaluation criteria and data used as the basis for this report. Section IV presents an analysis of the relevant data and information and Section V summarizes the conclusions of the analysis. Finally, recommendations to the Horse Racing Committee based on the analysis provided are included in Section VI.

The horse racing industry in the commonwealth of Massachusetts consists of two different types of racing; thoroughbred and standardbred. While the breeding, training, and racing of thoroughbred horses and standardbred horses have much in common, there are distinct and important differences between the two segments of the industry. Much of the capital required to breed, raise, and train race horses is the same for both breeds. For example, stallion services, brood mares, veterinary and farrier services, horse feed and hay, pasture, and equipment (barns, trucks, horse trailers, etc.) needs are the same in both segments of the industry. However, an obvious difference between the two breeds is that thoroughbred horses participate in flat races and standardbred horses participate in harness races. This leads to differences in the breeding and characteristics of the horses and the specific race training the horses receive. Perhaps more importantly from an economic perspective, the two breeds differ with respect to the demand for their product and the location, labor intensiveness and managerial structure of their breeding and training businesses. These differences are relevant for predicting the expected impact of the distribution of the Race Horse Development Fund.

Because thoroughbred and standardbred racing and racehorses are different, and also because of the way that the two racing disciplines developed historically, breeding and training operations are organized and managed differently. The standardbred segment of the industry is made up of smaller operations that are more widely dispersed around tracks with more direct racehorse owner involvement. Part-time employment in the industry tends to be more common in standardbred racing. The thoroughbred segment of the industry has larger scale operations with more division of labor and less direct racehorse owner involvement. Because of the way thoroughbred operations are organized, they are more likely to experience economies of scale.

There is also a significant difference in the demand for each breed's racing product. There is more betting on thoroughbred races, both nationally and in Massachusetts, as evidenced by a variety of handle data. Thoroughbred handle in the United States was roughly 6 ½ times larger than standardbred handle in 2013. Both segments of the national racing industry experienced an

increase in both handle (thoroughbred 1%, standardbred 6%) and purses (thoroughbred 6%, standardbred 4%) in 2013¹. The market for thoroughbred racing (both live and simulcast) is much larger and more national in scope, with 29 major thoroughbred tracks spread across the country. The market for standardbred racing is smaller and more concentrated, with 16 major tracks located in the eastern half of the United States. Thus, the thoroughbred segment of the Massachusetts racing industry is part of a larger national industry while the standardbred segment is located in the historical and regional center of its national industry.

The Massachusetts Gaming Commission has been charged with dividing the Race Horse Development Fund between these similar yet different segments of the Massachusetts racing industry based on criteria provided by the legislation that created the fund and any other criteria identified by its Race Horse Committee.

III. Evaluation Criteria and Data

In recent years, many jurisdictions across the United States have been faced with decisions regarding the support of their racing industry. The expansion of the gaming industry in the United States has generated increased revenue for purse supplements, and created the need to allocate those supplements. While each jurisdiction's situation is somewhat different and each has slightly different goals for the allocation of its purse supplements, these allocation decisions have generally considered three important criteria; generating the largest economic impact (e.g. creating employment and tourism), developing a sustainable racing industry, and enhancing quality of life (e.g. creating entertainment value and greenspace for citizens). It is clear that these three criteria are interrelated. For example, a strong racing industry increases entertainment value and tourism which increases employment. The criteria outlined in the legislation that created the Race Horse Development Fund relate directly to these three interrelated criteria.

The evaluation criteria for this analysis come from M.G. L. c.194 of the Acts of 2011, section 60 which provides for the distribution of the Race Horse Development Fund between thoroughbred and standardbred racing facilities based on 5 criteria. The legislation does not limit the committee to the five stipulated criteria, however the Horse Racing Committee has provided no additional criteria for determining the distribution for this report. Therefore, this analysis relies primarily on the 5 criteria from section 60;

- (i) The average purses awarded at thoroughbred and standardbred racing facilities
- (ii) The total employment numbers, both direct and indirect, attributable to each horse racing industry

¹ Bloodhorse.com

- (iii) The relative needs of each horse racing industry for increased purses
- (iv) The amount of live racing handle generated by each horse racing industry
- (v) The number of breeding and training farms of each industry that are located in the commonwealth

Each criterion is discussed separately below. In order to implement an analysis based on these criteria, it is first necessary to determine the specific meaning of each based on the intent of the legislation. These criteria differ greatly with respect to the difficulty of determining their meaning and intent. This analysis relies on the information provided by the Horse Racing Committee and prior experience with industry analysis to define the meaning of each criterion and identify the appropriate data to measure it. It seems clear that criteria (ii) and (v) relate to maximizing the economic impact of the Race Horse Development Fund on the Massachusetts economy while criteria (i) and (iv) relate to supply and demand in the market for live horse racing. Criterion (iii) is perhaps the most difficult to define and quantify as it relates to a standard of equity that is not clearly defined. In addition, it is clear from the outset that these criteria are often directly related and sometimes in direct opposition. As will become clear in the discussion below, the five criteria are closely interrelated.

The Horse Racing Committee did not indicate any difference in the importance assigned to each of the five criteria. Therefore, each criterion is assumed to have an equal weight in the determination of the distribution of the Race Horse Development Fund. The Horse Racing Committee may also want to consider additional relevant information and data referenced in this report. These are included under part (vi), "Additional information and data."

(i) The average purses awarded at thoroughbred and standardbred racing facilities

The average purse criterion considers the existing purses awarded. Both the current average purse sizes and their comparison to regional and national averages are relevant to this criterion. However, the comparison to other jurisdictions is considered under criterion (iii), below.

Average purses help to determine the quality of racing and are therefore closely related to the entertainment value and handle generated by a racetrack. They are also a major determinant of the revenue generated by racehorse breeding and training and are therefore related to the economic impact created by the racing industry. It is clear that the size of the crop of racehorse foals is directly related to the size of the purses in a region.

The data used to evaluate the average purses generated at thoroughbred and standardbred racing facilities are;

- Total annual purses
- Average daily Purse
- Average purse per race

(ii) The total employment numbers, both direct and indirect, attributable to each horse racing industry

The economic impact of the racing industry is felt most directly through its effect on local employment. Racetracks and horseracing-related activities provide jobs in local communities. The indirect employment attributable to the industry refers to the multiplier effect of direct employment in the economy. For example, if a racetrack hires an employee, that employee spends his or her income in the region for rent, groceries, etc. The economic activity created by the racetrack employee results in additional hiring in other industries, e.g. apartment managers and grocery clerks. While the indirect and induced employment effects are an important part of the regional economic development associated with horse racing, for this criterion the multiplier effect of employment associated with thoroughbred racing is assumed to be the same as that of standardbred racing. That is, thoroughbred and standardbred racing activities are assumed to have the same regional employment multiplier. Direct employment related to racing at a standardbred track will have the same indirect and induced effect on employment in the regional economy as employment related to racing at a thoroughbred track. Therefore, under this criterion the analysis will focus on the direct employment created by racetracks and horseracing-related activities with the understanding that any difference in indirect or induced employment is due to the differences in direct employment captured in the analysis.

Differences in the number of breeding and training farms located in the commonwealth and the potential for racetracks to generate employment by drawing visitors from outside the region may affect the indirect effects of future increases in industry employment created by the Race Horse Development Fund (i.e. the size of the employment multiplier for thoroughbred versus standardbred). These potential differences are considered below under criteria (iv) and (v).

The data used to evaluate the total employment attributable to each segment of the horse racing industry are;

- W-2's and 1099's to Massachusetts residents
- Occupational licenses
- Direct employment estimates

(iii) The relative needs of each horse racing industry for increased purses

The Horse Racing Committee provided information related to determining the meaning of the "relative needs" criterion that cited comparison of purses to neighboring jurisdictions, differences in thoroughbred and standardbred racing nationally, and the ability to generate taxable economic activity. Based on the information provided, relative need is interpreted as the need for purse

supplements in order to maximize the probability that the purse structure is sustainable. The distribution of the funds, therefore, should consider any difference between the current purse structure and the estimated minimum sustainable purse structure, as determined by comparisons with other jurisdictions. Sustainability requires a purse structure that assures an average field size large enough to generate acceptable live racing handle and develop and maintain associated breeding and training facilities within the commonwealth.

The data used to evaluate the relative needs of each segment of the horse racing industry are;

- Regional purses
- National purses
- Purse money added by operators
- Field size

(iv) The amount of live racing handle generated by each horse racing industry

The amount of live racing handle generated is a clear and objective criterion easily measured using available data collected and provided by the Massachusetts Gaming Commission. Live racing handle is a measure of the entertainment benefit residents of Massachusetts receive from live racing as well as the additional purse money and revenue generated by a racetrack. In addition, when handle increases as a result of bettors from outside the commonwealth traveling to Massachusetts racetracks, the indirect and induced employment numbers in criteria (ii) are increased (i.e. the employment multiplier is larger). High quality racing can attract tourists, leading to increases in income and employment in the region.

However, it is important to note that the live racing handle will be affected by changes in purses as a result of the allocation of the Race Horse Development Fund. Therefore, in addition to considering the current live racing handle, this analysis considers the likely effect of the distribution of the fund on future live racing handle.

This report looks at live racing handle generated by each segment of the horse racing industry;

- Live racing handle

(v) The number of breeding and training farms of each industry that are located in the commonwealth

Breeding and training farms generate economic activity and, along with racetracks, are responsible for the direct economic impact of the horseracing industry on the Massachusetts economy. The

economic impact of breeding and training farms comes from the employment and income created in the region through the operation of the farms, including horse trainers, veterinarians, farriers, exercise riders, stable hands, etc. The direct employment effect of horse farms is considered under the employment criterion (ii), above. Beyond its relationship to the current employment attributable to the racing industry, the number of breeding and training farms in Massachusetts is relevant to this analysis because it is related to the probability that any expansion of the industry resulting from the Race Horse Development Fund will be located in the region as well as to the geographic distribution of the benefits from fund payments across the Commonwealth. Farms supporting racehorses are also the source of greenspace, which provides environmental and aesthetic benefits.

The Race Horse Development Fund is intended to develop the racing industry in the commonwealth. However, it is important to consider that any changes in the Massachusetts racing industry will affect not only industry participants inside Massachusetts but also breeders and trainers outside the commonwealth. When purse money is won by horses bred and trained outside Massachusetts, the economic impact will be felt in other states. Therefore, the number and distribution of breeding and training farms in Massachusetts is an important determinant of the size and distribution of the economic impact on the commonwealth.

The data used to evaluate the number of breeding and training farms of each industry located in the commonwealth are;

- Number of breeding and training farms
- Breeding stock
- Average size of breeding and training farms

vi. Additional information and data

Additional data/information the Horse Racing Committee may wish to consider include revenue generated for the commonwealth, simulcast handle, and the financial health of existing racetracks.

- Revenue generated for the commonwealth
- Simulcast handle
- Financial Health of Racing Associations²

² Page 14 of Review of Massachusetts State Racing Commission and Industry

IV. Analysis

The data used for each criterion are presented below. A variety of sources for data on the Massachusetts racing industry were provided for this analysis. The data reported by the various sources were not always exactly the same, though they were generally very similar. It should be noted that the data and information provided for the thoroughbred segment of the industry was more comprehensive and reliable. In part this reflects the general availability of data and information nationally. The data were selected to assure that comparable numbers for the two segments of the industry were available. There is no reason to believe that data availability significantly affected the conclusions or recommendations of this report. In addition, this analysis focuses on the objective data and information and does not consider subjective assertions included as part of the information provided. The specific data used for the analysis related to each criterion is presented here and sources are reported in the footnotes.

- (i) The average purses awarded at thoroughbred and standardbred racing facilities

Total Annual Purse (2013)³

Standardbred: 2,513,101 (21%)
Thoroughbred: 9,362,966 (79%)

Average Purse Per Race (2012)

Standardbred: 2,312⁴
Thoroughbred: 11,847⁵

Average Daily Purses Awarded (2012)⁶

Thoroughbred: 114,000
Standardbred: 30,000

In 2013, total annual purses and average daily purses were divided 21%/79% between standardbred and thoroughbred races. These percentages reflect the existing purse distribution and can

³ Massachusetts Gaming Commission memo

⁴ From the Standardbred Industry Report to the Horse Racing Committee: in 2012 "nearly 1000 standardbred races" per year, \$2,311,988 total purse expense at Plainridge Racecourse.

⁵ Exhibit 4, New England Horsemen's Benevolent and Protective Association and Massachusetts Thoroughbred Breeders' Association Position Paper.

⁶ Massachusetts Gaming Commission, approximate

therefore be considered the “starting point” (or baseline) for determining the appropriate division of the Race Horse Development Fund between the two segments of the racing industry. That is, allocation of the Race Horse Development Fund can maintain the current distribution or be viewed as a change from the existing distribution. While the data show that a significantly higher percentage of purses are currently allocated to the thoroughbred industry, the appropriateness of that distribution must be evaluated in the context the additional criteria and data discussed below.

(ii) The total employment, both direct and indirect, attributable to each horse racing industry

W2 and 1099 Forms Provided Total and to Massachusetts Residents⁷

	<u>W2</u>		<u>1099</u>	
	Total	MA	Total	MA
Plainridge	141	97	370	148
Suffolk	200	170	514	268

Occupational licenses⁸

Standardbred: 983
Thoroughbred: 2135

Direct Employment

Standardbred: 446⁹
Thoroughbred: 1,133¹⁰

Data provided regarding tax forms issued by Plainridge Racecourse and Suffolk Downs show that Suffolk Downs accounted for approximately 60% of each type of tax form issued by the two racetracks. Roughly 60% of all forms from both racetracks were issued to Massachusetts residents.

The employment data show that the thoroughbred segment of the racing industry accounts for a significantly larger percentage of total employment as measured by occupational licenses and direct employment estimates. Thoroughbred racing is responsible for 68% of occupational licenses, and 72% of estimated direct employment. The differences in the percentages reflect the differences in

⁷ Massachusetts Gaming Commission

⁸ Massachusetts Gaming Commission Memo

⁹ Goldberg and Weigand

¹⁰ Christiansen Capital Advisors

the two segments of the racing industry discussed in the Overview section. The size and structure of the thoroughbred industry leads to more occupational licenses and more direct employment. It is interesting to note that the percentage distribution of employment data does not mirror the distribution of handle at the two tracks (thoroughbred racing generates 87% of live handle and 90% of simulcast handle).

(iii) The relative needs of each horse racing industry for increased purses

United States Total Purse 2012

Standardbred: 405,567,739¹¹ (24%)
 Thoroughbred: 1,255,000,000¹² (76%)

Thoroughbred Average Purse per Race 2010¹³

New Jersey 59,000
 Kentucky 46,000
 New York 33,000
 Pennsylvania 27,000
 Delaware 24,000
East Coast Average 27,988

Standardbred Average Purse per Race 2010¹⁵

Kentucky 20,000
 Pennsylvania/New Jersey 15,000
 New York 11,000
East Coast Average 9,235¹⁴

Added Purse Money (2011)¹⁵

Standardbred: -12,016
 Thoroughbred: 1,739,100

Average Field Size¹⁶

Standardbred: 7.07
 Thoroughbred: 7.24

¹¹ The Daily Racing Form

¹² Mitchell

¹³ Horse Racing Industry Transition Panel

¹⁴ 2009

¹⁵ Massachusetts Gaming Commission

¹⁶ Racing Division Calculation

The purse distribution between thoroughbred and standardbred segments of the racing industry in Massachusetts is similar to the total purse distribution between the two segments nationwide. However, the racing industry in Massachusetts is very different from the national industry, particularly with regard to size. Both the standardbred and thoroughbred segments of the Massachusetts racing industry compete almost exclusively with other East Coast racetracks for horses and handle. So, while comparisons with national data can be instructive, other East Coast racetracks provide a more useful comparison. Both of the racetracks in Massachusetts experience most of their direct competition from racetracks in nearby Pennsylvania and New York. In addition, the thoroughbred segment of the industry experiences direct competition from thoroughbred racing in Delaware.

The average purse values for Pennsylvania and New York compare differently to the East Coast average purse value for the thoroughbred and standardbred racing segments. The average purse values for competing states are close to the East Coast averages for thoroughbred racing, but the average purse values for competing states in the standardbred segment of the industry are much higher than the East Coast average. These numbers reflect the difference in the national distribution of the two segments of the racing industry discussed in the Overview section of this report. The comparison to competing East Coast tracks shows that the smaller standardbred segment of the Massachusetts industry operating alongside a much stronger racing industry in nearby states than the thoroughbred segment of the industry. The thoroughbred segment of the Massachusetts racing industry is in a much better position to attempt to compete with nearby states for horses and handle.

The average thoroughbred purse per race in Massachusetts is approximately 20% of the highest thoroughbred average purse per race and 42% of the East Coast thoroughbred average purse per race. The average standardbred purse per race in Massachusetts is approximately 12% of the highest standardbred average purse per race and 25% of the East Coast standardbred average purse per race.

The added purse money data shows an important and dramatic difference between the two segments of the racing industry. In 2011, Suffolk Downs contributed substantial amount to supplement purses at the track while Plainridge Racecourse failed to distribute all of the purse money that was earned. The additional purse money paid by the thoroughbred racetrack is a market signal that the economic conditions in the thoroughbred segment of the industry warrant increased purses.

Finally, average field size is an important determinant of handle and has a significant and positive effect on industry performance¹⁷. The current average field size is similar for the two segments of the industry. Maintaining an acceptable field size is important for industry sustainability.

¹⁷ Ray

- (iv) The amount of live racing handle generated by each horse racing industry

Live Racing Handle (2012)

Standardbred: 1,358,788¹⁸ (13%)
Thoroughbred: 6,478,074¹⁹ (87%)

Actual Handle on Live Races (2013)²⁰

Standardbred: 11,167,679 (13%)
Thoroughbred: 75,680,747 (87%)

The data on live racing handle shows that thoroughbred racing accounts for 87% of live racing handle in the commonwealth. Higher handles lead to higher purses and more revenue for racetracks. Increases in live racing handle that result from increased tourism (bettors from outside the region coming to regional racetracks to bet) have a positive economic impact on the regional economy in the form of increased employment and income. Thoroughbred racing generated a significantly larger percentage of total handle in Massachusetts (and the difference is larger than the difference in purses paid to the two segments of the industry).

- (v) The number of breeding and training farms of each industry that are located in the commonwealth

Number of Farms in Massachusetts (2013)

Standardbred: 62²¹
Thoroughbred: 133²²

¹⁸ Massachusetts Gaming Commission, estimate

¹⁹ Christiansen Capital Advisors

²⁰ Massachusetts Gaming Commission

²¹ Goldberg and Weigand, "There are 78 training and breeding facilities in Massachusetts"

²² Thoroughbred breeding and affiliated farms, from Christian and Capital Advisors citing Salem State University 2013 MA Equine Study

*Massachusetts Racehorse Breeding Stock*²³

Thoroughbred

Foals born and registered in MA (2012)	40
Mares bred to MA stallions (2013)	45
Active Stallions	19

Standardbred

Yearlings (2013)	49
Resident Broodmares (2012)	59
Active Stallions	0

Average Size of Farms

Standardbred: 12 less than 5 acres, 50 greater than 5 acres

Thoroughbred: Average size of 50 acres

There are more than twice as many thoroughbred horse farms as standardbred horse farms in Massachusetts and the thoroughbred farms tend to be larger. However, standardbred horse farms are more dispersed throughout the commonwealth. According to the Standardbred Report to the Horse Racing Committee, "Between the 580 active standardbred racehorses and the 170 registered standardbreds in the Massachusetts Standardbred Breeding Program this year, there are a total of 750 standardbreds currently active in the standardbred harness racing industry in Massachusetts." Plainridge Racecourse stables about 150 standardbred racehorses while approximately 750 horses from outside the state are stabled at Suffolk Downs.

Data on breeding stock show that, while the overall Massachusetts racehorse breeding industry is small. However, the small numbers indicate that each segment of the breeding industry has a distinct advantage as far as economic impact on the commonwealth. The thoroughbred segment has more standing stallions while the standardbred segment has more resident broodmares.

The thoroughbred segment of the breeding industry stands 19 stallions while there are no active standardbred stallions. Standing stallions have the potential to expand the Massachusetts economy by generating income in the state from outside the state. Massachusetts thoroughbred breeders have been breeding to stallions in the commonwealth while standardbred breeders have been almost exclusively breeding their mares to stallions outside the commonwealth.

²³ Data provided by Massachusetts Gaming Commission, May 10 email

The standardbred segment of the industry has developed a resident broodmare program that is reflected in the number of resident broodmares in the commonwealth. This creates an economic benefit because economic activity associated with broodmares and foaling remains in the commonwealth when broodmares reside in Massachusetts.

The size and distribution of horse farms affects the economic impact and greenspace created as a result of horseracing in the commonwealth. Maps of the location of breeding and training farms show standardbred farms dispersed more widely across the commonwealth.

vi. Additional information and data

Revenues Paid to Commonwealth²⁴

	<u>Thoroughbred</u>	<u>Standardbred</u>
Pari-mutual revenue paid to Commonwealth (minus fines, penalties, and misc.)	1,168,287	593,880
Real Estate and Sales taxes paid	1,468,981	282,223

Simulcast Handle (2011)²⁵

Standardbred: 19,723,068 (10%)
 Thoroughbred: 172,394,416 (90%)

Horse racing Committee members might also want to consider the significant difference in the size of pari-mutual revenue and taxes paid by the two segments of the racing industry. Revenue from thoroughbred racing is almost double that from standardbred racing and taxes reported for thoroughbred racing are six times those for standardbred racing. In addition, data for simulcast handle shows an even greater disparity between the thoroughbred and standardbred segments of the industry. While simulcast handle is not included in the criteria listed in the legislation creating the Race Horse Development Fund, it is much larger than live handle and also generates economic activity in the commonwealth.

Finally, the financial health of the racing associations (racetracks) is included on page 14 of the Review of Massachusetts State Racing Commission and Industry provided to the Massachusetts Gaming Commission. The financial health of the tracks and their intentions with respect to

²⁴ Massachusetts Gaming Commission

²⁵ Massachusetts State Racing Commission – Annual Reports

continued operation are an indication of the economic viability of unsubsidized racing. Market signals should be considered in decision making, especially when there is a desire for sustainability and the possibility of reduced subsidies in the future.

V. Conclusions

This report describes an objective analysis of the racing industry in Massachusetts for the purpose of advising the Horse Racing Committee regarding the allocation of the Race Horse Development Fund to best meet the goals of the commonwealth based on the criteria outlined in section 60. The analysis included in this report is based on the data and information provided by the Massachusetts Gaming Commission, other data and sources cited in this study, and considerable experience with economic analysis of the racing industry nationally and in other jurisdictions. However, several issues complicate the analysis and conclusions. As discussed above, the meanings of the five criteria are open to interpretation and each can be measured using a variety of different data. In addition, the five criteria and the effect of purse distributions on them are highly interrelated. Finally, the legislation does not limit the Horse Racing Committee to considering only the five criteria included in section 60. Therefore, while the analysis and conclusions of this report provide objective information for the committee, committee members must ultimately determine the extent to which these recommendations coincide with its charge.

The analysis above provides insight into the relationship between the two segments of the racing industry and the three general goals described above and addressed by the five criteria included in Section 60; generating the largest economic impact (e.g. creating employment and tourism), developing a sustainable racing industry, and enhancing quality of life (e.g. creating entertainment value and greenspace for citizens).

Economic Impact

Data related to breeding and training farms and breeding stock indicate the economic impact of thoroughbred racing is much larger. In addition, the effects of increased purses in the future are more likely to remain in the commonwealth and potentially generate increased income from outside Massachusetts through increased tourism and sales of stallion services. The thoroughbred racing industry has a larger current impact on the Massachusetts economy. It receives 79% of purse money and generates 87% of the live handle (and 90% of the much larger simulcast handle). In addition, as a result of its industry structure and national demand, thoroughbred racing is more likely to generate employment (e.g. occupational licenses) and income (e.g. tourism) in the commonwealth as a result of increased purse money. Finally, the existing breeding industry in the thoroughbred racing segment, while small, provides an existing framework for expanding breeding and training within the commonwealth in a way that benefits the industry and state economy. However, because of its location in the geographic center of the national standardbred racing

industry, standardbred racing provides a unique entertainment option and the potential for expanded training and tourism in Massachusetts through a targeted allocation of increased purse money discussed in the recommendations section.

Sustainable Racing Industry

In "State of the Industry: Thoroughbred Economy in 2007-'08" Don Clippinger notes that "...2007 may be viewed in retrospect as the year in which the direct link between purses and handle was broken..." He discusses the impact of the creation of "racinos" and the use of revenue from other forms of gaming to fund purses on the Thoroughbred industry. He goes on to point out that "...the reliance on non pari-mutuel sources (for purses) diminishes the importance of the money bet on the horses and the attention that should be accorded to the trends in pari-mutuel wagering." His point is that, when other forms of gaming fund purses, the racing industry is assured of increased revenues, regardless of its performance. When purses were funded through handle, the racing industry had a strong incentive to provide high quality racing as valued by the market. Higher handle translated into higher purses and raising handle was the only way to increase industry revenues. When purses are funded from gaming revenues, the industry has no incentive to provide high quality racing desired by spectators and bettors. Clippinger notes, "Formerly weak jurisdictions have become economic powerhouses in terms of the purses they offer, but they have not necessarily become powerhouse racing venues – just rich ones." The issues discussed in Clippinger's article apply very directly to decisions about the allocation of purse supplements. If purses depend solely on gaming revenues, and not racing handle, the racing industry has no incentive to respond to market forces. The quality and quantity of racing will have no impact on the purses won by producers in the industry and the large and steady stream of purse money will protect average and below average producers from market forces. Market forces provide incentives for the industry to improve, develop, and become sustainable.

A goal of any purse supplements should be to maximize the probability that the resulting purse structure and industry activity is sustainable. Sustainability requires a purse structure that assures an average field size large enough to generate acceptable live racing handle and develop and maintain associated breeding and training facilities within the commonwealth. In addition, it is necessary to consider sustainability in the context of potential changes in the future. That is, what is the likelihood that expansions in the industry that result from increased purse supplements could continue if there were, for example, a macroeconomic downturn or a reduction of purse supplements in the future? The thoroughbred segment of the industry is much better positioned to become competitive in its regional market as a result of purse supplements. Market signals, like handle and capital investment, are the best indicators of the ability of the activity to continue in the absence of subsidies and the thoroughbred segment of the industry shows greater strength in these areas. The standardbred industry appears able to continue operating at its current or a moderately increased size with some added purse supplements. However, it does not appear economically feasible to attempt to subsidize the standardbred racing segment at the levels that would be required to become competitive in its regional market. And any industry expansion due to purse supplementation would likely benefit the racing and breeding industry in other states in the region

and would largely disappear in the event of future reductions in purses (i.e. significant sustainable expansion of standardbred racing in Massachusetts does not appear viable). However, moderate expansion, particularly if targeted to take advantage of the unique entertainment value and geographic location of the standardbred industry could be both beneficial to the commonwealth and sustainable.

Quality of Life

The entertainment value of racing is measured in part by the size of handle bet on races. Research shows that thoroughbred races generate significantly more handle than harness races, all other things equal.²⁶ However, racing also provides additional entertainment value from simply enjoying watching the races and participating in associated social activities. Harness racing is different than flat racing and has a long history in the region. Having both types of racing in the commonwealth allows for product differentiation that benefits consumers. So, while market signals indicate a strong preference for thoroughbred racing, Massachusetts provides an ideal location to develop and market a high quality harness racing product that supports the improvement and expansion of existing in-state training facilities. The conclusion that high quality racing can increase the profile of the racing industry, thereby increasing demand, is supported by the conclusions of the Plan for the Future of the Ontario Horse Racing and Breeding Industry.²⁷ Development of a competitive thoroughbred racing segment and a smaller, high-quality standardbred racing segment would also improve the quality of life in the commonwealth by expanding the amount and distribution of greenspace.

V. Recommendations

As suggested by the Massachusetts Gaming Commission Division of Racing in its 12 February, 2014 memo to the Horse Racing Committee, this report makes recommendations regarding the distribution of funds from the Race Horse Development Fund, the number of live racing days required, and the use of data and metrics to evaluate the effectiveness of the Race Horse Development Fund distributions over time. It is important to note that a recommendation that merely provides a split of the funds between thoroughbred racing and standardbred racing, without addressing how those purses are distributed within the industry (e.g. the number of race days and purse structure) risks diminishing the potential effectiveness of the funds for achieving the desired goals. The recommendations below provide a starting point for the Horse racing Committee's determination of their final recommendation as to the distribution of the Race Horse Development Fund between thoroughbred and standardbred racing facilities and suggestions for including expanded recommendations regarding the distribution of purses in Massachusetts. Whatever the final decision regarding the division of the purse supplements, it should be noted that certainty and

²⁶ Ray

²⁷ Ontario Horse Racing Industry Association

predictability regarding the decision are important for realizing the full, long-term economic benefit from increased purse supplementation.

Distribution of funds

Considerable experience researching the racing industry, evaluation of national, regional, and Massachusetts data related to racing, review of the materials provided by the Massachusetts Gaming Commission, analysis of the 5 criteria outlined in Section 60 Meeting criteria all point to a distribution of the Race Horse Development Fund that increases the percentage allocated to the thoroughbred racing segment of the industry. The conclusions summarized in the preceding section support the recommendation to allocate a disproportionate percentage to the thoroughbred segment of the industry in order to best achieve the goals addressed by the five criteria and maximize the likelihood of a sustainable purse structure and industry. The market signals represented by the data indicate a much greater likelihood that purse money allocated to thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and improve quality of life in the commonwealth. However, the allocation of a portion of purse supplements from the Race Horse Development Fund to supplement a small, high-quality standardbred race meet will augment the benefits from an expanded thoroughbred segment and provide the greatest overall benefit from the distribution of the fund. As noted in the Ontario Plan²⁸, high-stakes harness races can raise the profile of harness racing and support a smaller, but sustainable and high-quality standardbred segment of the racing industry.

The percent of the Race Horse Development Fund that is allocated to thoroughbred racing should be increased above 79% (its current percentage of total annual purses in Massachusetts). An allocation of 85 – 90% is in line with *the percent of handle generated by thoroughbred racing* and the increased benefits from purse allocations to thoroughbred discussed above. The higher the percentage allocated to the thoroughbred segment, the more likely the purse structure and industry will become competitive and sustainable.

Number of racing days

Improvements in regional competitiveness and quality of racing in the commonwealth depend not only on the division of purse supplements between the two segments of the industry, but also the details of the purse structure. The recommendation regarding the distribution of purse supplements will be most effective if it is accompanied by a recommendation regarding racing days and race types. Purse supplements will most effectively achieve the goals associated with the criteria in Section 60 if the number of race days is tied to the level of purse supplements to assure the optimal average daily purse. The average purses in the states designated as being in direct competition with Massachusetts racing serve as a guide for establishing an acceptable minimum average daily purse. Requiring a number of race days that reduces the average daily purse to a level

²⁸ Ontario Horse Racing Industry Association

that does not support the goals of improved competitiveness and race quality will reduce the desired impact of the purse supplements. Clearly a reduction in race days should be considered.

In addition to the average daily purse, race characteristics have an impact on how well purse supplements will achieve the desired goals. Research has shown that certain race characteristics lead to higher race handle²⁹ and recommendations regarding general race characteristics could be provided along with purse supplements. The existing research will be generally applicable to the Massachusetts racing industry, though a specific study of Massachusetts handle would not be difficult to conduct. In particular, the distribution of the Race Horse Development Fund should come with guidance for tracks to carefully consider increases in the types of races that generate increased handle as well as the number of races and amount of purse money offered for horses with ties to the Massachusetts economy (breeding, training, ownership). Of course, the characteristics of the races that can be offered depend on the supply of horses available. But gradual shifts in race characteristics and signals regarding the characteristics of races in the future provide incentives that can change the supply of horses, quality of racing, and handle in the future. Changes in race characteristics associated with the distribution of purses within the commonwealth can result in increased economic impact on the Massachusetts economy and the Horse Racing Committee should consider using its recommendation to create incentives to offer the desired types of races.

Goals for average daily purses and race characteristics associated with the distribution of the Race Horse Development Fund suggest the creation of a smaller, high quality harness race meet. The Massachusetts Sire Stakes races provide an existing model and framework for allocating additional purse supplements to meet the desired goals. A recommendation to target increased purse supplements from the Race Horse Development Fund to support this existing race series for Massachusetts bred horses as well as additional high stakes races not limited to Massachusetts bred horses is a way to best address the goals of the fund related to the five criteria.

Use of evaluation metrics

To assure that purse supplements create economic impact, develop the racing industry, and improve quality of life, recommendations must include a plan to monitor the impact of the purse supplement distribution as well as the effects other relevant changes (e.g. legislative, market, or macroeconomic changes) on the racing industry. The evaluation of the impact of the Race Horse Development Fund should include criteria that measure both short-run and long-run effects on the racing industry and Massachusetts economy. Consistent monitoring and evaluation of the racing industry will allow for adjustments in the allocation of the Race Horse Development Fund over time when necessary to maintain an optimal allocation.

²⁹ Ray

The structure of the racing industry is such that it requires a minimum 5 year decision-making window. That is, it takes a minimum of approximately 5 years for a decision to make a capital investment to produce a racehorse to result in a horse that is ready to start in a race. Therefore, it is not possible to begin to measure the full effects of additional purse supplements on the economy or industry for at least 5 years. And the length of time it will take to see the long-run effects of increased purse supplements depends in part on investors' perceptions of the certainty and stability of the purse supplements. A high degree of certainty and expected stability are necessary before the incentives provided by increased purse supplements lead investors to make the corresponding initial capital investments. So, allocation of the Race Horse Development Fund will lead to some changes in the decisions of owners and trainers that will be seen in the short-run, but changes that affect the racing industry through increases in breeding activity will only be seen in the long-run and will only occur if the changes to the purse structure are seen as certain and predictable.

Evaluation metrics can be used to evaluate the success of the two segments of the racing industry in meeting the desired goals for economic impact (Economic), development of the racing industry (Industry) and providing entertainment value (Entertainment). An established set of metrics will provide valuable, objective information to guide future decision making regarding the allocation of purse supplements. The information provided by an established set of metrics can help decision makers most effectively target resources to achieve desired goals. However, changes to the allocation should be made slowly and only in response to changes in the evaluation metrics.

It should be noted that, while the set of metrics outlined in this recommendation will be extremely useful and objective, it is not an exhaustive list of relevant information. That being said, it is suggested that racing officials define and collect data representing the following metrics and compare it to established benchmarks for use in decision making regarding the racing program:

- o Attendance
- o Handle revenue
- o Massachusetts bred and Massachusetts owned racing earnings (in-state and out of state).
- o Field size
- o Sale of Massachusetts bred horses (price and quantity)
- o Number of Massachusetts bred horses (foaled and raced)

The metrics presented in the table below constitute an efficient approach to evaluating the success of the purse supplements. That is, they include a limited number of straightforward, clearly defined measures that allow decision-makers to identify changes in the most important effects of purse supplements over time. All of the metrics included provide valuable information about the extent to which the racing industry is achieving its economic goals. In the table, each metric is tied to one of the three major goals, but this report has discussed the extent to which the data and the goals are interrelated.

Table 1: Recommended Metrics

Metric	Definition	Primary Goal
Attendance	Direct attendance numbers, number of pari-mutuel tickets sold on-track and live handle total	Entertainment
Average field size	Average number of starters	Entertainment
Revenue from Simulcast Handle	Revenue generated from simulcast handle	Entertainment
Revenue from Live Handle	Revenue generated from live racing handle	Economic/Entertainment
Number of MA bred horses foaled and raced	Number of MA registered foals Total number of MA bred starters	Economic
MA bred earnings	Total earnings of MA bred horses in non-MA bred races (open company)	Industry
MA Owned Earnings	Total Earnings from MA owned horses	Industry

1) Attendance

Increases in attendance indicate an increase in the entertainment value of racing. Attendance is the most general indicator of the quality of entertainment. That is, it measures the number of people who want to watch racing, whether they bet on racing or not. Higher attendance at race meets indicates a greater entertainment value for patrons as well as increased tourism expenditures in the commonwealth. Attendance can be measured directly or it can be measured indirectly by the number of pari-mutuel tickets sold on track. In addition, the handle and revenue from handle provide additional indirect measurement of attendance

2) Average Field size

Average field size clearly has a positive impact on handle. However, in addition to increasing the appeal of a race to bettors, field size increases entertainment value for non-bettors. It is also an important signal of available horses for race meets. A decrease in field size is an early signal that there may be a problem with filling races in the future if the supply of racehorses is declining.

3) Revenue from Handle

Increases in revenue from handle (including both live and simulcast) indicate an increase in the market demand for racing.

4) Number of Massachusetts Bred Horses

Increases in the number of Massachusetts bred horses foaled and raced in Massachusetts is a direct measure of the size of the racing industry and its economic impact on the state.

5) Massachusetts Bred Earnings

Increases in Massachusetts bred earnings indicates that the quality of Massachusetts bred horses is high. If Massachusetts bred horses can compete and win, both in and out of the state, it indicates strength in the Massachusetts breeding industry. For this measure, earnings of Massachusetts bred horses in Massachusetts bred races are not included, since all earnings from those races necessarily go to Massachusetts bred horses. However, earnings of Massachusetts bred horses in races not limited to Massachusetts bred are a clear indication of the strength and success of the Massachusetts breeding industry.

6) Massachusetts Owned Earnings

Increases in the earning of Massachusetts owners, from racing both in state and out of state, indicates higher quality horses and strength in the Massachusetts racing industry. For example, if a Massachusetts resident earns purse monies out of state and brings those earning into the state to reinvestment in the industry the industry will grow.

In addition to establishing the set of metrics a set of benchmarks is needed to operationalize their use. Racing officials should identify the initial value for each metric before the initial allocation of the Race Horse Development Fund to use as a starting point for evaluation. In addition, comparable regional and national data should be identified and collected for comparison. The metrics should be collected and evaluated each year to document positive trends or identify lack of progress toward goals. It is important that no individual metric should dominate decision making and that the overall trends of the majority of the metrics should be evaluated in the context of macroeconomic conditions and industry-wide trends. For example, if national handle data shows a decline, then Massachusetts racing should be considered successful if its revenue from handle increases, stays the same, or falls by a smaller percentage than national handle. Finally, evaluators should note that it is not realistic to expect a consistent upward trend in the metrics over time.

Using a careful, consistent and transparent set of metrics, well understood by all stakeholders will create stability, certainty, and market incentives to create change and take actions to meet the desired goals for the Race Horse Development Fund.

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MASSACHUSETTS THOROUGHBRED BREEDERS ASSOCIATION

121 Pine Street, Rehoboth, MA 02769

508-252-3690 voice & fax, www.massbredds.com

The number of Massbreds has declined in the past couple years after showing an upward tic when the casino bill got passed. There are several reasons for this, not the least of which is the closing of Suffolk Downs. Every time, the "split" changes, more people are driven away from breeding thoroughbreds. Also, it seems we are in a constant battle with the Department of Agriculture. They implemented a rule that all Thoroughbred foals had to be registered with the Jockey Club first, then with the MDAR by May 15, of their yearling year. There is no "forgiveness" for any reason, no penalty for late applications. Nothing, just total dismissal from the program. This rule has caused the dismissal of several foals, turned away and barred from running in Massbred races. These breeders have invested \$20,00 to \$30,000 per foal to get them to racing age and then are turned away with no recourse. These horses are not eligible for programs anywhere now. Is this not a major turnoff for breeders not to mention a discouragement to ever breed Massbreds again? All other breeding organizations as well as The Jockey Club itself have deadlines but if you miss one, you pay a healthy penalty not dismissed from racing! Is it any wonder our numbers have declined?

Other rules implemented by MDAR are detrimental to thoroughbreds as well and contribute to the turn off experienced by many of our breeders. Thoroughbred breeding can make a comeback only with consistency - knowledge that the program will be in existence 3 years from the time they breed their mare and encouragement for owners of stallions to move them into Massachusetts which is a very expensive undertaking.

The mission statement for the MDAR proclaims"..... to work to keep Massachusetts agriculture economically and environmentally sound." And "We support, regulate and enhance the rich diversity of the Commonwealth's agricultural community.

Reducing the split is not an encouragement to breed thoroughbreds. Now that we have active interests in building a new track for thoroughbred racing, we cannot afford to lose our current program or lose the farms and support services that are essential to thoroughbred racing.

Respectfully yours,

Donna L. Pereira

Chairman, Massachusetts Thoroughbred Breeders Association

Dear Chairman Fitzgerald

I am writing to express my concern about the meeting scheduled for Wednesday about the split between the standardbreds and the thoroughbreds.

The stated mission of the Horse Racing Commission to protect and promote horse racing in the Commonwealth of Massachusetts is not well served if the HRC, in effect, picks winners and losers between the breeds. A decision to further erode the split would not only hurt the future of thoroughbred racing in Massachusetts but would directly harm the Health and Welfare programs that we support from the split and would also harm the breeding programs.

We are aware that the standardbreds real agenda in this process to receive 100 percent of the funds in the RHDF, effectively ending the future of thoroughbred racing in Massachusetts. And while the HRC may believe it is deciding about whether to once again increase the standardbreds share, it is our view that any adjustment in the current split will contribute to the demise of our industry in contradiction of the HRC mission to protect and promote racing.

We have demonstrated in the past that even just eight days of thoroughbred racing has greater economic impact than 100 days of standardbred racing; yet, the standardbreds always point to the number of days they run as justification for increasing their share of the RHDF. Dr Margaret Ray who the MGC hired to do the same study has demonstrated this year after year

As you are aware, there is renewed interest in thoroughbred racing in Massachusetts, and not only in Wareham. The questions that potential thoroughbred track developers have when they consider investing in a new racetrack here is how the thoroughbred industry is regarded in Massachusetts and whether it will continue to have the statutory support it now enjoys as well as the support of the NEHBPA. Those investors have an interest in horseracing and want to know that there is a sustainable breeding program here and owners who will race in that venue and that funding for the race day purses are available.

Any further discussion of reducing the split to thoroughbreds naturally weakens our industry and the likelihood of thoroughbred racing. I don't believe that the HRC supports that outcome and would urge you to reject any further diminution of the thoroughbred share.

As you are also aware, there is a far greater economic impact from thoroughbred racing days than standardbred racing days. So, the argument that the standardbreds make that their split should increase because they race more days is simply an argument that benefits them, not the Commonwealth.

As an owner of thoroughbreds (including Mass bred) and the Executive Director of the New England Horsemen and Benevolence Program, we respectfully ask that you table

the standardbreds' request and focus the talent and attention of the HRC on the more important business of restoring fulltime thoroughbred racing in Massachusetts.

Sincerely

Paul Umbrello

Bedard, Shara N. (MGC)

From: Elaine Storlazzi <horse2fast@yahoo.com>
Sent: Wednesday, September 11, 2019 7:13 PM
To: Bedard, Shara N. (MGC)
Subject: HRC Split 1

To all it may concern ,

As a Thoroughbred owner, trainer and breeder I'm deeply concerned about the proposed breakdown of the RHDF, although our industry is in hiatus at this time we as an industry are working tirelessly to become active once again. We have a very serious investor working with the proper channels to resurrect our industry again. If we were to lose this funding not only would we lose this investor but our long term members of our industry would lose our health welfare and retirement benefits. Please understand it was the Thoroughbred members that were instrumental in giving the Standard industry their momentum regarding the funds as well as supporting the 60-40 split to their good. I implore you to protect the opportunities for our industry to thrive once more and the many farm owners, breeders, trainers, owners continue with their lifestyles work.

Sincerely,
Elena Storlazzi

Sent from Yahoo Mail on Android

Bedard, Shara N. (MGC)

From: Kevin <Winningtrainer@yahoo.com>
Sent: Thursday, September 12, 2019 9:17 AM
To: Bedard, Shara N. (MGC)
Subject: HRC Split concerns

Dear Ms. Bedard,

Good morning. I apologize for typos and grammar....typing on work break on cell phone. My understanding is initially the gaming commission hired a professional to recommend what the split percentages of the Race Horse Development Fund should be. At first pass she (professor) recommended a larger majority to thoroughbreds as first agreed upon (due its a far larger industry). Then the trotters were given more as a result of the thoroughbred agreeing to a more generous split.

In my opinion....the Race Horse Development Fund....is not a "Race Horse Reward Fund"....and shouldn't be lopsided in rewarding money based on who races the most days. I think the Fund should match the size of the industry it's supporting. Thoroughbred Racing nationally is substantially larger than the trotters....(for example; locally we had more people attending every festival day at a closed thoroughbred race track than attended the trotters biggest race day) and that is important. From the start the logic recommended that most money would go to the thoroughbreds. We (the thoroughbred industry participants) need the money in the purse account to DEVELOP a viable race track investor...we all need to create a solution to save the industry and its multiple benefits to the Commonwealth. The trotters are doing great and they have slots. I believe the Fund was created...again, not to reward but to develop and support the industry. Important point...a shrinking percentage going to thoroughbreds is effectively shrinking the chances of the thoroughbred industry developing and rebounding. We now have multiple race track investors considering building a track in Massachusetts....please don't scare them away but adjusting the split even further. I'd ask it go back to originally set....then for sure it would be accomplishing its original objective Race Horse Development.

Thank you for taking time to read this...I'd enjoy meeting you if you had time to discuss this over a very brief "working" lunch.

Regards,
Kevin McCarthy
Former trainer pushed out.
NEHBPA Board Member
Cell 781-706-3430

Sent from my iPhone

Bedard, Shara N. (MGC)

From: ctrakas@aol.com
Sent: Thursday, September 12, 2019 3:06 PM
To: Bedard, Shara N. (MGC)
Subject: HRC Split 2

Hello,

I am emailing to state my opposition to the Standardbred industry request for a 100% share of the RHDF funds. The struggling thoroughbred owners, workers, and breeders need a share of these funds.

We don't have a track in the state right now. We have to race in New York and other places to survive. People would like to come home some day to a track in Massachusetts.

These funds are essential for the breeding program and for the health and welfare benefits. I myself am a breeder of a Mass Bred horse and I want this program to continue.

The Standardbred industry already gets the majority of the funds, they should not ask for all. They also should be thankful for their good fortune in having a local track. There is an old expression, There but for the grace of God go I. If the tables were turned and Suffolk had a casino or racino with a track and Plainridge had the harness track without a casino, I would certainly not be trying to cut them out of the mix.

Please do not cut the Thoroughbred industry out of this fund.

Thank You,

Christopher J. Trakas
Milton, Mass.

Sent from my iPhone

Bedard, Shara N. (MGC)

From: carol skawinski <carolskawinski@gmail.com>
Sent: Friday, September 13, 2019 5:43 PM
To: Bedard, Shara N. (MGC)
Subject: Health & welfare thoroughbred industry Mass.

My name is Carol Skawinski I am an owner trainer and member of NEHBPA . We are all asking to not take away our funding. It is necessary as many of us rely on retirement monthly benefit as many of the horseman are not young and healthy any more. I have recently started receiving benefits this year. I have had 2 heart bypasses within a 20 month period,My income is very low. I need this supplement to merely get by each month.

Sincerely

CarolSkawinski

Bedard, Shara N. (MGC)

From: Vincent Amico <vincentamic59@gmail.com>
Sent: Friday, September 13, 2019 4:53 PM
To: Bedard, Shara N. (MGC)
Subject: Ex trainer

I am a 63 y ear old retire trainer i need my payment afther 43 years in business a trainer at SUFFOLK DOWNS RACE TRACK I NEED THOSE BENEFITS AND OTHER RETIREMENT TRAINERS AND MEDICAL.
THANK YOU VINCENT AMICO

Bedard, Shara N. (MGC)

From: Paul Umbrello <crrstables@gmail.com>
Sent: Saturday, September 14, 2019 8:40 AM
To: Bedard, Shara N. (MGC)
Subject: HRC SPLIT

To whom it may concern:

I as a Thoroughbred Owner Trainer and Breeder would like to see TB racing back in Mass. at the moment it looks really good with multiple opportunities

We need to keep our RHDF to ensure this will happen. Not only will it entice potential investors to look more favorably on business but as it stands now it is helping those of us in need.

Since Suffolk has closed, I as a 65 year old woman who has been in the industry for over 30 years cannot go out and get a job without any experience at much of anything but horses. I am living on a widows SS and if it weren't for the NEHBPA Old Age Assistance thru use of the RHDF I couldn't make it month to month.

So many individuals need the help that this provides.

We need RHDF to help our breeders who have stood by TB racing for most of their lives. We need it because after a lifelong commitment to the industry as little as it is this is our retirement.

I see a future for TB racing again in Massachusetts and would like to see the RHDF stay as it is so that we can make sure that it does happen

Leona Mckanas

Bedard, Shara N. (MGC)

From: lisa welsch <lwelsch78@yahoo.com>
Sent: Sunday, September 15, 2019 10:38 AM
To: Bedard, Shara N. (MGC)
Subject: The split

Shara I'm sending this to you regarding the split the harness horsemen are asking for with the RHDF. First of all the Thoroughbred industry has brought more Jobs to the commonwealth than the Harness Horsemen. Second the Thoroughbred Industry brought more revenue to the commonwealth through Simulcast then the Harness Horsemen. The Thoroughbred industry fought hard for the RHDF to give Horsemen an opportunity to make the living they work so hard for and to offer retirement opportunities to those who had nothing for the future along with life insurance and dental. Unfortunately as you well know Suffolk Downs closed its doors at a time when this opportunity came to fruition. Many Breeders lost their farms, many owners sought trainers at other venues. Many residents had to leave the State of Massachusetts to continue in a business they've come to love. Families have separated and this has been hard felt by everyone in this industry. Farmers, tack stores, feed stores, Blacksmith's, vets, vet assistants, racing officials, pony people, gatecrew, paddock workers, grooms, hot walkers, maintenance, security, tellers, restaurants. The Thoroughbred industry who worked so hard for the RHDF has been working just as hard to bring Thoroughbred Racing back to the Commonwealth and while the Harness Horsemen have benefited greatly from our hard work and dedication, I feel it would be a bad decision to give them a penny more then they have at this time. In fact it should be a 50/50 split. They give very little back to the commonwealth and that is a proven fact. I feel this committee should have gone to the Thoroughbred industry and got their facts and would see while they were limited to festivals three weekends a month for six to eight days the Simulcast revenue and jobs were greater than the Harness Horsemen put forth in a year. Again the committee should have those numbers from the Harness Horsemen going into this meeting. Bottom line my family has been in this business for for more then 80 years and my dad who was leading trainer for years is out of business because he doesn't want to leave our family. I trained out of state for a few years and did well but gave it up because I want to be home with my family. Please don't allow the Thoroughbred Horsemen to suffer anymore than they have already. Give us the opportunity to continue helping our Horsemen while trying to bring back a racetrack into the commonwealth. I'm disappointed in the standardbred people to kick us while we're down.

Thank you kindly,
Lisa Welsch

Sent from Yahoo Mail for iPhone

Bedard, Shara N. (MGC)

From: shirley dullea <shirleydullea@yahoo.com>
Sent: Monday, September 16, 2019 11:45 AM
To: Bedard, Shara N. (MGC)
Subject: Re: HRC Split

Subject: HRC Split

Shara, I am sending this letter in regards to the RHDF split. My Husband has owners and trained Thoroughbreds since 1976 he not only gave up his passion for this industry he gave up his livelihood when Suffolk Downs was forced to shut down. I myself have had a job with the NEHBPA for well over 25 years fighting for our Horsemen. It was the NEHBPA who fought hard to get the RHDF for our Horsemen not for a moment having the vision of Suffolk Downs being forced to shut racing down. We wanted this funding for our Horsemen who have worked and invested their entire lives in this industry to finally have a retirement plan, Health Insurance, Dental insurance and Life Insurance just like every other Business. We've all sacrificed and given up so much while the standardbred Horsemen have benefited off our hard work. Unfortunately even with all the days they run they still do not employ the amount of people we do, they clearly do not make as much in Simulcast revenue as we do. So other then running more days at this time then us what would be the reason to give them more? Why wouldn't you make it a fifty fifty split and give us Thoroughbred Horsemen the opportunity to rebuild our racing program and continue to help our Horsemen in Massachusetts who dedicated their lives to this industry and gave back to the commonwealth. I'm sure the committee did their due diligence and investigated both industries and already found the Thoroughbred industry to be more lucrative to Massachusetts between revenue, employment and farms. Please make it in all fairness a 50/50 split.

Thank you kindly,
Shirley & Frank Dullea

Bedard, Shara N. (MGC)

From: Anthony Spadea Jr. <anthonyspadea@braintreeins.com>
Sent: Monday, September 16, 2019 5:46 PM
To: Bedard, Shara N. (MGC)
Subject: FW: HRC SPLIT

RHDF is the life line of the SB and TB industries. In the beginning it was thought by a appointed committee of experts that the split should heavily favor the TB industry. Over the past several years that has changed severely based on the committees recommendations. Some of these changes have been made retroactively which has been very damaging to the TB industry returning funding already giving is very difficult after budgeted for expenses. This attempt by the SB industry to capture a larger portion than they already get would be extremely damaging to the TB industry. Our benefit programs for our members would be put in danger, our future hope of an investor to come forward would be severely hindered with another reduction in our funding. Our membership has many senior farm owners ,horse trainers that depend on us for there old age assistance funding, life insurance, and other living benefits we provide. I only hope your good judgement will allow funding to be based on allowing both industries survival in the long run, the RHDF WAS DESIGNED TO HELP AND LET BOTH INDUSTRIES SURVIVE NOT MADE SO ONE COULD ELIMINATE THE OTHER.

RESPECTFULLY

ANTHONY SPADEA JR. PRESIDENT NEHBPA

Bedard, Shara N. (MGC)

From: marie zagwyn <mariezagwyn@yahoo.com>
Sent: Monday, September 16, 2019 7:23 AM
To: Bedard, Shara N. (MGC)
Subject: HRC Split

Hello,

My name is Marie Zagwyn and I have a small farm in Bourne and 4 breedable Thoroughbreds. I have a new stunning filly born this year yet to be registered.

I have tried to remain optimistic that Thoroughbred racing will resume in Massachusetts, despite all the odds.

Loosing the TB Breeders incentive portion of the RHDF will be yet another nail in the coffin for the TB horsemen who have remained steadfastly confident that a place to race our champions in Massachusetts will come to fruition.

Please, please do not write us out of the fund split just yet! There are a few possibilities on the board. The latest as Wareham Park that possibly may revive our dying sport in this State.

Always hopeful,
Thank You for your time,

Marie Zagwyn
71 Nightingale Rd.
Bourne, MA 02532
978-660-8924

Sent from Yahoo Mail on Android