

What does New Jersey stand to lose if there is no horse racing in the state?

Response to the Report of the Governor's Advisory Commission on New Jersey Gaming, Sports and Entertainment

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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, to name a few.

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 race tracks and horse breeding and training facilities. 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 total acres support equine facilities in New Jersey. Approximately 96,000 of these acres are directly related to equine activities, 78,000 are devoted to pasture and hay production, 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 in agriculture.

Equine animals and operations account for 42,500 horses housed in New Jersey at 7,200 facilities. Of this total, 12,500 (nearly 30 percent) 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.

In 2006, at the request of the Hall Institute of Public Policy, the director of the Rutgers Equine Science Center, Karyn Malinowski, was invited to address economic development for the equine industry and the future of horse racing in New Jersey in a white paper. In 2009, Malinowski and Ryan Avenatti wrote an overview of the impact of slot machines on horse racing, agriculture, and open space which was published on the Hall Institute website. Once again the Hall Institute has requested assistance from the Center in responding to the "*Report of the Governor's Advisory Commission on New Jersey Gaming, Sports and Entertainment*" (also referred to as the Hanson Report).

Center director Karyn Malinowski shares her views regarding the impact of the Hanson report recommendations on New Jersey and specifically, the equine industry, if adopted as presented to Governor Chris Christie on July 21, 2010:

“It is obvious from the report that the state of New Jersey is no longer interested in the “live-racing” business. This opinion comes from a summary of the Commission’s recommendations which in essence eliminates the major player in harness racing, i.e. the Meadowlands Racetrack, and proposes to change legislation in order to permit off track wagering (OTW) without the need for live-racing. This would be convenient for the operators of the OTWs where revenue from gambling can be secured without the expense of providing live racing. What’s puzzling is the fact that no where in the Hanson report is the value of the horse industry to the state’s agricultural business mentioned.

The Garden State stands to lose the greatest portion of its premier agribusiness that generates \$780 million of economic impact annually, 7,000 jobs, \$115 million in federal, state and local taxes, and 57,000 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.

In 2007, a Center analysis of preserved farmland in the state showed that only a small portion 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 and 11 percent of preserved farms are in the horse business. Currently, acreage supported by equine interests makes up more than 20 percent of the total farmland in New Jersey. This reinforces the argument that the state stands to lose this farmland to development (up to 57,000 acres) if racing is no longer viable.

One recommendation by the Commission is to close the Meadowlands Racetrack or offer the Standardbred Breeders and Owners Association of New Jersey (SBOA-NJ) the opportunity to lease the track for \$1.00 per year for up to three years. Under this option, the SBOA-NJ would assume all of the expenses for the facility and its management, but would not be permitted to offer alternative gaming opportunities to customers. This would pose a tremendous financial burden on the horsemen’s organization, while limiting their ability to compete with other gaming interests inside and outside the state. The option of closing the Meadowlands Racetrack would deliver a devastating blow to the harness racing industry in the state and globally.

While the thoroughbred racing industry is valuable to the state, the breeding component of this segment of the racing industry is small compared to that of the standardbred industry. Therefore, one must realize that New Jersey stands to lose a significant amount of tax-paying open space unless it develops a mechanism(s) for assuring sustainability for both thoroughbred and standardbred racing.

One must also realize that while the initial success of the “elite meet” at Monmouth Park is encouraging, it is indeed an experiment, the impact of which is yet to be determined. The long-term sustainability of a million dollar-a-day “elite meet” at Monmouth Park also needs to be looked at carefully and realistically. To deem this experiment a success at this time and apply this model indefinitely would be premature.

Racing is not the only equine discipline that will lose if New Jersey racing ceases to exist. Sport competition and recreational horse users 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. The “top shelf” level of services that New Jersey horse enthusiasts have come to expect, such as equine veterinary clinics and feed and

supply stores, are at risk. While these small businesses 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 ceased to exist in New Jersey, this demand would be even greater.

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, which is correlated to a percentage of the pari-mutuel handle from racing, has shrunk from a high of \$498,000 in 1990 to a new low of \$290,400 in 2009. This budget would disappear if racing ceased to exist in New Jersey.

It is widely known that New Jersey loses its “best and brightest” to neighboring states when it comes to high school graduates choosing higher education and career paths. 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. Many of these young college graduates express interest in future careers in the New Jersey horse industry. 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. New Jersey stands to lose some of its biggest tourism events such as, the Hambletonian, Haskell, and Far Hills Steeplechase races; and the New Jersey Fresh three-day event, to name a few.

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 would leave en masse for other locations.”

For more information about the figures and information provided in this response, visit the Equine Science Center website at esc.rutgers.edu.