



**Pennsylvania
Gaming Control Board**



Pennsylvania's New Gaming Industry: Creation and Benefits to Horse Racing

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Where Did We Start?

PENNSYLVANIA CONSOLIDATED STATUTES



The Pennsylvania Racehorse Development and Gaming Act (Act 71) passed in July, 2004 and was designed to:

- ✓ **Provide property tax relief**
- ✓ **Reinvigorate the PA horse racing industry**
- ✓ **Spur economic development**
- ✓ **Set up oversight agency**



Act 71 of 2004

- The Act provided for:
 - **Seven Category I gaming licenses for casinos at racetracks**
 - Five Category II and two Category III gaming licenses for venues not at racetracks
- It created the Gaming Fund and the PA Racehorse Development Fund (PRHDF) which provides for distribution of gaming revenues
- It also required \$5 - \$10 million investment in racetrack backside improvements



Category I Licensees

- **The four racetracks operating at the date of enactment:**
 - **Pocono Downs** - opened its temporary casino in November 2006 as Mohegan Sun at Pocono Downs
 - **Philadelphia Park** - opened its temporary casino in December 2006
 - **The Meadows** - opened its temporary casino in June 2007
 - **Penn National** - opted to wait for its permanent facility, opening February 12, 2008 as Hollywood Casino at Penn National

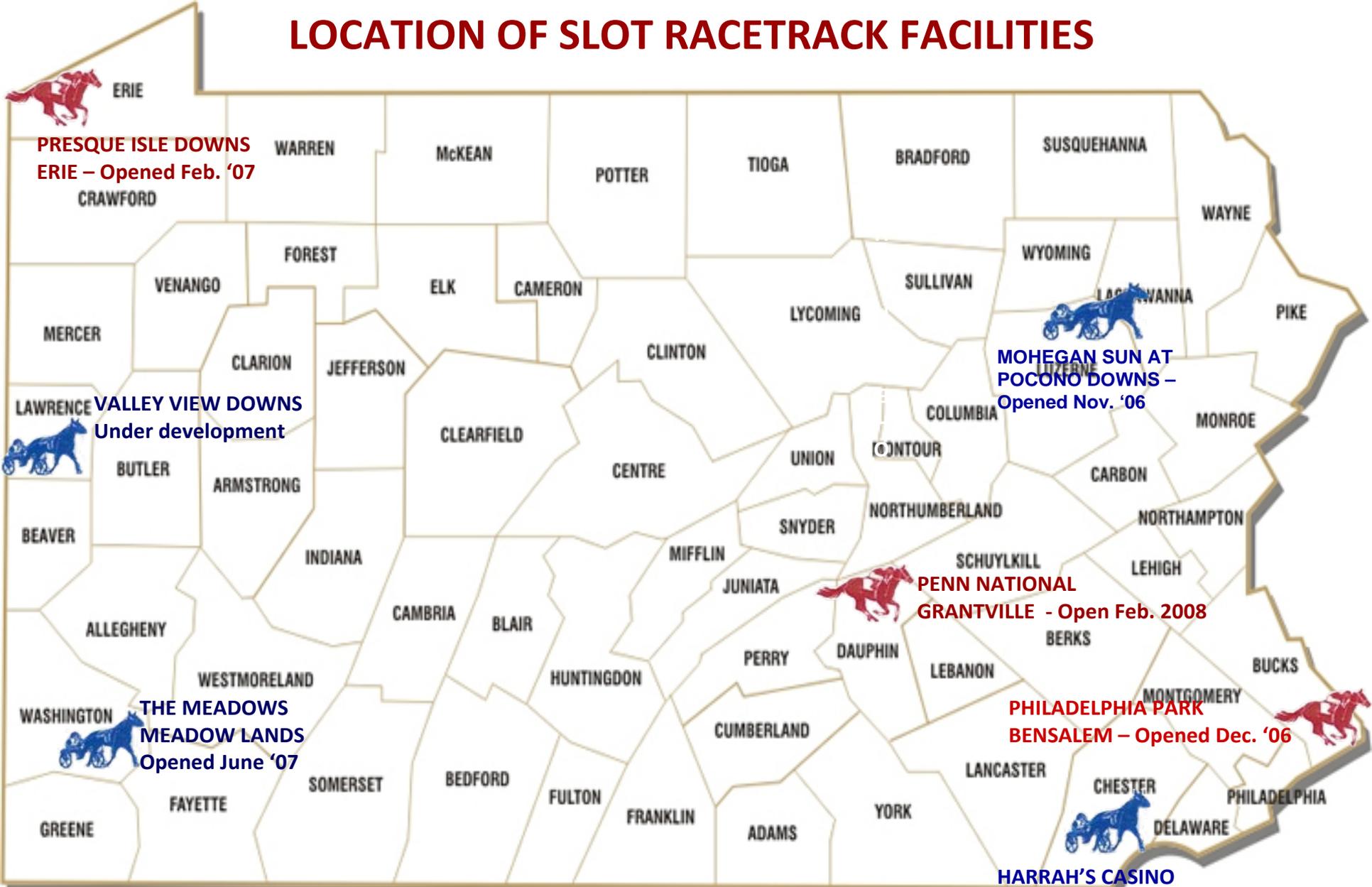


Category I Licensees

- Act 71 authorized three (3) new racetrack gaming venues:
 - **Harrah's Chester** - opened in January 2007; racing began in September, 2007
 - **Presque Isle Downs and Casino** - opened in February, 2007; racing began in September 2007
 - **Valley View Downs** - Lawrence County, PA on the Ohio border is under development



LOCATION OF SLOT RACETRACK FACILITIES



THOROUGHBRED RACING



HARNESS RACING

PGCB Mission Statement

The Pennsylvania Gaming Control Board, guided by the Gaming Act and supported by a dedicated professional staff, will protect the interest of the public by ensuring the integrity of legalized gaming through the strict enforcement of the law and regulations, the licensing of qualified individuals and entities, and fulfilling the objectives of limited gaming in the Commonwealth to deliver a significant source of revenue, assist the horse racing industry, provide broad economic opportunities and enhance tourism.



Working with the Racing Industry

~ PGCB Model ~

- **Office of Racetrack Gaming**

- Unique
- Coordination of racing and gaming
- Oversight – backside improvements, horsemen's organizations, distribution of funds
- Compliance
- Liaison



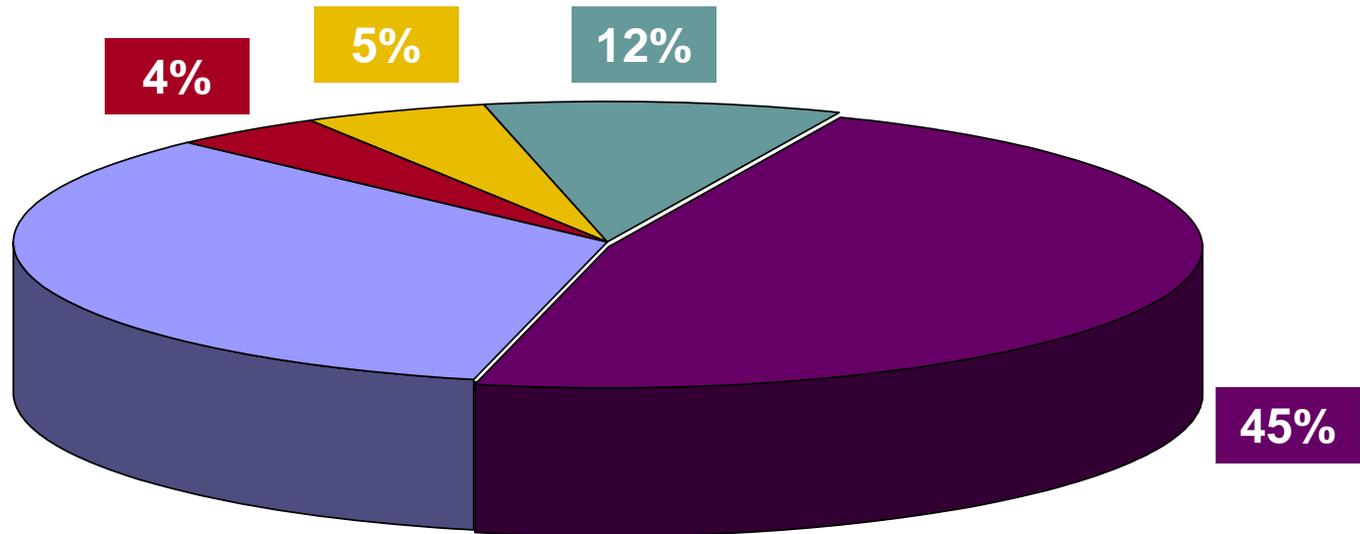
~ PGCB Model ~

- **Liaison to Horse and Harness Racing Commissions**
 - Coordinate mutual areas of gaming and racing regulation
 - Commission meetings
 - MOU – background investigations
 - Racetrack Gaming Expo, January, 2008
 - PA Farm Show, January, 2009

~ PGCB Model ~

- **Liaison to gaming and racing operators and horsemen's organizations**
 - Gaming permit required of officers and directors of horsemen's organizations
 - Yearly audit
 - Approval by PGCB of health and pension plans
 - Regulations and guidelines
 - Financial reporting

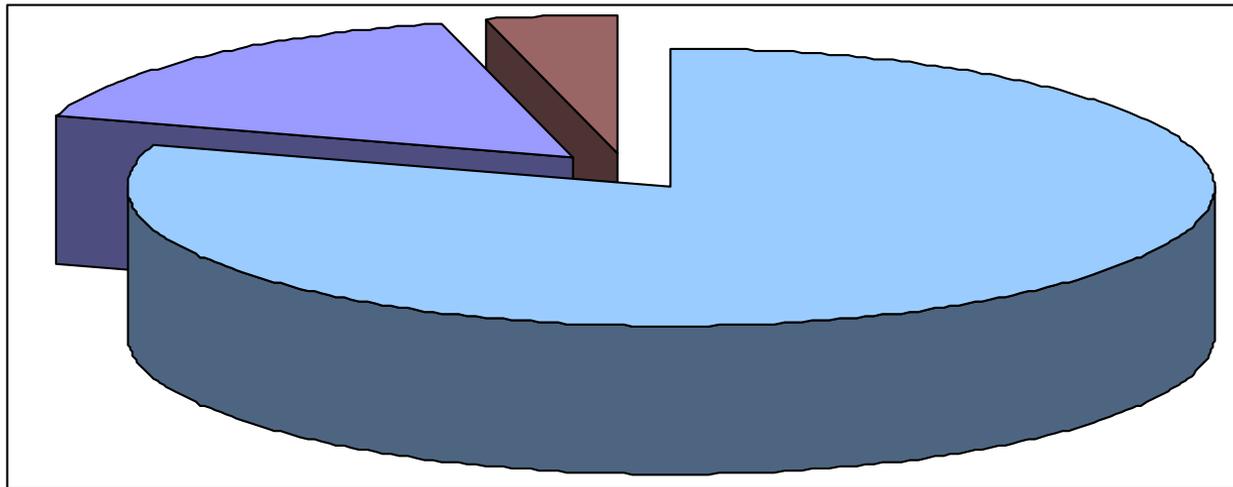
Where Does Money Go?



- Tax to the State Gaming Fund
- Local and County Governments Share
- Economic Development and Tourism Fund
- Pennsylvania Racehorse Development Fund, PRHDF
- Licensee Retained Earnings

(Includes reimbursements for costs by the Pennsylvania Gaming Control Board, Pennsylvania State Police and the Pennsylvania Department of Revenue)

Distributions from the PRHDF



■ Purses 80%
■ Breeders 16%
■ H&P 4%

\$\$ Distributions to Racing

- Through November 30, 2008, the PA Race Horse Development Fund (PRHDF) has provided over \$307 million to the horseracing industry:

PRHDF (12%)	\$307,819,726
Purses (80%)	\$246,255,781
Breeders awards – t'bred (16%)	\$22,179,510
Breeders/Sire stakes - stdbred (8%/8%)	\$27,071,646
H&P (4%)	\$12,312,789



Win Per Day

TAXABLE SLOT WINS PER DAY AT PENNSYLVANIA LICENSED CASINOS

Facility - Category 1	Estimate Applicant	Actual Nov '08	Actual Oct '08	Actual Sept '08	Actual Aug '08	Actual July '08	Actual June '08	Actual May '08	Actual Apr '08	Actual Mar '08	Actual Feb '08	Actual Jan '08	Actual Dec '07	Actual Nov '07
Philadelphia Park	\$375	\$314	\$301	\$308	\$350	\$346	\$322	\$369	\$351	\$367	\$364	\$352	\$337	\$333
Harrah's Chester Downs	\$248	\$292	\$277	\$284	\$325	\$312	\$314	\$363	\$341	\$368	\$354	\$320	\$297	\$298
Penn National	\$228	\$248	\$235	\$238	\$270	\$268	\$256	\$261	\$237	\$259	\$268			
The Meadows	\$216	\$353	\$365	\$377	\$389	\$409	\$400	\$418	\$367	\$360	\$324	\$307	\$286	\$338
Mohegan Pocono Downs	\$230	\$232	\$214	\$224	\$264	\$306	\$367	\$396	\$368	\$373	\$356	\$347	\$322	\$349
Presque Isle	\$187	\$190	\$216	\$233	\$275	\$260	\$247	\$264	\$237	\$225	\$208	\$174	\$181	\$199
Facility - Category 2														
Mt. Airy Lodge & Casino	\$172	\$191	\$201	\$192	\$229	\$216	\$196	\$217	\$184	\$195	\$158	\$156	\$127	\$149
Statewide														
All Facilities		\$260	\$257	\$264	\$300	\$301	\$294	\$322	\$294	\$305	\$276			
Total Slot Machines		16,793	16,833	16,831	16,794	16,194	15,354	15,141	15,022	15,018	15,032			

NOTES AND ANALYSIS

1. November tax revenue was \$72.2 million, equating to \$2.40 million per day total collected from seven operating casinos. The average for the previous month of October '08 was slightly lower at \$2.38 million per day in tax revenues. However, the amount of taxes collected in November '08 is an increase of 29.2% over tax revenues for November '07 (\$55.8 million/\$1.86 million per day) when six casinos were in operation. August '08 average tax revenue is still the alltime highest at \$2.77 million per day.

2. Statewide slot wins per day figure for November was \$260 (based on 16,793 operating machines); in October '08 that figure was \$257 (16,833 machines). The highest statewide slots win per day average during the past year was May '08 at \$322 (15,141 machines). We have only calculated the statewide s/w/d since February '08.

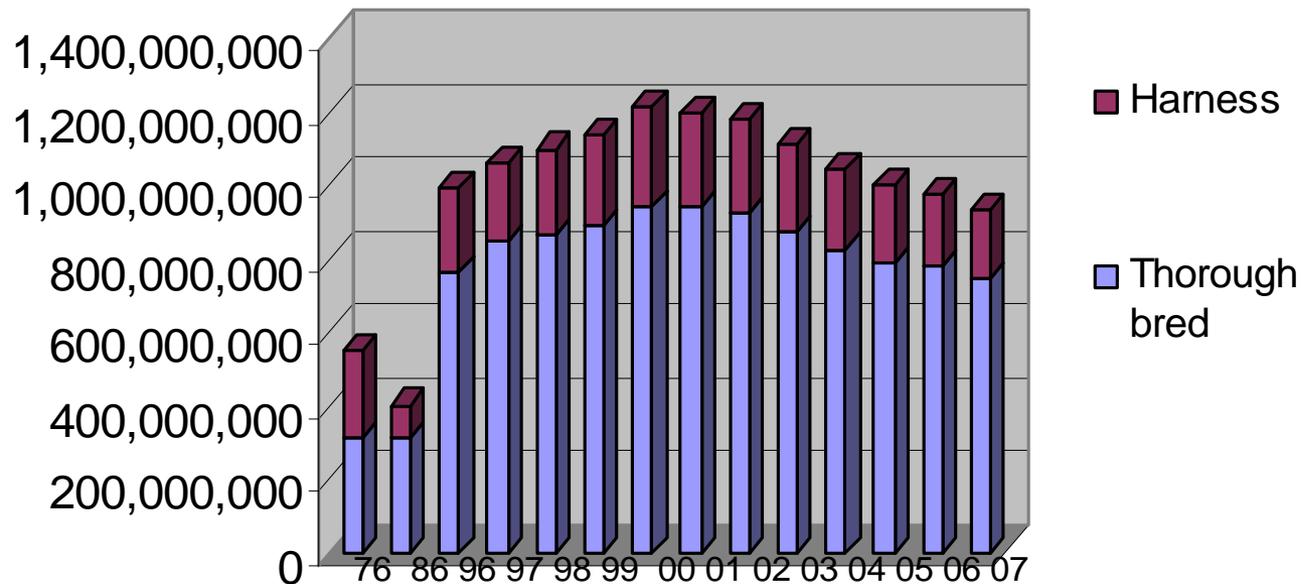


Every Silver Lining Has a Cloud

- The Horse Racing Commission and the Harness Racing Commission have seen their workloads increase 50% and 100% respectively as a result of Act 71
- The Commissions continue to rely exclusively on racing handle taxes for their operating revenues
 - 65% of the Racing Fund comes from a 1.5% tax on wagers, the rest comes from other taxes, such as on admission fees and breakage

Total Racing Handle Dropping

Racing Handle



So, What Can We Do?

- In Pa, the commissions are authorized to do marketing and promote programs for racing;
- We can begin to encourage licensees to promote racing along with their casino operations, and we can do more promotion ourselves; and
- Bolster racing handle through increased emphasis on marketing, promotion, and agritourism.

Collateral impact of Act 71

- Farmland preservation
- Thanks to Act 71, race horse breeders have a new opportunity for profitability that other agricultural animal breeders do not have
- Thanks to Act 71, the number of breeders has increased, and with it the demand for equine feeds, and other agricultural goods and services

What should have been written into the legislation:

- Revenue Streams for:
 - **Racing Commissions**
 - **Equine drug testing;**
 - **Equine health research;**
 - **Retired racehorse programs**
 - **A marketing fund to be administered by the racing commission**
- Backside improvements and track surface upgrades should be a percentage not a fixed amount
- A requirement that gaming operators market racing

Avoiding pitfalls when gaming comes to your racing jurisdiction:

- Require an integrated facility; underage patrons can become an issue;
- Educate gaming regulators, legislators and the community on racing and the impact of gaming legislation on the racing industry;
- Set in place a policy that fosters regular communication between gaming and racing regulators;
- Maintain regular communication between gaming regulators and horsemen's organizations;

Avoiding pitfalls when gaming comes to “save” racing, cont’d:

- Site visits
- Compliance and Enforcement
- Financial Reports
- Regular reporting by gaming operators on such things as purses, handle, backside improvements and living conditions for workers and animals on the backside

2009 – What to Expect

- Opening of The Meadows permanent facility, April
- Opening of 2 non-racetrack facilities – June and August
- Opening of Philadelphia Park's permanent facility, December
- Renovation of grandstand at Philadelphia Park to begin
- Handle ??? Gaming revenue ???



Any Questions?

