



**Pennsylvania Horse and Harness Racing Commissions
2015 Annual Report**



Horse Racing Commission
Alan Novak, Chairman
Dr. Corinne Sweeney, Commissioner
Walter Remmert, Acting Executive Secretary

Harness Racing Commission
Jonathan Newman, Chairman
George Crawford, Executive Secretary

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Introduction

2015 was a transformative year for horse and harness racing in Pennsylvania. After years of declining pari-mutuel tax revenues on total handle – the total amount wagered on racing.

Pennsylvania's State Racing Fund was facing a structural deficit and the imminent threat of insolvency. Through the uncertainty and urgency that followed, Pennsylvania emerged with a new fiscally sustainable structure for overseeing racing in the commonwealth that brought with it a stronger system of governance.

To put the magnitude of the fiscal challenges into perspective, in 2001, more than \$1.46 billion was wagered on races in the state. In 2014, that number had declined to \$427.5 million – a 71 percent decrease. Similarly, the state's share of tax revenues from those wagers decreased 65 percent over the same period, from \$31.8 million in 2001 to a little more than \$11 million in 2014.

Beyond declining handle and pari-mutuel tax revenues, Act 71 of 2004, or the Race Horse Development and Gaming Act, increased the regulatory oversight responsibilities of the state racing commissions by 50 percent, adding two new race tracks to the four that existed at the time, but did not dedicate any of the approximately \$2 billion in slot revenues to date for the industry to meet that increased workload. It costs between \$18 million and \$20 million to regulate racing in the commonwealth.

The persistent financial imbalance created by declining revenues and rising regulatory costs had been noted by the Wolf administration and the administrations of previous governors, as well as the state auditor general and the Pennsylvania Gaming Control Board.

With the State Racing Fund facing insolvency and the prospect of not having sufficient revenues to protect the wagering public and the integrity of the sport, the Wolf administration, legislators, and industry stakeholders came together to develop a path forward that would sustain racing in Pennsylvania. The talks yielded tremendous progress and resulted in what would become Act 7 of 2016 – the farthest reaching reform to Pennsylvania's horse and harness racing industries in three decades.

The new law combines the two racing commissions into one unified commission to strengthen the governance of the industry, yet retains the ability to render decisions on breed-specific issues. The new nine-member commission is composed of five members appointed by the governor (one veterinarian, one representative of a Thoroughbred horsemen's organization, one representative of a Thoroughbred breeder organization, one representative of a Standardbred horsemen's association, and one representative of a Standardbred breeder organization) and four members appointed by each of the four legislative caucuses. The Secretary of Agriculture, or a designee, is a non-voting, ex-officio member.

The new law also makes the industry responsible for bearing the cost of drug-testing horses, and it institutes new license fees for racetrack operators and for businesses that offer electronic wagering. Additionally, Act 7 also repealed the 10 percent advanced deposit wagering tax on horse races that had been challenged successfully in the courts, and calls for a comprehensive industry study to assess the financial, regulatory and market factors of the horse racing industry. The Joint State Government Commission, with assistance from the Independent Fiscal Office, is responsible for conducting the study, which is to be delivered in February 2017.

The passage of Act 7 drastically changed the governance model overseeing horse and harness racing between 2015 and 2016. In the process, it has accomplished the dual objectives of strengthening the integrity of horse and harness racing in the commonwealth and putting in place a financial model that will allow for the long-term viability of the State Racing Fund.

2016's State Horse Racing Commission represents a new era in Pennsylvania racing, a commitment to growing the industry, and a model of fiscal sustainability that safeguards the fund for the future.

2015 Licensing and Ruling Statistics

Licenses Issued

Thoroughbred Total	\$8,871
Harness Total	\$3,253
COMBINED LICENSING	\$12,124

Licensing Fees Collected

Thoroughbred Licensing	\$308,315	
Thoroughbred Colors Fees	\$28,946	
Total Thoroughbred Fees	\$337,261	Total Harness Fees \$338,839
COMBINED LICENSING FEES		\$676,100

Rulings Issued

THOROUGHBRED	Executive Office	107
	Parx	245
	Penn National	341
	Presque Isle	218
	Total Thoroughbred	911
HARNESS	Executive Office	101
	Harrah's	228
	Meadows	168
	Pocono	219
	Total Harness	716
	COMBINED RULINGS	1,627

Fines Collected

Thoroughbred	\$102,590
Harness	\$148,875
COMBINED FINES	\$251,465

2015 State Racing Commissions Report of Expenditures

(January 1 to December 31, 2015)

Salaries	\$1,070,093
Wages	\$4,126,176
Overtime	\$27,162
Benefits	\$3,814,146
Other Personnel Costs	\$55,543
Total Personnel Services	\$9,093,120
Travel Expenses	\$11,973
Communications	\$39,884
Information Technology (Hardware/Software/Database Maintenance)	\$129,818
Legal Services/Fees	\$12,196
Interagency/Shared Service Billings	\$204,950
Membership Dues & Fees	\$41,086
Supplies (Office, Lab, etc.)	\$123,070
Equipment	\$20,042
Postage, Freight and Printing	\$64,257
Other Operating Expenses	\$158,310
Total Operating Expenses	\$805,586
Machinery	\$0
Total Fixed Assets	\$0
PDA Administrative Billing	\$528,064
Total Non-Expense Items	\$528,064
Total Expenditures	\$10,426,770
PETRL Expenditures	
Salaries	\$149,173
Benefits	\$113,275
Total PETRL Personnel Services	\$262,448
Lab Supplies	\$352,774
University of Pennsylvania Contract	\$914,112
Equipment Leases	\$297,744
Other Operating Expenses	\$92,065
Total PETRL Operating Expenses	\$1,656,695
PDA Administrative Billing	\$112,000
Total PETRL Non-Expense Items	\$112,000
Total PETRL Expenditures	\$2,031,143
Total Racing and PETRL Expenditures	\$12,457,913

Funding supports racing at three thoroughbred tracks (Parx, Penn National and Presque Isle) and three standardbred tracks (Harrah's Philadelphia, Mohegan Sun at Pocono Downs and The Meadows). In 2015, a combination of 974 live racing days took place at these tracks. Funding also supports approximately 40 salaried employees and 180 wage employees who operate the commissions' racing programs.

Track Complement in Administrative Positions

Parx	36
Penn National	36
Presque Isle	30
The Meadows	31
Pocono Downs	27
Harrah's Philadelphia	29
PETRL	9
Administrative	24
TOTAL	222

Pennsylvania Breeders Fund Statement of Restricted Revenue

(Calendar Year Ending December 31, 2015)

FUND BALANCE – DECEMBER 31, 2014		\$1,901,217
REVENUE		
Transfers from Race Horse Development Fund in 2014		\$18,019,186
Less Transfers from Race Horse Development Fund in 2014 applicable to 2013		(\$497,495)
Add Transfers from Race Horse Development Fund in 2015 applicable to 2014		\$887,528
Total Transfers from RHD		\$18,409,219
Total Revenue		\$20,310,436
EXPENDITURES		
Administrative & Development		\$899,415
Awards		
Breeder	\$9,285,987	
Stallion	\$1,650,357	
Owner	\$39,870	
Total Awards		\$ 10,976,214
Purses		
Overnights	\$5,962,710	
Stakes	\$798,563	
Total Purses		\$6,761,273
Total Expenditures		\$18,636,902
FUND BALANCE – DECEMBER 31, 2015		\$1,673,534

2015 Standardbred Breed-Enhancement Programs

Sire Stakes

Balance as of January 1, 2015	\$8,129,128
Receipts	
Transfers from Race Horse Development Fund CY2015	\$8,359,078
Transfers from Race Horse Development Fund in 2016 applicable to 2015	\$202,514
Nominating Fees	\$115,910
Sustaining Fee	\$1,044,750
Total Revenue	\$9,722,252
Expenditures	
Personnel/Operating/Administrative	\$124,251
Awards	\$8,561,592
Total Expenditures	\$8,685,843
Net Change	\$(0)
Balance as of December 31, 2015	\$8,129,128

Standardbred Breeders Fund

Balance as of January 1, 2015	\$8,257,765
Receipts	
Transfers from Race Horse Development Fund CY2015	\$8,359,078
Transfers from Race Horse Development Fund in 2016 applicable to 2015	\$202,514
Total Revenue	\$8,561,592
Expenditures	
Awards Paid in CY2015	\$8,561,592
Administrative	\$0
Total Expenditures	\$8,561,592
Net Change	\$(0)
Prior Year Adjustment	\$(0)
Balance as of December 31, 2015	\$8,561,592

2015 Taxable Wagering on Horse Racing

(Handle total determines base for PA taxes, Commissions' expenses)

RACINO	Thoroughbred	Harness	Total
Parx Racing	\$130,828,598	\$23,144,718	\$153,973,316
Penn National	\$60,723,340	\$6,670,729	\$67,394,069
The Meadows	\$39,794,984	\$24,169,989	\$63,964,973
Mohegan Sun/Pocono Downs	\$32,713,882	\$17,785,942	\$50,499,824
Harrah's Philadelphia	\$25,239,184	\$9,413,437	\$34,652,621
Presque Isle Downs	\$10,185,437	\$748,712	\$10,934,149
TAXABLE WAGERING	\$299,485,425	\$81,933,527	\$381,418,952

Pennsylvania Betting by Tracks' Systems

("System betting" = on-track, phone/computer, and at off-track sites)

THOROUGHBRED		STANDARD BRED	
PARX		MEADOWS	
On-Track	\$46,110,864	On-Track	\$20,958,539
Phone Bet	\$29,792,991	Account Wagering	\$24,288,737
Center City	\$10,760,827	New Castle	N/A
South Philadelphia	\$27,001,027	Harmar	\$15,876,996
Valley Forge	\$13,730,371	Moon	N/A
Brandywine	\$8,850,177	SYSTEM TOTAL	\$61,124,272
Northeast	\$20,465,865		
SYSTEM TOTAL	\$156,712,122		
PENN NATIONAL		POCONO	
On-Track	\$19,954,683	On-Track	\$13,900,408
Telebet	\$15,637,515	Dial-A-Bet	\$9,119,308
Reading	\$6,164,818	Carbondale	\$5,824,371
Chambersburg	N/A	East Stroudsburg	\$6,186,800
York	\$13,707,645	Lehigh Valley	\$18,230,746
Lancaster	\$9,894,293	SYSTEM TOTAL	\$53,261,633
SYSTEM TOTAL	\$65,358,954		
PRESQUE ISLE		HARRAH'S PHILA.	
On-Track	\$9,172,048	On-Track	\$20,192,888
SYSTEM TOTAL	\$9,172,048	Account Wagering	\$14,459,734
		SYSTEM TOTAL	\$34,652,622
THOROUGHBRED SYSTEMS	\$231,243,124	HARNESS SYSTEMS	\$149,038,527

2015 Betting on Live Racing

(at the track, through phone/OTW, at other state tracks, and outside the state)

THOROUGHBRED		STANDARD BRED	
PARX	(198 cards)	MEADOWS	(195 cards)
On-Track	\$12,241,607	On-Track	\$4,325,704
Phone Betting/OTWs	\$7,764,168	Phone Betting/OTWs	\$3,054,649
Intrastate Wagering	\$5,444,778	Intrastate Wagering	\$4,945,782
Interstate Wagering	\$229,462,822	Interstate Wagering	\$88,423,839
BET ON PARX	\$254,913,375	BET ON MEADOWS	\$100,749,974
PENN NATIONAL		POCONO	
	(193 cards)		(138 cards)
On-Track	\$5,112,978	On-Track	\$3,129,748
Phone Betting/OTWs	\$2,521,837	Phone Betting/OTWs	\$1,239,877
Intrastate Wagering	\$6,847,795	Intrastate Wagering	\$2,162,941
Interstate Wagering	\$160,749,612	Interstate Wagering	\$46,812,956
BET ON PENN NATIONAL	\$175,232,222	BET ON POCONO	\$53,345,522
PRESQUE ISLE		HARRAH'S PHILA.	
	(100 cards)		(150 cards)
On-Track	\$2,771,069	On-Track & phone	\$3,103,985
Intrastate Wagering	\$2,234,665	Intrastate Wagering	\$3,359,224
Interstate Wagering	\$61,202,330	Interstate Wagering	\$63,625,433
BET ON PRESQUE	\$66,208,064	BET ON PHILA.	\$70,088,642
BET ON THOROUGHBREDS	\$496,353,661	BET ON HARNESS	\$224,184,138

INTERSTATE BETTING ON 2015 PENNSYLVANIA RACING: \$720,537,799

2015 Purses Paid

THOROUGHBRED		HARNESS	
at Parx	\$59,905,809	at Meadows	\$36,214,786
at Penn National	\$28,833,099	at Philadelphia	\$30,079,194
at Presque Isle	\$16,669,745	at Pocono	\$30,273,791
Thoroughbred Purses	\$105,408,653	Harness Purses	\$96,567,771

2015 Revenue Generated by Wagering

	Parx	PN	PID	Mea	PcD	Phila.	TOTAL
THOROUGHBRED							
Wagering Tax 1.5%	\$1,962,429	\$910,850	\$152,260	\$596,925	\$487,382	\$378,588	\$4,488,434
Exotic Pools Tax 1%	\$841,669	\$390,934	\$67,478	\$280,906	\$221,052	\$168,745	\$1,970,784
Breakage 25%	\$94,105	\$61,865	\$12,287	\$36,861	\$18,898	\$24,643	\$248,659
Admission	\$6,726	\$2,781	\$2,324	**	**	**	\$11,831
2015 Outs	\$603,428	\$215,649	\$62,155	**	**	**	\$881,232
TOTAL	\$3,508,357	\$1,582,079	\$296,504	\$914,692	\$727,332	\$571,976	\$7,600,940
HARNESS							
Wagering Tax 1.5%	\$347,171	\$100,061	\$11,231	\$362,550	\$267,010	\$141,202	\$1,229,225
Exotic Pools Tax 1%	\$162,283	\$49,382	\$6,060	\$179,281	\$127,113	\$64,131	\$588,250
Admission	**	**	**	\$3,456	\$3,929	\$3,743	\$11,128
2015 Outs	**	**	**	\$199,929	\$215,464	\$181,243	\$596,636
TOTAL	\$509,454	\$149,443	\$17,291	\$745,216	\$613,516	\$390,319	\$2,425,239
COMBINED							
Wagering Tax 1.5%	\$2,309,600	\$1,010,911	\$163,491	\$959,475	\$754,392	\$519,790	\$5,717,659
Exotic Pools Tax 1%	\$1,003,952	\$440,316	\$73,538	\$460,187	\$348,165	\$232,876	\$2,559,034
Breakage 25%	\$94,105	\$61,865	\$12,287	\$36,861	\$18,898	\$24,643	\$248,659
Admission	\$6,726	\$2,781	\$2,324	\$3,456	\$3,929	\$3,743	\$22,959
2015 Outs	\$603,428	\$215,649	\$62,155	\$199,929	\$215,464	\$181,243	\$1,477,868
TOTAL	\$4,017,811	\$1,731,522	\$313,795	\$1,659,90	\$1,340,848	\$962,295	\$10,026,179

** - included in "home" figure