



**STANDARD BRED BREEDERS ASSOCIATION**  
*of Pennsylvania*

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Standardbred Breeders Association of Pennsylvania  
Paul F. Spears, Executive Director  
Report to the Pennsylvania Gaming Control Board  
October 2, 2007

Standardbred Breeders Association of Pennsylvania appreciates this opportunity to inform the Pennsylvania Gaming Control Board about the impact of slots legislation on our Standardbred horse breeding industry.

Slots legislation mandates that 80% of the equine industry's share of slots revenues augment overnight purses. Revenues are distributed into the horsemen's purse accounts for use on a regular and timely basis. 16% of the equine share of slots revenues is mandated to assist the PA breeding industry. Thoroughbred breeders are using their share to supplement their prior existing and legislatively established Pennsylvania Breeding Fund, which is financed through a share of Thoroughbred pari-mutuel handle and slots legislation. Even without the impact of slots legislation, the Pennsylvania Breeding Fund Previous legislation has been disbursing up to \$15,000,000 per year for Thoroughbred Breeders Awards, purse supplements for PA-bred programs, Stallion Awards, and other activities.<sup>1</sup> With added projections from slots revenues, the PA Breeders Fund may increase to as much as \$28,000,000 per year.<sup>2</sup> In addition, Thoroughbred tracks have traditionally written conditions for overnight races for PA-bred horses.

The Standardbred industry has evolved differently. Conditions for overnight races at Standardbred tracks have not generally included support for PA-bred horses. The PA Standardbred industry has a long-established PA Sire Stakes program, which provides a series of Stakes<sup>3</sup> races for 2 and 3 year old PA-bred horses. The PA Sire Stakes program is projected to receive about \$3,000,000 for purses in 2008 from a 1.5% share of pari-mutuel handle at PA Standardbred racetracks.<sup>4</sup> Because of the vital importance of supporting the PA-bred yearling market by providing more lucrative purse opportunities for juvenile horses, and because no revenues were earmarked in slots legislation to support the PA Sire Stakes program, Standardbred breeders voluntarily agreed to legislation that provided for one half (8%) of their share of slots revenues to support purses in the PA Sire Stakes program. With slots revenues thus supplied by the Breeders, funds from pari-mutuel handle, nominating and sustaining payments, and starting fees, the 2008 PA Sire Stakes are projected to have about \$10,000,000

in purses.<sup>4</sup> The other half (8%) will be distributed from the PA Standardbred Breeders Development Fund through direct awards to breeders of PA-eligible horses between the ages of 2 and 5 that earn money in PA races. For 2007, the PA Standardbred Breeders Development Fund is projected to have about \$5,000,000 available for disbursement in Breeders Awards.<sup>4</sup> Therefore, Breeders Awards in the Standardbred industry are only a fraction of the funds available from the PA Thoroughbred Breeding Fund, even though the PA Standardbred breeding industry is far larger than its Thoroughbred counterpart.<sup>5</sup> All slots revenues designated for Sire Stakes purses and Breeders Awards are distributed the following year after collection. As such, both the PA Sire Stakes program and the PA Breeders Development Fund will have their first financial impact in the 2008 calendar year. Improved economic conditions for PA breeders have therefore not yet materialized, but are eagerly anticipated.

Standardbred breeders have already made significant new investments in anticipation of Breeders Awards and the prospect of higher yearling prices. Walnridge Farm of New Jersey has leased a farm in Elizabethtown, where they now stand five breeding stallions. Two of these stallions, Real Desire and 2006 trotting Triple Crown Winner Glidemaster, clearly were brought to Pennsylvania because of slots legislation. Peninsula Farm of Kentucky has leased a farm in Hellam, where they now stand the stallions Ponder and Chip Chip Hooray. John Green of Ohio has an agreement to purchase Pin Oak Lane Farm in New Freedom as a boarding and breeding operation for his Standardbred and Thoroughbred horses. Nandi Farms has recently brought the stallions Tom Ridge, Metropolitan, and Great George Two to its stallion barn. Hanover Shoe Farms will be bringing Yankee Cruiser and the great 2007 trotting champion Donato Hanover to its stallion barn in 2008.

The number of Standardbred foals registered in Pennsylvania has increased significantly. In 2004, 1117 PA-sired yearlings were registered. In 2007, 1738 PA-sired yearlings were registered, an increase of 55% since 2004.<sup>4</sup> As existing auctions were unable to accommodate this increase, Standardbred Horse Sales Company held its inaugural "PA Preferred Yearling Sale" on August 27, 2007 to sell 217 yearlings, about 85% of which were Pennsylvania bred.

Clearly, the PA Standardbred breeding industry has invested heavily in farms, stallions, breeding stock, and auction venues in anticipation of better times from slots legislation. Breeders are now patiently awaiting a return on their investments. As mentioned above, Breeders Awards will not be distributed and PA Sire Stakes purses will not be augmented from slots revenues until 2008. At the 2006 Standardbred Horse Sales Company Annual Sale, PA-eligible yearlings sold for an average of \$35,552, a very modest increase of 2.8% from a 2005 average of \$34,598. In contrast, New York eligible yearlings at the same sale sold for an average of \$50,785, a huge increase of 72.6% over the \$29,421 average from the 2005 sale. As purses in the New York Sire Stakes program have increased from slots revenues, NY horsemen have been willing to pay higher prices for top bred yearlings. The "PA Preferred" Yearling Sale held on August 27, 2007 achieved very modest results. 217 yearlings were sold for a gross of \$1,601,800, with an average of \$7,382 and a median price of \$5,000. Attendance at this sale was hampered by the simultaneous scheduling of PA Sire Stakes races at Harrahs Chester Downs. While PA pari-mutuel track horsemen participated in spotty fashion at this sale, PA Fair horsemen bought

vigorously because of the modest prices. Pennsylvania pari-mutuel track horsemen appear to be waiting for bigger PA Sire Stakes purses to become a reality before making significant additional investments in PA-eligible yearlings. Breeders now hope that Pennsylvania horsemen and owners will soon invest in PA-bred yearlings in anticipation of an additional \$5,000,000 from slots revenues to augment PA Sire Stakes purses (total purses: approximately \$10,000,000) in 2008.<sup>4</sup>

Since the very beginning of slots legislation, PA breeders have been concerned about the extremely high percentage of slots revenues mandated to support overnight racing. The evolution of the Ontario Standardbred industry in response to slots legislation presents a cautionary tale for Pennsylvania. Slots legislation in Ontario provided for a ratio of 9.5/1 in support of overnight vs. juvenile stakes purses, and established a significant but more modest Breeders Award program than we have in Pennsylvania. The Ontario breeding industry expanded significantly in anticipation of demand for Ontario-eligible yearlings and for Ontario Breeders awards. However, Ontario racehorse owners quickly found it more attractive to invest in established overnight racehorses that could be raced the following week for lucrative purses, rather than to purchase unproven yearlings that needed many months of training and development before they could display their abilities. As a result, the Ontario yearling market soon was glutted with unwanted yearlings. Prices for yearlings fell. Multiple major Ontario breeding farms, including Armstrong Brothers (the second largest breeding farm in the industry), Killean Acres, and Tara Hills Stud, dispersed their broodmare bands and/or went out of business. Today, smaller Ontario tracks are facing horse shortages because development of juvenile horses has been inadequate to meet present needs. Slots legislation in Ontario therefore has had the paradoxical effect of creating an overbred yearling market, discouraging investment in developing young horses, and ultimately created a shortage of horses to supply an expanded number of Ontario track and gaming facilities.

Slots distributions in Pennsylvania are uncomfortably similar to those of Ontario. 80% of slots revenues are supporting overnight races, and only 8% coming from the Standardbred Breeders portion of slots revenues are supporting PA Sire Stakes – a 10/1 ratio in overnight vs. Sire Stakes support that is even steeper than in Ontario. Breeders remain concerned that Pennsylvania may not have enough purse money designated for juvenile horses to avoid the problems already experienced by Ontario. Potential mitigating factors include having only four PA racetracks to supply with horses, and the probable migration of Ohio-based horses to Pennsylvania to escape poor economic conditions for racing. PA horsemen's organizations have stated publically that the incomes of their trainer members have already increased 50% in 2007 because of slots revenues. The level of re-investment by PA owners and trainers at the Standardbred Horse Sales Company Annual Sale in Harrisburg this November will be an excellent indicator of the adequacy of purses for juvenile horses in Pennsylvania to sustain the PA breeding industry in the yearling marketplace. If an increased demand for PA-eligible yearlings does not materialize, then breeders, horsemen, and track officials should consider writing a greater proportion of overnight races specifically for PA-eligible juvenile horses. Such additional support of juvenile racing would encourage the purchase of PA yearlings, and maintain the stream of aged horses for overnight racing in the years ahead. Standardbred Breeders Association of Pennsylvania will

be compiling sales and racing data to address these issues, and will be sharing this information with all interested parties when available.

In conclusion:

1. The far smaller PA Thoroughbred breeding industry is better supported financially by the Commonwealth than the far larger Standardbred breeding industry. This is a legislated arrangement which is difficult to change. The more meager support to the Standardbred breeding industry means relatively less impetus for new investment in additional Pennsylvania farmland for the breeding of Standardbred horses.
2. Thoroughbred tracks have traditionally written far more overnight racing conditions to support PA-bred horses. Standardbred breeders and horsemen must urge their racetracks to write more overnight races for all ages of PA-eligible horses.
3. A maldistribution of overnight purses vs. Stakes purses is worrisome for the PA Standardbred breeding industry, which looks to the cautionary experience of Ontario as a model to be avoided.
4. A significant, and increasing, number of overnight races for PA-sired 2 and 3 year old horses would encourage PA Standardbred owners and horsemen to invest in PA-sired yearlings. This step would have the greatest impact on the PA Standardbred breeding industry, without diverting overnight purses from the purpose for which they were intended.
5. The level of financial participation by PA owners and trainers at the 2007 Standardbred Horse Sales Company Annual Sale in Harrisburg in November will be a bellweather for the adequacy of the present purse structures to support the market for a growing supply of PA-sired Standardbred yearlings .

I appreciate this opportunity to address the Board. I believe that the future of the Standardbred horse industry in Pennsylvania will be bright as long as all interested groups continue to cooperate with each other for the betterment of harness racing.

#### FOOTNOTES

<sup>1</sup>Source: Pennsylvania Horse Breeders Website, <http://www.pabred.com/whyPA/whyPA.php>

<sup>2</sup>Source: Pin Oak Lane Farm website, [http://www.pinoaklane.com/subject/racingnews.htm#PENNSYLVANIA\\_BEGINS\\_NEW\\_ERA\\_VIA\\_GAMING\\_LEGISLATION](http://www.pinoaklane.com/subject/racingnews.htm#PENNSYLVANIA_BEGINS_NEW_ERA_VIA_GAMING_LEGISLATION) . Pin Oak Lane Farm is owned by William Solomon, DVM, Past President of Pennsylvania Horse Breeders Assn.

<sup>3</sup>Stakes races are individual or short series of races that require nomination, sustaining, and starting fee payments by breeders and owners that supplement purses; overnight races are routinely contested on a nightly basis, and do not require entry or starting payments for horses that meet the conditions of the race. For example, the PA Sire Stakes will have one leg for each division contested at each track, with a more lucrative Final for the top horses in the series.

<sup>4</sup>Source: Personal communication with Gerry Connors, PA Harness Racing Commission.

<sup>5</sup> In 2006, 504 PA-sired Thoroughbred foals were registered – with 1161 total foals eligible for the PA program because their dams foaled in Pennsylvania even though their sires stand at out-of-state breeding farms (source: PHBA website: [http://www.pabred.com/registration/foals.php?foal\\_yr=2006](http://www.pabred.com/registration/foals.php?foal_yr=2006)). In 2006, 1738 PA-sired Standardbred foals were registered that are now listed as PA-sired yearlings in 2007 (source: personal communication from Gerry Connors of the PA Harness Racing Commission). Therefore, almost 3.5 times as many PA-sired Standardbred foals vs. Thoroughbred foals were born in 2006.