

Kevin Kile
Director of Racetrack Gaming
Senate Community, Economic & Recreational Development
Committee
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Good morning Senator Ward, Senator Wiley and members of the Committee. My name is Kevin Kile and I serve as the Director of Racetrack Gaming for the Pennsylvania Gaming Control Board. In this role, I serve as the Board's liaison between gaming and horse racing in order to ensure a strong interface between the two industries. Horse racing in Pennsylvania is regulated by the Department of Agriculture through the State Horse Racing Commission and the Harness Racing Commission. At the same time, the Board does have a limited role to ensure the Category 1 licensees fulfill certain requirements of the Gaming Act related to racing such as investing in improvements to the backside area of the racetracks, maintaining a live racing agreement with each respective horsemen's organization, and scheduling the required minimum number of live racing days each year.

Pursuant to instructions from Committee staff, today I am providing you with an update on Pennsylvania horse racing, existing pari-mutuel betting, and the potential impact of iGaming.

One of the primary objectives of the Pennsylvania Race Horse Development and Gaming Act ("Act") is to enhance live horse racing, breeding programs, entertainment and employment in the Commonwealth.

There is no doubt that horse racing has benefited tremendously from the legalization of slot machine gaming. Approximately 11% of the gross terminal

revenue from slot machine gaming was earmarked for the Pennsylvania Race Horse Development Fund in 2014. This generated approximately \$230 million of slot machine revenue which, pursuant to the Act, was dedicated to increasing purses, assisting breeding operations, and providing health and pension benefits for horsemen. In addition, the Act requires an ongoing commitment by casinos to invest in the backside of their race tracks. Through 2014, a total of \$60 million has been invested to improve the infrastructure of the racing facilities, improve living quarters and renovate or build new barns and paddocks at Pennsylvania racetracks. This has greatly improved the living and working conditions for horsemen.

In 2014 approximately 18,000 horses raced at Pennsylvania race tracks making more than 91,000 starts throughout the year. The ancillary benefits of this include the stabling of horses at the racetracks. There are in excess of 5,100 stalls on property at the six race tracks in Pennsylvania. This does not include the stabling of horses at local farms throughout the Commonwealth as well. While I can only provide anecdotal evidence, the horsemen's organizations should be able to provide the Committee with evidence of this occurring. The owners of these horses employ trainers, grooms, veterinarians, blacksmiths, farm hands, exercise riders, hot walkers, jockeys, and drivers. All of these individuals invest in the local economy by purchasing goods and services to support their racing business and everyday needs. In addition, the racino operators in Pennsylvania who accept wagers employ individuals such as pari-mutuel tellers, security officers, accountants, marketing staff, food and beverage staff, announcers, and maintenance workers to care for the racetrack and associated grounds. Clearly, the direct

investment of slot machine revenue in Pennsylvania horse racing spins out to the local communities surrounding the race tracks.

While casinos offer amenities such as hotels, spas, retail shopping, and restaurants in order to attract more patrons, thoroughbred and standardbred racing provides an additional entertainment option for the six operating Category 1 licensees. In 2014, racing events held throughout the year attracted over 827,000 patrons to the racetracks that, in addition to attending live racing, frequent the other amenities as well. As an example, Presque Isle Downs and Casino recently hosted a "Belmont & Boxing Weekend" where they held live boxing on the apron of their racetrack on Belmont day which was followed by the simulcast of the big race making for a full day and night of entertainment. This was all offered in addition to the slot machines, table games, and dining options.

However, the racing industry continues to face very significant challenges. Approximately \$765 million was wagered on races held in Pennsylvania in 2014 which represents a decrease of 5.3% when compared to the same time period the previous year. However, wagering on Pennsylvania races at venues outside of the Commonwealth has increased significantly with the introduction of tax revenue from slot machines which increases purses and interest in Pennsylvania racing. Total handle on Pennsylvania races in 2014 was 32% higher when compared to the same time period before gaming commenced in 2006. This would appear to be a direct correlation of enhanced purses and more competitive racing which generates greater interest in the races.

In addition, the portion of handle that is taxable decreased by 11% over this same time period. This trend is not unique to Pennsylvania, as wagering on live racing and, in particular, via simulcast has been declining throughout the rest of the country as well. But, an increase or decrease in taxable handle directly impacts the resources available to ensure the health and welfare of the horses, the backstretch workers, the wagering public and the integrity of the industry in general.

Finally, I do not believe iGaming will have any significant impact on the horse racing industry or pari-mutuel wagering. As is the case inside the casinos, there may be some cross-over between patrons who enjoy handicapping the races and those patrons who frequent the slot machines and table games. At the same time, advance deposit wagering on horse racing and iGaming may be able to complement each other by advertising or including a link on each respective website providing an opportunity to cross-market the two products. This may be advantageous for each.

Nearly two weeks ago, horse racing enjoyed a very special and historic moment as American Pharoah led wire to wire at the Belmont. Crossing the finish line marked a Triple Crown winner thirty-seven years in the making. According to the Associated Press, this historic Triple Crown drew the third best preliminary television rating for the Belmont Stakes by pulling a 12.3 overnight rating. In contrast, a game in the Stanley Cup finals which immediately followed the Belmont drew only a 4.8 overnight rating.

But the Triple Crown, while historic, is over. What happens next is just as important.

The horsemen's organizations, the casinos and everyone else involved in racing in Pennsylvania have the opportunity to keep building the sport of horse racing by reviewing the entire structure of the sport to increase viewership and bring people to the track as well as to the casino.

Thank you and I'd be glad to answer any questions you may have.