

***Providing***  
**Funding for Illinois Infrastructure**

***Creating***  
**Construction Jobs in Chicagoland and Metro East**

***Growing***  
**Permanent Jobs in the Illinois Agribusiness**

*Illinois AFL-CIO  
Chicago & Cook County Building & Construction Trades Council  
Teamsters Joint Council 25  
International Brotherhood of Electrical Workers Local 134  
Service Employees International Union Local 1  
Unite Here! Local 450  
Treasurers & Ticket Sellers Local 750  
Chicago Southland Chamber of Commerce  
Illinois Hotel and Lodging Association*

*Illinois Thoroughbred Horsemen's Association  
Illinois Horsemen's Benevolent Protective Association  
Illinois Standardbred Owners & Breeders Association  
Illinois Association of Agricultural Fairs*

*Arlington Park Racecourse  
Balmoral Park Racetrack  
Fairmount Park Racetrack  
Hawthorne Race Course  
Maywood Park Racetrack  
Quad City Downs Racecourse*

## Contents

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<b>Situation</b>	<b>3</b>
<b>Solution</b>	<b>4</b>
<b>Overview</b>	<b>5</b>
<b>Our Proposal</b>	<b>7</b>
<b>Historical Perspective</b>	<b>8</b>
<b>Detailed Examination</b>	<b>11</b>
<b>Summary</b>	<b>20</b>

### **Situation**

School construction, road construction and other infrastructure projects promised under the state's newly approved capital construction program are at risk. Dollars for the state's new capital program likely will fall short as dozens of local governments opt out of video gaming – the primary revenue source. Meanwhile, the \$2.5 billion Illinois horse racing and breeding program, which supports thousands of workers from trainers to feed suppliers, is losing jobs to Indiana, Iowa and other states where horse racing is far more competitive.

### **Solution**

Allowing the Illinois horse racing industry to modernize its business model by utilizing gaming machines would help ensure that capital projects actually occur on schedule while at the same time creating construction jobs and saving thousands of Illinois agribusiness jobs.

#### *Benefit 1*

Electronic gaming at tracks would generate substantial additional dollars for school construction, road construction and other crucial Illinois capital projects.

#### *Benefit 2*

Electronic gaming at tracks would prompt \$200 million to \$400 million in immediate large-scale construction projects, creating high-quality construction jobs in Chicagoland and Metro East.

#### *Benefit 3*

Electronic gaming at tracks would support and grow jobs in Illinois horse racing, the oldest form of legal gaming in Illinois, while at the same time preserving thousands of other jobs in the equine sector of the Illinois agribusiness, for future generations.



# **Illinois Horse Racing Industry**

## **Situation**

With dozens of municipalities and counties opting out of video gaming, revenues for the state's newly approved capital construction program are on track to fall short of projections – potentially postponing much-needed road construction, school construction and other much-needed infrastructure improvements. Additionally, the state likely will wait a year or more – until video gaming is licensed, organized and online – to realize meaningful revenue from this new program.

The Illinois Commission on Government Forecasting and Accountability has said new revenue from video gaming could be short as much as \$177.7 million from the \$287.5 million to \$534.2 million initially projected, particularly if Chicago opts not to participate.

A significant infusion of new revenue is necessary to ensure that those building projects, which are fundamental to the state's economic recovery, proceed as planned.

Meanwhile, Illinois horse racing, a great tradition and a pillar of the Illinois equine industry, is on the verge of extinction due to fierce competition from fully developed horse racing and gaming operations in other states. This state, which tightly regulates all aspects of horse racing, has not permitted horse racing to modernize its business model even as horse racing venues in surrounding states expanded.

Though lawmakers repeatedly empowered riverboat casinos to

effectively compete with their counterparts in surrounding states, they have not yet empowered horse racing to do the same.

Consequently, horse racing competitors are fleeing Illinois in favor of states such as Indiana and Iowa, where purses are significantly higher. Purses are more attractive in these states precisely because lawmakers there allowed horse racing a competitive edge.

Though Illinois lawmakers agreed in 1999 to earmark 15 percent of the forthcoming 10<sup>th</sup> casino's revenue for horse racing, the state's horse racing industry has never seen a penny of that revenue because the 10<sup>th</sup> casino has yet to open.

As part of that 10<sup>th</sup> casino legislation, riverboats were granted the opportunity to operate dockside fulltime – vastly improving their competitive edge (by billions of dollars) with casinos in other states. Yet lawmakers here have yet to allow horse racing to modernize its own business model to adequately compete with other states.

If Illinois does not allow its horse racing industry to adapt to changes in the marketplace and compete with horse racing in other states, Illinois horse racing will cease to exist – and thousands of jobs in the Illinois horse racing and breeding program, a \$2.5 billion industry, may be lost.



# Illinois Horse Racing Industry

## Solution

Allowing the state's horse racing venues, currently licensed gaming destinations, to maximize their capacities with gaming machines, would generate in excess of \$100 million for the state in the form of extra licensing fees, plus an additional \$100 million to \$300 million in recurring annual tax revenue for the state. This would go a long way toward ensuring that school, road and other building projects promised under the capital plan actually occur on schedule.

By keeping these projects on track, the state can be sure that significant job and other economic growth will in fact result from this capital plan.

Gaming machines at tracks would create an estimated 1,200 to 1,500 permanent jobs, plus an estimated capital investment of up to \$200 million to \$400 million at these racetracks. This capital investment would support additional trade organization jobs necessary to construct new facilities or remodel racetracks to operate electronic gaming.

Indeed, our proposal, which is pending before lawmakers in Springfield, would reverse the speeding decline of the Illinois horse racing and breeding program, a \$2.5 billion industry. Two bills embody our proposal, and both enjoy bipartisan support. The first, House Bill 5975, is sponsored by Rep. William Burns (D-Chicago) and Rep. Mark Beaubien (R-Barrington

Hills), Rep. Edward Acevedo (D-Chicago), Rep. JoAnn Osmond (R-Antioch) and Rep. Thomas Holbrook (D-Belleville). The second, Senate Bill 3371, is sponsored by Sen. Donne Trotter (D-Chicago) and Sen. John O. Jones (R-Mt. Vernon).

While generating additional revenue for crucial public projects, permitting Illinois horse racing tracks to develop their business models by offering gaming machines would at the same time support this state's historic horse racing industry – and the larger agribusiness economy – for generations to come, without any government support.

As *The Dispatch-Rock Island Argus* noted in a March 9 editorial, "It's in everyone's best interest to come up with a revenue-sharing plan that works, for the sake of a horse racing industry, and for the sake of the state's taxpayers."

Our proposal would finally level the playing field for Illinois horse racing – empowering horse racing to adequately compete against venues in other states, just as lawmakers empowered riverboat casinos to compete with their out-of-state counterparts.

In doing so, our proposal would ensure that Illinois equine and other businesses that support and supply the horse racing industry, a sector employing over 37,000 Illinoisans, also will substantially benefit and would be much more likely to create additional jobs should Illinois horse racing once again become competitive with other states.

That means that the men, women and children of our state's equine industry – from breeders to suppliers to equine veterinarians across the state – can continue to rely on the Illinois horse racing industry to be a core engine supporting their livelihood.



# **Illinois Horse Racing Industry**

## **Overview**

### ***Existing Facilities***

The state's horse racing tracks are existing, established licensed gaming destinations. Arlington Park, one of the nation's most prestigious tracks, has been managing pari-mutuel gaming for more than 80 years and Hawthorne Race Course, the nation's oldest family-operated racetrack, has been managing pari-mutuel gaming for more than 100 years. Balmoral Park and Maywood Park provide opportunities for harness racing, while Fairmount Park anchors the industry in southern Illinois.

Though Illinois is moving forward with video gaming in those jurisdictions that have not opted out, the task of screening and licensing the potentially thousands of taverns, restaurants and other venues eligible for gaming machines is a massive undertaking and state regulatory authorities have already indicated this will take much longer (more than a year) than initially anticipated.

### ***Stable Revenue***

The state's last major capital construction program was approved in 1999, the first year of former Gov. Ryan's administration. The new building program approved last year is sorely needed to address deteriorating roads and bridges and other infrastructure needs.

In order for this new building program to be successful, we must

have a stable source of revenue behind it. Based on the experience of other states, the stream of revenue from electronic gaming at tracks would be significant and stable.

Allowing electronic gaming at tracks would ensure that the state will actually initiate all projects earmarked under the new capital construction plan. It would ensure that job growth promised under the capital construction plan will actually occur. It would ensure that the Illinois-wide economic boost promised by the capital construction plan will actually occur.

### ***National Trend***

Other states are pushing forward, rather aggressively, with electronic gaming at tracks. Even as the commercial casino industry as a whole faced declining revenues, the racetrack casino sector continued to grow in 2008, with three new properties opening and one state, Indiana, becoming the newest "racino state," according to the American Gaming Association's 2009 State of the States report.

Racetrack casinos experienced a 17.2 percent increase in gross gaming revenues compared to 2007, growing to \$6.19 billion. Also according to the report, racetrack casinos alone contributed \$2.59 billion to state and local governments in the communities where they operated in 2008, a 16.6 percent increase over 2007 figures.

Racino tax contributions increased in seven out of 11 states, with racinos opening in both 2007 and 2008. Pennsylvania experienced the largest increase (89.3 percent) due to the continued opening of new properties during 2008 and late 2007.

Here in Illinois, dozens of municipalities – from Wilmette and Libertyville to Oak Park and Naperville to Rochester and



## **Illinois Horse Racing Industry**

Carbondale – have banned video gaming from establishments in their territories. Five counties – Cook, DuPage, Kane, McHenry and Lake – also have banned the machines from their unincorporated areas. Other local governments are considering a ban.

The Illinois Commission on Government Forecasting and Accountability said new revenue from video gaming could be short as much as \$177.7 million from the \$287.5 million to \$534.2 million initially projected, particularly if Chicago opts not to participate.

As COGFA noted in a recent report on gaming, “Because it is unknown how many local government entities will decide to prohibit video gaming in their municipalities, it is very difficult to predict the number of video gaming terminals that will become operational.”

### ***Centralized Activity***

Gaming activity at tracks is centralized and highly regulated. Patrons must make special trips to reach our establishments. Once they reach our establishments, they must stop and pay admission to enter. Then they typically must traverse stairs to reach our cashiers and, ultimately, their seats.

Visiting and patronizing one of our tracks is a full-fledged recreational experience. Our patrons plan for the time they spend at our establishments. Our patrons do not tend to just show up and gamble on a whim.

Video gaming activity will occur at potentially thousands of venues across Illinois simultaneously, and this will pose significant logistical challenges to regulators. Moreover, people can patronize video gaming machines literally while stopping by a restaurant for lunch or dinner. They are far more likely to spend their money on video gaming machines impulsively and spontaneously.

### ***Positive Impact***

Conservatively, we project that win per machine per day at the Illinois Chicagoland racetracks would exceed \$350 and would approach \$375. (In Pennsylvania, whose gaming market is similar to that in Illinois, win per machine per day tops \$350 in a recession period.) Any dilution of gaming at Illinois riverboats would be 5 percent or less, given the density of the Chicagoland gaming market.

According to a Rutgers Equine Science Center study last year, “In states where slots exist (at horse racing tracks): Average daily gross slot terminal revenue at horse racing facilities is higher on racing days versus non-racing days; total number of race days, live racing handles on-track, total export or simulcast handles, and total purses increased. Also, state treasuries are receiving additional income from slot revenue to be used for a variety of programs, e.g. property tax relief and education.”



# **Illinois Horse Racing Industry**

## *Supporting Horse Racing and Illinois Agribusiness*

### **Our Proposal**

Legislators are weighing two bills that embody our proposal, and both enjoy bipartisan support. The first, House Bill 5975 is sponsored by Rep. William Burns (D-Chicago), Rep. Mark Beaubien (R-Barrington Hills), Rep. Edward Acevedo (D-Chicago), Rep. JoAnn Osmond (R-Antioch) and Rep. Thomas Holbrook (D-Belleville). The second, Senate Bill 3371, is sponsored by Sen. Donne Trotter (D-Chicago) and Sen. John O. Jones (R-Mt. Vernon)

### ***Stable Revenue***

Our proposal would utilize the same tax rates already applied to riverboat casinos. Taxes on gaming machine revenue would be based on adjusted gross receipts, after deducting amounts paid for horsemen's purses. The same admission taxes applied to riverboat casinos also would apply.

New tax revenue, an estimated \$100 million to \$300 million per year, would flow directly to the state's Capital Project Fund to support infrastructure growth crucial to this state's economic recovery.

Additionally, the state would enjoy an early influx of revenue from license fees estimated to be in excess of \$100 million. This revenue also would flow directly to the state's Capital Project Fund.

Purses in Indiana, Iowa and other states that permitted horse racing tracks to maximize their capacities are rapidly outpacing purses in Illinois. As a result, racing competitors are leaving Illinois horse racing venues in favor of venues in other states where the purses are much greater. Our proposal is designed to reverse that trend by buttressing purses in Illinois – giving racing competitors an incentive to stay here.

Additionally, our proposal will send much-needed revenue to horsemen's programs. Revenue also would be set aside to support breeder's awards and related agribusiness programs.

Meanwhile, purse recapture would be phased out after gaming machines at tracks are operational for four years, resulting in \$14 million in increased purses per year.

Our proposal also would earmark dollars for Thoroughbred and Standardbred breeders programs (as opposed to track payments for breeders awards), the Colt Stakes Purse Distribution Fund for horse racing at the state and county fairs, the Illinois Racing Board for grants to organizations providing medical and social services for backstretch workers, and local governments

Finally, our proposal would repeal the 10th License Racing Horse Racing Equity Fund. All tax monies generated by that license (an estimated \$60 million to \$90 million annually) would go toward Education Assistance Fund.



# **Illinois Horse Racing Industry**

## **Historical Perspective**

### ***Great Tradition, Broad Implications***

Horse racing cannot survive in Illinois without positive action from the General Assembly to level our playing field with other racing jurisdictions. Other states did not stand still while Illinois repeatedly considered and failed to enact a remedy to resolve the unintended harm that approval of riverboat gaming caused the racing industry. We are now surrounded by states that allow their racetracks to offer alternative gaming to supplement their purse accounts – the economic engine of racing. Indiana is the most recent addition; Illinois tracks now compete directly with racetracks in both Indiana and Iowa.

Racing is not immune to the laws of supply and demand. As other states provide for increased purses and as new tracks with alternative gaming enter the market, it is inevitable that there will be losers as well as winners and that some existing tracks will close. The Illinois horse racing industry, which supports thousands of agribusiness jobs statewide, needs the active support of the General Assembly to remain viable.

Allowing electronic gaming at tracks would ensure the continued support and generation of good paying jobs that are stable around the year. It would create a stable and growing tax base and additional resources for the local and state government to address public

priorities. It also will support existing businesses in Chicagoland and Metro East for decades to come.

In short, allowing electronic gaming at tracks would ensure the survival of the state's \$2.5 billion horse racing and breeding industry, which directly and indirectly supports tens of thousands of fulltime agribusiness jobs.

Horse racing is a pillar of the larger Illinois equine industry. While sport horse enthusiasts and recreational riders also use equine services such as veterinary clinics and feed and supply stores, racing is a core consumer of those services.

When horse racing suffers, the larger Illinois economy – particularly downstate – suffers too. In this fragile economy, it's just as important to protect existing jobs such as those of downstate horse breeders as it is to create new ones. Unlike other major forms of gaming, the strength of the horse racing industry truly ripples through the larger Illinois economy.

It makes sense for lawmakers to give serious consideration to permitting gaming machines at tracks:

- The state's horse racing tracks are existing, established destination-gaming venues that have managed pari-mutuel gaming for decades.
- Gaming activity at tracks is centralized and highly regulated. Patrons must make special trips to reach the tracks. Once there, they must stop and pay admission to enter. They typically must traverse stairs to reach cashiers and, ultimately, their seats. Visiting and patronizing a track is a full-fledged recreational experience. Patrons plan for the time



## **Illinois Horse Racing Industry**

they spend there; they do not tend to just pop in and gamble on a whim.

Horse racing must have flexibility in its business model to compete with emerging market forces across the nation and around the world. In order to survive, horse racing must meet the broader entertainment expectations of the public.

Illinois is now surrounded by states that allow their racetracks to offer alternative gaming to supplement their purse accounts. The Illinois horse industry cannot survive unless the General Assembly acts to level the playing field with other racing jurisdictions.

### ***Stable Base for Capital Projects***

Though lawmakers approved video gaming in taverns, restaurants and other small venues across the state as the primary means to support the capital plan, dozens of municipalities and counties have already banned video gaming, and more are poised to do the same.

Revenue from the video gaming program therefore is on track to produce significantly less revenue than projected, and the infrastructure improvements, job creation and economic growth promised by a new capital construction plan therefore could potentially be compromised unless lawmakers identify an alternative revenue source.

As lawmakers consider how lawmakers might raise dollars from other sources, the Illinois horse

racing industry respectfully submits that the addition of gaming machines at horse racing tracks is the most sensible way to generate the dollars necessary to fill the hole left by a diminished video gaming program.

Allowing the state's horse racing venues, currently licensed gaming destinations, to maximize their capacities with gaming machines would generate in excess of \$100 million for the state in the form of extra licensing fees, plus an additional \$100 million to \$300 million in recurring annual tax revenue for the state. This would go a long way toward ensuring that school, road and other building projects promised under the capital plan actually occur on schedule.

By keeping these projects on track, the state can be sure that significant job and other economic growth will in fact result from this capital plan.

By permitting gaming machines at horse racing tracks, lawmakers have an opportunity not only to help ensure the vitality of horse racing – and the larger Illinois equine industry – for generations to come; they can bolster the capital plan with a substantial, stable source of revenue.

### ***Legislative History***

In 1990, the General Assembly transformed the state's gaming landscape by authorizing 10 riverboat casinos. Suddenly, the gaming public faced a market saturated with slot machines and table games.

Nine years later, lawmakers again transformed the gaming landscape by allowing riverboats to stay permanently moored to land, effectively authorizing land-based casinos. Business and revenue at casinos boomed as patrons took to coming and going as they pleased.

And just as the government spurred casino growth, it diminished interest in



## **Illinois Horse Racing Industry**

horse racing. Like casino gaming, horse racing is wholly regulated by the state. The state dictates exactly when and how horse racing may occur. The industry can't simply adapt business practices to meet marketplace needs.

Horse racing recognized the adverse impact of casino growth and, as part of the 1999 law, sought to bolster its own appeal by offering gaming machines at tracks. But when this was deemed politically unacceptable, lawmakers and stakeholders agreed to a compromise under which the forthcoming 10<sup>th</sup> casino would share a portion of its revenue with horse racing.

Illinois followed the model of other states that had introduced and expanded casino gaming alongside horse racing. Each of those states, from New York and Florida to Oklahoma and Louisiana, went out of its way to keep horse racing viable by allowing tracks to offer gaming machines or by diverting a share of casino revenue to the tracks.

By earmarking 15 percent of the 10<sup>th</sup> casino's revenue for horse racing, Illinois lawmakers made a decision that horse racing, a great tradition and the oldest form of legalized gaming in Illinois, is worth preserving and protecting. The equine sector of the Illinois agribusiness, which supports tens of thousands of jobs across this state, relies on racing.

Yet horse racing has never seen a penny from that revenue sharing plan because the 10<sup>th</sup> casino has yet to open. And in the wake of dockside gambling, interest in horse racing

plummeted. Total annual pari-mutuel wagering on horse racing in Illinois has dropped 35 percent from 1999 to 2009, while adjusted gross receipts at Illinois riverboat casinos has grown 41 percent in the same 10 years.

The state, which controls the horse racing industry, created this problem when it introduced casino gaming and gave horse racing no additional means to stay competitive with the horse racing industries in other states. Illinois enhanced the problem by allowing casinos to stay dockside – and, again, refusing to allow the horse racing industry to adapt.

We stand on the brink of the end for horse racing in Illinois. If Illinois does not help its horse racing industry in the way that other states have helped theirs, Illinois horse racing cannot compete. Lawmakers must permit horse racing to adapt to the overwhelming competition in surrounding states, or it will cease to exist.

Gaming machines at horse racing tracks would help level the playing field for Illinois horse racing, an industry at a distinct disadvantage with Indiana, Iowa and other states, and ensure that a vibrant horse racing industry continues to support tens of thousands of agribusiness jobs across the state for generations to come.



# **Illinois Horse Racing Industry**

## **Detailed Examination**

### **How have slots at racetracks helped improve the horse racing industry in other states?**

A perfect example would be what happened in Delaware, which was the first state to introduce slots at racetracks in 1994. At Delaware's harness track, Dover Downs, purses were averaging \$10,000 per day before the implementation of slot machines. That same track now offers purses in excess of \$150,000 per day and has attracted some of the top trainers and drivers who previously competed in Illinois.

On the Thoroughbred side, Delaware Park paid \$7.9 million in purse money in 1994 before the implementation of slots but paid \$34.8 million in purses in 2008. Average daily purses in that same time span went from \$58,642 per day to more than \$300,000 in 2002 before leveling off due to the addition of slots in nearby states to \$256,098 in 2008.

*(Source: 2009 Study by Rutgers Equine Science Center)*

### **What effect do higher purses have on the racing program?**

Higher purses mean that many of the nation's best trainers, jockeys and drivers now race in Delaware. For example, Todd Pletcher, an Eclipse-award winning Thoroughbred trainer with stables at multiple tracks, shifted his former Arlington Park-based operation to

Delaware Park in 2009 in order to compete for the higher purse money offered there.

On the harness side, former Illinois Harness Horsemen's Association president Tony Morgan, a perennial leading driver at the Chicago-area tracks, shifted his base of operation as well as his residence to Delaware (where there also is year-round harness racing) because of the significantly higher purses being offered there.

In addition, the higher purse levels at Delaware racetracks have made their races more attractive to bettors nationally. Delaware Park races generated \$21 million in out-of-state handle in 1994 before slots and as much as \$260 million in 2002 before leveling off to \$198 million in 2007.

*(Source: 2009 Study by Rutgers Equine Science Center)*

### **How has having slot machines at racetracks affected the Standardbred (harness racing) industry?**

In 2006 prior to the introduction of slot machine at racetracks in neighboring states, harness racing in New Jersey led the nation in total purses paid for harness racing. By 2008, New Jersey had fallen to third behind New York and Pennsylvania – losing horses and horsemen to these states.

Total Standardbred purses paid annually in Delaware have increased by 1500 percent since the introduction of slot machines at racetracks in 1994.

In just three years of the first slots-at-racetrack operation opening in Maine, that state's Standardbred (harness) breeding program nearly doubled while purses more than doubled at Maine's two tracks and race dates increased.

*(Source: 2009 Study by Rutgers Equine Science Center)*



## **Illinois Horse Racing Industry**

### **How do the breeding programs in states with slot machines at racetracks compare with those same programs in non-slots states?**

West Virginia (238%), Louisiana (107%) and New Mexico (147%), all states with slots at racetracks, have seen their Thoroughbred breeding programs more than double from 1997-2007.

Several other states with slots at tracks have shown significant gains in their Thoroughbred breeding programs in that same period – Florida (20%); Indiana (45%); and New York (45%).

Illinois, which of course does not have gaming machines at racetracks, has seen its Thoroughbred breeding program decline by more than 15 percent in that same timeframe.

*(Source: The Jockey Club 2009 Online Fact Book)*

### **How has electronic gaming at racetracks affected Standardbred breeding?**

In the five years since legislation allowing slot machines at racetracks was passed in Pennsylvania, that state's breeding program increased by 29.3 percent, while in the seven years since New York authorized slots at tracks their breeding program increased by as much as 40 percent before leveling off to a 17 percent increase.

On the other hand, New Jersey, which at one time boasted the top Standardbred breeding programs, saw the number of mares bred there

drop by more than 52 percent since 2002.

*(Source: 2009 Study by Rutgers Equine Science Center)*

### **If Illinois does not add slot machines to racetracks, what would happen?**

Since slot machines have been added in other states, thereby dramatically improving the purses in those other states, many horsemen have left Illinois to race elsewhere or they have split their stock between Illinois and other venues.

Joe Kasperski Jr. – a former president of the Illinois Thoroughbred Horsemen's Association, second-generation horseman and a lifelong Chicago resident – has moved his entire operation to Pennsylvania to take advantage of that state's slots-fueled purses.

Nationally prominent Thoroughbred trainers such as Todd Pletcher, Steve Asmussen, Tom Amoss, Paul McGee, Rusty Arnold, Bret Calhoun and Bob Holthus, to name just a few, are among those trainers who have either eliminated or greatly curtailed their participation in Illinois racing because of higher purses elsewhere.

In addition, local mainstays such as Mike Reavis and Larry Rivelli regularly send horses to Pennsylvania or West Virginia to race.

Furthermore, Illinois is losing trainers, horses and breeding farms to other states. According to *Illinois Racing News* editor Joan Colby, that magazine's June 2009 Farm Issue had some 45-50 fewer entries than the same issue just a few years ago. Some of the larger Thoroughbred breeding farms that have closed (or have ceased breeding operations) include Horizon Farm, Illinois Stud, Prairie View Farm, B & B Farm, Lone Cedar Farm, Casey Thoroughbreds, Webb Farms, Lindenwood



## **Illinois Horse Racing Industry**

Farm, Maier Thoroughbreds and Shawnee Hill Farm.

Harness racing drivers Tim Tetrick, Andy Miller, Patrick Berry, Tony Morgan and Ryan Anderson are among those who have left Illinois to race in other states. Tetrick and Miller in particular are lifelong Illinois residents whose families are heavily involved in the Illinois Standardbred industry but are gradually moving their operations out of state since Illinois can no longer compete with purses being offered at tracks in Indiana and Pennsylvania.

### **Has adding slot machines at racetracks in other states caused an increase or decline in number of racing dates in those states?**

While many tracks around the country are reducing racing opportunities, states that have slot machines at racetracks are adding racing dates as more horsemen bring their stock to those states.

In Pennsylvania, one of the more recent states to add slot machines, the number of racing dates increased 23 percent from 2006 to 2008 and the number of live races in the state increased by 33 percent. Purses nearly tripled from \$62 million (in 2006) to almost \$177 million in that same three-year stretch.

*(Source: 2009 Study by Rutgers Equine Science Center)*

### **Do states with slots at racetracks attract more horses to race at their tracks?**

Horse racing bettors like to wager on races with more horses as the potential payoff tends to be better in races with fuller fields. Seven of the top 10 states or provinces in terms of average field size per Thoroughbred race have slot machines at racetracks and 10 of the top 15 states in terms of average field size per Thoroughbred race have slot machines at racetracks.

Only one of the bottom 10 states or provinces in terms of average field size of Thoroughbred race allows slot machines at racetracks.

*(Source: The Jockey Club 2009 Online Fact Book)*

### **Are other states concerned about the possible negative impact that the death of horse racing might have on the large horse industry?**

The Rutgers study noted that horse racing is “not the only equine discipline that will lose if New Jersey racing does not receive the ‘shot in the arm’ it so desperately needs.” The study notes that sport competition and recreational horse users also stand to suffer, as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space due to the fact that their major customers are horse owners.

The study also noted that “top shelf” level of services New Jersey horse enthusiasts have come to expect such as equine veterinary clinics and feed and supply stores are at risk, because, while they are frequented and supported by sport horse competition and recreational users, a predominant economic flow to these entities is from the racing industry. There already exists a shortage of large animal veterinarians in the state. If racing clients



## **Illinois Horse Racing Industry**

ceased to exist in New Jersey, this demand would be even greater.

### **If tracks operated gaming machines, how would gaming machine activity be affected by racing activity?**

According to a Rutgers Equine Science Center study released last year, "Average daily gross slot terminal revenue at horse racing facilities (where slots exist at tracks) is higher on racing days versus non-racing days; total number of race days, live racing handles on-track, total export or simulcast handles, and total purses increased." The study went on to note that "state treasuries are receiving additional income from slot revenue to be used for a variety of programs, e.g. property tax relief and education."

### **What states have allowed racetracks to operate slot machines?**

- **Delaware** – 3 (Dover, Harrington, Wilmington)
- **Florida** – 3 (Hallandale Beach, Pompano Beach and Calder)
- **Indiana** – 2 (Anderson, Shelbyville)
- **Iowa** – 3 (Altoona, Council Bluffs, Dubuque)
- **Louisiana** – 4 (Bossier City, New Orleans, Opelousas, Vinton)
- **Maine** – 1 (Bangor)
- **New Mexico** – 5 (Albuquerque, Farmington, Hobbs, Ruidoso, Sunland Park)

- **New York** – 10 (Aqueduct, Batavia, Belmont, Farmington, Hamburg, Monticello, Nichols, Saratoga Springs, Vernon, Yonkers)
- **Oklahoma** – 3 (Claremore, Oklahoma City, Sallisaw)
- **Pennsylvania** – 6 (Bensalem, Chester, Erie, Grantville, Meadow Lands, Wilkes Barre)
- **Rhode Island** – 2 (Lincoln & Newport)
- **West Virginia** – 4 (Charles Town, Chester, Cross Lanes, Wheeling)

### **How many video gaming/slot machines operate at racetracks in these states?**

- **Delaware (7,884 machines)** – 3,191 machines at Delaware Park, 2,632 at Dover Downs and 2,061 at Harrington raceway
- **Florida (4,851 machines)** – 887 machines at Gulfstream, 1,239 at Mardi Gras, 1,500 at Pompano Park and 1,225 at Calder in 2010
- **Indiana (3,889 machines)** – 2,000 at Hoosier Park in Anderson and 1,889 at Indiana Live! Casino in Shelbyville
- **Iowa (4,676 machines)** – 959 at Mystique in Dubuque, 1,917 at Prairie Meadows in Altoona and 1,800 at Horseshoe Casino in Council Bluffs
- **Louisiana (5,162 machines)** – 1,300 machines at Harrah's Louisiana Downs in Bossier City, 615 at Fair Grounds Race Course in New Orleans, 1,627 at Evangeline Downs Racetrack and Casino in Opelousas and 1,620 at Delta Downs Racetrack in Vinton
- **Maine (1,000 machines)** – 1,000 at Hollywood Slots Hotel & Raceway in Bangor
- **New Mexico (2,602 machines)** – 317 machines at Downs at Albuquerque, 510



## **Illinois Horse Racing Industry**

at SunRay Park & Casino in Farmington, 750 at Black Gold Casino at Zia Park in Hobbs, 325 at Ruidoso Downs Race Track and 700 at Sunland Park Racetrack & Casino

- **New York (13,027 machines)** – 601 machines at Batavia Downs, 1,200 at Finger Lakes Gaming & Racetrack in Farmington, 900 at Fairgrounds Gaming & Raceway in Hamburg, 1,545 at Monticello Gaming and Raceway, 750 at Tioga Downs in Nichols, 1,754 at Saratoga Gaming and Raceway, 777 at Vernon Down, 5,500 at Empire City at Yonkers Raceway
- **Oklahoma (1,950 machines)** – 500 machines at Cherokee Casino – Will Rogers Downs in Claremore, 700 at Remington Park in Oklahoma City and 750 at Blue Ribbon Downs at Sallisaw
- **Pennsylvania (14,318 machines)** – 2,481 machines at Mohegan Sun at Pocono Downs in Wilkes Barre, 2,912 at Philadelphia Park Casino & Racetrack in Bensalem, 2,873 at Harrah's Chester Casino & Racetrack in Chester, 2,000 at Presque Isle Downs & Casino in Erie, 1,825 at The Meadows Racetrack & Casino in Washington, 2,227 at Hollywood Casino at Penn National in Grantville
- **Rhode Island (6,200 machines)** – Over 4,700 machines at Lincoln and over 1,500 machines at Newport

- **West Virginia (12,432 machines)** – 5,032 machines at Charles Town Races & Slots in Charles Town, 1,800 at Tri-State Casino & Resort in Cross Lanes, 2,400 at Wheeling Island Racetrack and Gaming Center and 3,200 at Mountaineer Casino, Racetrack & Resort in Chester

**Do any of these states also have video poker in bars & truck stops?**

Louisiana and West Virginia

**How many additional jobs were created from racinos in each state?**

- **Delaware** – 2,582
- **Florida** – 2,201
- **Indiana** – 1,412
- **Iowa** – 2,668
- **Louisiana** – 2,268
- **Maine** – 324
- **New Mexico** – 1,605
- **New York** – 3,413
- **Oklahoma** – 1,050
- **Pennsylvania** – 4,948
- **Rhode Island** – 1,310
- **West Virginia** – 5,270

**How much annual state/local tax revenue is generated from racinos in each state?**

- **Delaware** – \$210.55 million
- **Florida** – \$114.43 million
- **Indiana** – \$51.21 million
- **Iowa** – \$108.47 million
- **Louisiana** – \$72.95 million
- **Maine** – \$25.04 million
- **New Mexico** – \$67.10 million
- **New York** – \$446.28 million
- **Oklahoma** – \$13.33 million



## **Illinois Horse Racing Industry**

- **Pennsylvania** – \$752.42 million
- **Rhode Island** – \$302.70 million
- **West Virginia** – \$430.24 million

**Isn't the Illinois side of the Chicago-area market already fully saturated with gaming options? How can we squeeze any more gaming positions into the Illinois side of the market?**

Actually, we believe that there is significant room for growth in the Illinois side of the Chicago-area gaming market. In 2007, the Colorado-based Innovation Group studied the demographics and economics of the northeast Illinois and northwest Indiana gaming market to gauge whether the market had room to grow. The Innovation Group based its study on the assumption that three new casinos – one each in Chicago, Waukegan and a south suburb – would exist in the market in addition to those already in place. Since the market is developing only one new casino on the Illinois side of the market, the upcoming casino in Des Plaines, the Innovation Group's projections are therefore particularly conservative.

Specifically, using several scenarios the Innovation Group examined how the addition of gaming machines at all the horse racing tracks in Illinois would affect the overall local gaming economy.

Their analysis showed that the models that included a provision in which gaming machines were added at racetracks as well as authorizing either additional casinos or positions

at current casinos, all the Illinois horse racing tracks in the Chicago market would take a greater percentage of market share than the Indiana-based casinos.

So, even with more positions at the Illinois casinos, the addition of gaming machines at the Illinois horse racing tracks would significantly increase the gaming traffic on the Illinois side of the Chicago market. In other words, this would go a long way toward keeping Illinois gaming dollars in Illinois.

**Are horse racing tracks well suited for gaming machines? Would gaming machines be anathema to your pari-mutuel model?**

Yes, horse racing tracks are exceptionally well suited to operate gaming machines. Horse racing is the oldest form of legalized gaming in Illinois. The tracks are existing, established gaming venues. Gaming activity at tracks is centralized and highly regulated. Patrons must make special trips to reach our establishments. Once they reach our establishments, they must stop and pay admission to enter. They typically must traverse stairs to reach our cashiers and, ultimately, their seats. Visiting and patronizing one of our tracks is a full-fledged recreational experience. Our patrons plan for the time they spend at our establishments; they do not tend to just pop in and gamble on a whim.

**Would gaming machines at tracks provide a stable, sustainable flow of revenue?**

Yes. Even as the commercial casino industry as a whole faced declining revenues, the racetrack casino sector



## **Illinois Horse Racing Industry**

continued to grow in 2008, with three new properties opening and one state, Indiana, becoming the newest “racino state,” according to the American Gaming Association’s 2009 State of the States report. Racetrack casinos experienced a 17.2 percent increase in gross gaming revenues compared to 2007, growing to \$6.19 billion, according to the report.

Additionally, racetrack casinos alone contributed \$2.59 billion to state and local governments in the communities where they operated in 2008, a 16.6 percent increase over 2007 figures. The report also found that racetrack casino tax contributions increased in seven out of 11 states with racinos open in both 2007 and 2008. Pennsylvania experienced the largest increase (89.3 percent) due to the continued opening of new properties during 2008 and late 2007.

**As recently as last spring, lawmakers voted to approve the legalization of video gaming – a massive expansion of gaming in Illinois. Why should we now consider allowing horse racing tracks to expand their gaming capacity by operating gaming machines?**

Revenue from the state’s nascent video gaming program is on track to produce significantly less revenue than projected, and the infrastructure improvements, job creation and economic growth promised by a new capital construction plan therefore could potentially be severely

compromised unless lawmakers identify an alternative revenue source.

Dozens of municipalities – from Wilmette and Libertyville to Oak Park and Naperville to Rochester and Carbondale – have banned video gaming from establishments in their territories. Five counties – Cook, DuPage, Kane, McHenry and Lake – also have banned the machines from their unincorporated areas. Other local governments are considering a ban.

As the Commission noted in its recent report on gaming, “Because it is unknown how many local government entities will decide to prohibit video gaming in their municipalities, it is very difficult to predict the number of video gaming terminals that will become operational.”

By permitting gaming machines at horse racing tracks, lawmakers have an opportunity not only to bolster the capital plan with a substantial, stable source of revenue; they also would help ensure the vitality of horse racing – and the larger equine sector of the Illinois agribusiness – for generations to come.

By allowing horse racing tracks to complement race wagering with gaming machines, lawmakers could raise in excess of \$100 for the state in the form of extra licensing fees, plus an additional \$100 million to \$300 million in recurring annual tax revenue for the state.

**Why can’t horse racing compete with the casinos in Illinois?**

The horse racing industry in Illinois is **not** in competition with Illinois casinos so much as we’re in competition with other tracks in other states and even in other countries. Roughly 90 percent of betting on



## **Illinois Horse Racing Industry**

races at Illinois tracks comes from off-site locations – largely other racetracks and off-track betting parlors outside of our control. These bets return far less revenue to our tracks than wagers physically made at our tracks.

Horse racing must have flexibility in its business model to compete with emerging market forces across the nation and around the world. In order to survive, horse racing must meet the broader entertainment expectations of the public.

Illinois is now surrounded by states that allow their racetracks to offer alternative gaming to supplement their purse accounts – the economic engine of racing. Indiana is the most recent addition; Illinois tracks now compete with racetracks in both Indiana and Iowa. The Illinois horse racing industry cannot survive unless the General Assembly acts to level the playing field with other racing jurisdictions.

### **How many racinos are there in Indiana?**

Indiana's first racino opened in 2008 and the state now has two racinos grossing about \$205 million. That means \$51 million for state and local governments.

*(Source: Casino Association of Indiana, Indiana Gaming Commission)*

### **How many racinos are there in Iowa?**

Iowa's first racino opened in 2005 and the state now has three racinos grossing \$466.93 million. That means \$108.47 million for state and local governments. *(Source: Iowa Racing and Gaming Commission)*

### **Can't horse racing tweak its business model to become more formidable in the face of competition?**

Like casino gaming, horse racing is wholly regulated by the state. The state dictates exactly when and how horse racing may occur. The industry can't simply adapt business practices to meet marketplace needs. In 1999, horse racing recognized the adverse impact of casino growth and we sought to bolster our own appeal by offering slots at tracks. But when this was deemed politically unacceptable, lawmakers agreed to a compromise under which the forthcoming 10<sup>th</sup> casino would share a portion of its revenue with horse racing.

At the time, Illinois was following the model of other states that had introduced and expanded casino gaming alongside horse racing. Each of those states, from New York and Florida to Oklahoma and Louisiana, went out of its way to keep horse racing viable by allowing tracks to offer slots or by diverting a share of casino revenue to the tracks.

The state, which controls the horse racing industry, created this problem when it introduced casino gaming and gave horse racing no additional means to stay competitive. The state enhanced the problem by allowing casinos to stay dockside – and, again, refusing to allow the horse racing industry to adapt.

By authorizing a portion of casino revenue for horse racing, the state attempted



## **Illinois Horse Racing Industry**

to manage the problem it created. But this effort has thus far been unsuccessful.

We now stand on the brink of the end for horse racing in Illinois. If Illinois does not help its horse racing industry in the way that other states have helped theirs, Illinois horse racing cannot compete with horse racing in other states and it will cease to exist.



# Illinois Horse Racing Industry

## Summary

Illinois horse racing stands ready to provide the additional, stable revenue necessary to help the state ensure that school construction, road construction and other infrastructure projects promised under the capital plan will proceed as scheduled.

By keeping these projects on track, the state can be sure that significant job and other economic growth will in fact result from this capital plan. Additionally, allowing horse racing operations, currently licensed gaming destinations, to maximize their capacities with gaming machines, would generate in excess of \$100 million in the form of extra licensing fees, plus an additional \$100 million to \$300 million in recurring annual tax revenue for the state.

Our proposal would create an estimated 1,200 to 1,500 permanent jobs, plus an estimated capital investment of up to \$200 million to \$400 million at these racetracks. This capital investment would support additional trade organization jobs necessary to construct new facilities or remodel racetracks to operate electronic gaming.

Our proposal, embodied in two bills, enjoys broad-based, bipartisan support. House Bill 5975 is sponsored by Rep. William Burns (D-Chicago), Rep. Mark Beaubien (R-Barrington Hills), Rep. Edward Acevedo (D-Chicago), Rep. JoAnn Osmond (R-Antioch) and Rep. Thomas Holbrook (D-Belleville). Senate Bill 3371 is sponsored by

Sen. Donne Trotter (D-Chicago) and Sen. John O. Jones (R-Mt. Vernon).

It makes sense to modernize Illinois horse racing. Gaming at tracks is centralized and highly regulated. Visiting and patronizing one of our tracks is a full-fledged recreational experience. Our proposal would keep electronic gaming confined at those existing locations.

As *The Dispatch-Rock Island Argus* noted in a March 9 editorial, our proposal “would not significantly expand gambling because horse tracks already have well-regulated pari-mutuel wagering. And, unlike video poker, where the state gaming board must create a system to regulate a brand new, highly invasive animal, the slots will be going to a place that already has gambling.”

Illinois horse racing cannot persist without the ability to modernize its business model to adequately compete with horse racing operations in Iowa, Indiana and other states where purses are much higher. Simply put, Illinois is bleeding jobs to these other states, and our proposal is crafted to keep those jobs – and economic activity – here in Illinois.

Lawmakers have an opportunity to support building projects crucial to growing jobs and fueling this state’s economy, while at the same time ensuring the continuation of tens of thousands of agribusiness jobs, from horse breeders and trainers to feed suppliers, depending directly or indirectly on a vibrant horse racing industry.

Put simply, our proposal will save jobs among Illinois businesses supporting and supplying the horse racing industry, a sector employing over 37,000 Illinoisans. Illinois horse racing stands ready to once again compete, on a level playing field, with other states.