

**New Jersey Legislative Panel in Response to Governor Christie's
Commission on Sports, Gaming, and Entertainment**

Testimony of Dr. Karyn Malinowski, Rutgers University

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Good morning Senator Whelan, Assemblyman Burzichelli, Senate President Sweeney, Assembly Speaker Oliver and members of this distinguished panel who are helping chart the future of New Jersey's gaming, sports and entertainment industries. I am Dr. Karyn Malinowski, Director of the Rutgers Equine Science Center, and it is in this role that I have the privilege of addressing this body. I am accompanied by Dr. Paul Gottlieb, chair of the Rutgers Department of Agricultural, Food, and Resource Economics, and Troy Joshua, director of the National Agricultural Statistics Service – New Jersey office, both integral members of the Center.

Why am I here today? The Equine Science Center's mission is, first, to ensure the well-being and quality of life of equine athletes, but equally as important, to support the viability and vitality of the New Jersey horse industry. While the purpose of this summit is to address horse racing specifically, I have the responsibility to share with you the often forgotten and complicated connection between racing and the non-racing segment of the horse industry which includes non-equine related traditional agriculture, as well.

The New Jersey equine industry benefits every resident in the state through its socio-economic influence, reflected in its positive annual economic impact and its role in the preservation of working agricultural landscape, which enhances the quality of life for all in the "Garden State." The industry includes various sectors such as horse racing, breeding, sport/recreation and pleasure interests. Infrastructure for the equine industry includes people working throughout the state in areas such as: retail, veterinary medicine, feed and supply, insurance, and real-estate, many of which are small family-owned businesses. To put the Center's involvement with racing into perspective I would like to share a brief chronology with you.

The horse industry in New Jersey has faced enormous challenges for years. The Equine Science Center helped identify those challenges and topics of importance to industry leaders in March of 2003 when it initiated and hosted

the Horse Industry Summit. Challenges identified included the future of horse racing and industry economic development. The Summit was followed by a Center hosted roundtable discussion in July 2003, attended by Senator Van Drew and Assemblyman Dancer, which resulted in a series of strategies developed as part of a three-pronged approach designed to simultaneously stabilize and reinvigorate New Jersey's horse racing industry through methods that would augment purse values, increase racetrack attendance, and improve the infrastructure that supports the equine industry.

In January 2006, at the request of the Hall Institute of Public Policy, I published a whitepaper describing the delicate balance between the future of horse racing and the preservation of both the entire equine and agricultural industries, and how together they impact the quality of life for every New Jersey resident. This occurs through the preservation of open space, providing outdoor sport and recreation, building a solid foundation for youth development, and providing mental and physical therapy to adjudicated youth and handicapped persons.

Recognizing the need for new data regarding the horse industry, in July 2006 the Center undertook the challenge of conducting an economic impact assessment of the New Jersey equine industry. The purpose of the study was to assess, for the first time, the economic and land use impacts of horses to the state, begin regular benchmarking of the equine industry, profile all components of the state's equine industry (including pleasure and sport/recreation), and to go beyond a simple enumeration of the industry. A related motivation was to provide insight into the number of dollars, jobs, and agricultural acres or rural open space that would be put at risk if the state's four racing venues were to disappear.

The result was the piece, "The New Jersey Equine Industry 2007: Economic Impact", which many of you may be familiar with. The scholarly paper entitled, "Customizing the definition of an agricultural industry for policy analysis: The case of New Jersey equine," which provides detail about the study's methodology was presented last year at the Northeastern Agricultural and Resource Economics Association meeting and can be found in its proceedings. The entire exercise was useful to trace out and communicate economic relationships and multiplier effects that might otherwise be ignored in state level policy discussions.

In 2009 the Center released what is known as the “Impact of Slots” report in which an overview of the state of gaming in New Jersey was presented and the impact of competition in neighboring states was outlined. This report described the loss of New Jersey gambling and entertainment dollars to neighboring states, which impacts both the casino and horse racing industries. It also offered recommendations for moving forward toward sustainability of horse racing in New Jersey.

I would now like to share the highlights of the 2007 economic impact study with you. The New Jersey equine industry is valued at \$4 billion and generates \$1.1 billion (\$780 million due to racing) annually in positive impact on the state economy. It is responsible for 13,000 jobs, more than half of which are generated by racing-related interests such as racetracks and horse breeding and training facilities. Racing related wages total \$126 million with an additional \$35 million in wages paid by the non-racing sector. The New Jersey equine industry pays an estimated \$160 million annually in federal, state, and local taxes (\$85 million generated by equine operations and owners and \$75 million generated by New Jersey racetracks).

A total of 176,000 acres support equine facilities in New Jersey. Of this, approximately 96,000 acres are directly related to equine activities; with 46,000 additional acres producing hay and forage on non-equine-related operations. Equine-related acres represent more than one-fifth of the state's 790,000 acres remaining in agriculture. Add this to the non-equine related acres in production to grow food for New Jersey horses and one finds that almost 30% of the agricultural acres left in the Garden State are in existence because of horses.

Equine animals and operations account for 42,500 horses housed in New Jersey at 7,200 facilities. Of this total, 12,500 (nearly 30 %) are in racing-related activities. These include 8,200 standardbreds and 4,300 thoroughbreds (on a total of 700 facilities) that are either actively racing or are racing breeding stock.

The Garden State stands to lose the greatest portion of its premier agribusiness that generates \$780 million of economic impact annually, 7,000 jobs, \$126 million in wages, \$115 million in federal, state and local taxes, and 56,000 acres of working agricultural landscape and open space, if racing-related training and breeding farms leave New Jersey. Contributing to the total economic impact are New Jersey’s four racing venues: The

Meadowlands, Freehold Raceway, Monmouth Park Racetrack, and Atlantic City Race Course, valued at \$502 million annually. Regarding jobs, Senator Van Drew mentioned at the previous Sports, Gaming and Entertainment Summit how employees of the casino industry would find it hard to find new jobs in other industries. The horse industry is no different. For most horse industry employees, the position is not just a job but a way of life; as are many in agricultural businesses. Employees working directly with equine animals also require a unique skill set that is developed over a period of years which is not easily transferable to a more mainstream job market.

In 2009, a separate Center analysis of preserved farmland in the state showed that only a small portion of acreage is actually in equine-related activity. The analysis determined that only eight percent of the acreage in the Farmland Preservation Program is used for horse-related activities.

On July 28 of this year, a collaborative study released by Rowan and Rutgers Universities estimated that the state had less than a million acres of open space left and could be totally built up by 2050. The report also stated that between 1986 and 2007, one-quarter of the state's farmland was lost to development. The preservation of working agriculture landscape is absolutely necessary to New Jersey's quality of life if indeed our intent is not to "build out" the state. This reinforces the argument that the state stands to lose this farmland to development (up to 56,000 acres) if racing is no longer viable.

In my role as director of the Equine Science Center I need to look out for the well-being of the entire horse industry. Racing is not the only equine discipline that will lose if New Jersey racing diminishes. Sport competition and recreational horse owners stand to suffer as will traditional agricultural interests such as grain, hay, and straw farmers who continue to survive and maintain open space because their major customers are horse owners. Many horse racing advocates argue that the most important impact of diminished racing would be the collapse of critical mass in specialized support industries like facility construction, advanced veterinary care, or feed and supply stores. Troubles among equine-specific suppliers could increase costs or reduce availability of inputs to the sport horse/competition segment of the industry – even though most individual equine owners do not engage in direct transactions with racetracks or racehorse breeders. The ultimate result could be a vicious cycle of equine industry decline.

The New Jersey Equine Advisory Board (EAB), which is part of the New Jersey Department of Agriculture, provides the annual budget that predominantly supports the Horse Park of New Jersey and the sport and recreation segments of the horse industry, including 4-H Youth Development programs. The annual EAB budget is correlated to a percentage of the pari-mutuel handle from racing. This budget would disappear if racing is not sustained in New Jersey.

The Rutgers School of Environmental and Biological Sciences is proud of its track record in placing its Animal Science undergraduate students into graduate and veterinary schools throughout the world. Many of these young college graduates express interest in future careers in the New Jersey horse industry. All efforts should be made to keep the best and brightest high school graduates choosing higher education and career paths in New Jersey. It begs the question: Why would they want to stay in the “Garden State” if the equine industry infrastructure crumbles?

The fact remains that horse racing is the economic driving engine of the entire horse industry in New Jersey and is extremely valuable to the quality of life in the form of agricultural working landscape that benefits all residents of New Jersey. If racing interests no longer find farming in New Jersey a viable option, they will seek alternative locations, taking with them their financial contributions and leaving in their wake joblessness and a scenic vista of preserved but unproductive land; a fiscal burden to the community that helped to preserve it.

Without a long-term vision for the sustainability of horse racing in New Jersey, owners, trainers, and breeders who currently are invested in its infrastructure will leave en masse for other locations.

Since July 23, my office has been inundated with phone calls from people all over New Jersey and beyond who are worried not only about the future of the horse industry but that of agriculture and open space as well. These calls have ranged from nursery owners in Monmouth County who are supported by horse farms to the American Association of Equine Practitioners which represents veterinarians in the United States, to 4-H members and prospective Rutgers University students who are planning their future.

I urge the legislature to work with racing industry representatives, to identify and implement in the short and long term source(s) of revenue needed to

ensure the future of racing in the Garden State. Irrespective of revenue sources, the racing industry needs to invest a portion of dollars in things besides purses to ensure continued viability. These include: marketing of live racing and creation of the racing brand, building the remaining Off Track Wagering facilities that were legalized in 2001, creating innovative wagers, reducing costs of regulating racing, investing in capital improvements of aging infrastructure, and maintaining the integrity of racing, including research to benefit the equine athlete. I offer the assistance of the Equine Science Center which has the ability to bring together faculty and staff from our state university as these deliberations move forward.

The Equine Science Center's work in the areas of horse health and well-being, land use and cost of farming, environmental stewardship, ensuring integrity of equestrian sport, and the sustainability of the horse industry and development of its future leaders is critical to the equine industry's and agriculture's future.

The state of New Jersey deserves a strong horse industry; the New Jersey horse industry needs a strong Equine Science Center. The horse racing and breeding industry are commodities worth saving in New Jersey. The issue at hand is not an emotional one driven by the fact that the state animal is the horse which has a long and prominent history in New Jersey's agricultural and sports businesses. Horse racing remains the economic driving engine of the entire horse industry in the state and is extremely valuable to the quality of life in the form of agricultural working landscape which benefits all residents of New Jersey. This issue goes far beyond that of numbers of jobs and wages paid; it is about the future of agriculture in the Garden State and about an industry that impacts the quality of life for every resident in New Jersey.

Thank you for your time and attention.