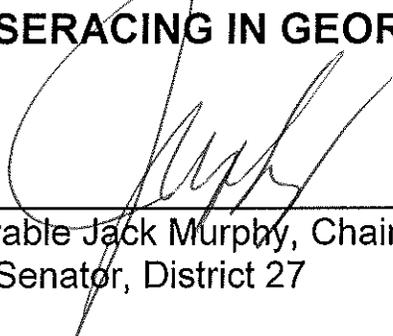


**FINAL REPORT
OF THE SENATE
STUDY COMMITTEE
ON HORSERACING IN GEORGIA**



Honorable Jack Murphy, Chair
Senator, District 27

Honorable Ronnie Chance
Senator, District 16

Honorable Hardie Davis
Senator, District 22

Honorable William Ligon
Senator, District 3



Honorable Jeff Mullis
Senator, District 53



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I. INTRODUCTION

The Senate Study Committee on Horseracing in Georgia was created pursuant to the authorization provided by Senate Resolution 5. The Senate Study Committee on Horseracing in Georgia (HRG) was chaired by Senator Jack Murphy of Forsyth County. The purpose of this study committee was to initiate and engage in dialogue regarding the possibility of allowing horseracing with pari-mutuel wagering in Georgia. Currently, pari-mutuel wagering is prohibited in Georgia.

The following members served on the HRG Study Committee:

- Senator Ronnie Chance of Fayette County;
- Senator Hardie Davis of Richmond County;
- Senator Jeff Mullis of Catoosa County; and
- Senator William Ligon of Glynn County.

The HRG Study Committee convened twice at the State Capitol in Atlanta, Georgia:

- Thursday, November 27, 2012; and
- Tuesday, December 20, 2012.

The HRG Study Committee received testimony from horse enthusiasts and owners, racing proponents and participants, legal and economic development professionals, and critics of horseracing in Georgia. The hearings were open to the public, and there was an open invitation to speak before the HRG Committee.

II. EXECUTIVE SUMMARY

Pari-mutuel wagering on horseracing in Georgia should be explored. The benefits are numerous and the detriments are few. Currently, Georgia prohibits gambling in the form of pari-mutuel wagering. Under pari-mutuel betting, wagers are made against each other rather than against the house. Georgia's lottery is one of the most successful such operations in the nation; however, it is not statutorily defined as gambling for its purpose and is consequently legal under the State Constitution. Efforts to authorize pari-mutuel wagering on horseracing would not automatically open doors to casino gambling; moreover, enabling legislation could, and should, expressly prohibit the gambling slope from being slippery. Horseracing wagering and casino gambling are not part of the same conversation.

Georgia's perfect location and large, diverse population provide a fertile foundation to pursue and establish pari-mutuel wagering for horseracing; moreover, Georgia would be ripe to become a leader in the industry. There is broad support for such endeavor in this state, and any applicable enabling legislation could be drafted to expressly preclude

opportunistic casino resorts; they are not even considered under the purview of the HRG Study Committee or the overall debate to consider horseracing in Georgia.

III. TESTIMONY

A. Thursday, November 27, 2012

Mr. Doug Dillard, Esq., appeared before the HRG committee, representing the Georgia Horseracing Coalition. The coalition supports horseracing in Georgia. Mr. Dillard stated that a statewide poll on this subject was conducted by Landmark Communications; the poll shows that 72 percent of Georgians support a referendum to amend the State Constitution to allow pari-mutuel wagering on horseracing while only 22 percent oppose any referendum. Mr. Dillard noted that pari-mutuel wagering could be established to mirror the current Georgia Lottery dedicated-revenue structure which supplies funds for the HOPE scholarship program.

Mr. Hal Barry is President of the Georgia Horseracing Coalition; it currently has over 200 members. He stated that the Atlanta region already has all the necessary components (except a track and the legal authority) to conduct wagering for horseracing noting specifically the moderate weather climate, population, and access to Hartsfield-Jackson International Airport.

Mr. Tom Schulte spoke on behalf of the Georgia Horseowner's Association and addressed the anticipated economic impact of a horseracing industry in Georgia. He noted that 43 states allow pari-mutuel wagering on horseracing, and 36 states allow live horseracing.¹ There are over 125 active tracks in North America that generate over \$12.3 billion in annual wagers. A 2005 study determined that Georgia has over 180,000 horses in the state—more than other pari-mutuel states such as New Jersey, Louisiana, and Maryland.

Revenue sources from pari-mutuel wagering stem from on-track live racing, and imported simulcast races from other states. Revenue is distributed among: 1) bettors; 2) the racetrack; 3) purses; and 4) the government.

Mr. Shulte referenced the Commonwealth of Kentucky to illustrate potential economic windfalls. There is a total economic impact of approximately \$3.5 billion and about \$121 million generated in annual taxes (\$66 million to state government and \$15 million to local government). Horseracing in Kentucky generates near 52,000 direct and 96,000 total jobs. He cited a study conducted by Georgia State University that showed Georgia could reap around \$50 million in state revenue. Mr. Shulte noted that the amount of revenue to be collected by the State of Georgia would be governed by statute which

¹ There is no wagering in: Georgia, Alaska, Hawai'i, Utah, North Carolina, South Carolina, and Mississippi.

would set the revenue percent for each dollar wagered; moreover, the state usually takes the biggest percentage.

Mr. Mark Roundtree of Landmark Communications presented results from a statewide poll conducted in 2012 regarding public opinion on horseracing in Georgia. The poll was conducted in February 2012 from a large pool of respondents. The poll results showed that 72 percent of Georgians support a statewide referendum to permit horseracing and pari-mutuel wagering while 22 percent opposed such effort. He further noted that the strongest arguments supporting horseracing were new jobs (71 percent), privately funded (70 percent), and international competitions in Georgia (70 percent); however, the strongest arguments opposing horseracing were that it would be detrimental to the poor (30 percent) and bad economic conditions (30 percent). Other popular reasons to support a referendum were HOPE Scholarship funding (65 percent), local control (56 percent), and no casinos would be allowed (54 percent); other reasons to oppose said referendum were that pari-mutuel wagering on horseracing was gambling and therefore immoral (27 percent), fear of future casinos (27 percent), and lack of casinos to accompany the horseracing facilities (25 percent). Additionally, 63 percent of respondents viewed the Kentucky Derby favorably, and 52 percent viewed the Breeders Cup favorably.

Mr. Tim Ritvo serves as President and General Manager of the Gulfstream Horseracing Park in Hallandale Beach, Florida. He stated that horseracing parks can be destination and entertainment venues. He noted that the Gulfstream Park employs about 1000 workers during the racing season which runs on a 90-day cycle annually; moreover, Georgia could probably expect a September/October season. Mr. Ritvo further explained that pari-mutuel wagers are bets against each other, and that states are silent partners. In fact, about 35 percent of revenues go back to the state in some capacity. Horseracing could create year-round revenue with a small window of actual facility racing.

Mr. Eric Cochling represents the Georgia Family Council, and appeared before the HRG committee. He stated that his organization fears amending the Georgia Constitution to allow pari-mutuel wagering on horseracing. He stated that too many casinos prop up the racetracks, and expressed concern about whether the market could support a horseracing venue in Georgia; moreover, there would be initial excitement that would eventually wane similarly to what occurred in Alabama. Mr. Cochling noted that there are many social ills associated with gambling, and that horseracing would create a permanent class tied to that activity. Mr. Cochling cited evidence that horseracing is in decline around the nation and that racetracks are not financially viable without additional revenue sources. These revenue sources are usually additional gambling opportunities and thus the new term 'racinos' has been coined of late. Further, Mr. Cochling

questioned the survey cited by proponents. He remarked that the phrasing of the questions greatly impacts the outcome of the survey.

Mr. Carl Bouckaert of the Georgia Horseracing Coalition stated that this endeavor is all about jobs; bringing horseracing to Georgia will help create jobs including many cross-sections of industries such as agriculture. Mr. Bouckaert stated he helped bring the Steeplechase to Atlanta. Further, Mr. Bouckaert represented the nation of Belgium in Equestrian at the 2012 London Olympics.

Mr. Dean Reeves of Reeves Thoroughbred Racing appeared before the HRG committee and cited a New York state study regarding the economic impact of horseracing in the Empire State.² The study shows that the equine industry provided a \$4.2 billion total economic impact supporting about 33,000 jobs across New York. He termed this type of economic impact as "Equine Commerce."

B. Thursday, December 20, 2012

The Honorable Harry Geisinger of the 48th State House District, appeared before the HRG committee. He has filed House Resolution 1 and House Bill 4 for the 2013-2014 biennial term.³ He noted that a similar resolution and its enabling legislation were endorsed by House committee in 2012, but did not make it out of House Rules Committee before the end of the session. He further stated that they received unanimous support from the House Regulated Industries Committee.

Mr. Doug Dillard appeared before the HRG committee; he discussed two examples of states that allow pari-mutuel wagering but prohibit casino gambling: Wisconsin and Kentucky. They both specifically authorize pari-mutuel wagering, but expressly prohibit casino gambling. In fact, the Kentucky Senate voted down (21-16) a proposed constitutional amendment to legalize casinos. There are concerns that casinos would find an open door in Georgia if pari-mutuel wagering is allowed. Senator Ligon specifically asked about that possibility noting that casinos create economic dead zones around them; there are further concerns over land being designated as tribal lands by Native Americans who could then establish casinos.

Mr. Hal Berry of the Georgia Horseracing Coalition supports legislation authorizing pari-mutuel wagering on horseracing, but wants to ensure it is done properly in Georgia. He stated that the Breeders' Cup has interest in the Atlanta area as a site for a racing cup location; moreover, there is a possibility that the Breeders' Cup could find a permanent home in Georgia.

² The New York State Equine Industry Economic Impact Study: <http://www.nytbreeders.org/pdf/EquineStudy.pdf>

³ House Resolution 1: <http://www.legis.ga.gov/legislation/en-US/Display/20132014/HR/1>
House Bill 4: <http://www.legis.ga.gov/legislation/en-US/Display/20132014/HB/4>

Mr. Jack Damico of the Georgia Horseracing Coalition discussed potential economic impact and provided a financial overview of a horseracing track facility. He noted that a proposed horseracing track in the Atlanta area with racing 40 days annually and simulcast facilities on other days could generate \$534 million in its first year of operation; moreover, he further stated that this sum does not reflect a casino. He opined that thoroughbred horseracing could survive in Georgia without accompanying casinos. Mr. Damico also offered a theory that the reason the Birmingham, Alabama, horseracing facility was not successful because it was overbuilt and overpromised.

Mr. Dan Reeves appeared again before the HRG committee to discuss the Gulfstream Horseracing Park in Florida, and further stated that the horses are well-taken care of, and lead useful post-racing lives.

Mr. Ray Newman of the Georgia Baptist Convention appeared before the HRG committee; his organization opposes efforts to allowing pari-mutuel wagering in Georgia. He noted that there is great enticement in gambling and that horseracing would lead to negative consequences.

Ms. Terri Green serves as the Republican Party's Faith-Based Coordinator; she opposed pari-mutuel wagering on horseracing in Georgia. She cites the Christian Action League's report in North Carolina about the side effects of gambling in that it preys on minorities, and she further noted that the lotteries lead to moral degradation.

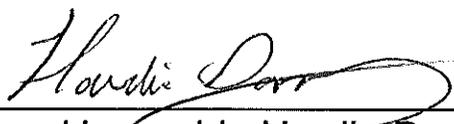
Mrs. Judy Craft, former Field Director for Georgia Christian Alliance and current co-chair of the Civic and Moral Concerns Ministry at First Redeemer Church in Cumming, Forsyth County, pointed out that the enabling legislation, House Bill 4, requires licensees to post a toll-free Gamblers Anonymous phone number for compulsive gamblers. She also called this government-sponsored gambling, and noted that it creates a huge expansion of government. She opined that it would establish and fund a new bureaucracy governed by seven new commissioners overseeing a staff of employees ranging from chemists to veterinarians to accountants. She further noted that a similar idea floated in Dover, Delaware, for horseracing has now embraced the casino model to prop up the financial shortfall of the racetrack.

Mr. Ron Smith supports horseracing, and states that the state should court the industry for job creation. Mr. Fred Fletcher of the Founders Club and Big Stick Stables supports horseracing in Georgia, and said that this state is ripe for the industry. Mr. Kostas Hatzikoutelis, also of the Founders Club and Dream Team Racing commented that many jobs are created from horseracing, and he stated that income from 21 horses supports 60 families.

IV. RECOMMENDATIONS

The HRG committee finds the State of Georgia would benefit from and enjoy the merits of pari-mutuel wagering on horseracing. The HRG committee further finds that legislation authorizing and enabling a statewide referendum should be specifically drafted in order to expressly exclude any form of casino gambling by any entity or group. Horseracing is a family-oriented, entertaining event, and the industry associated with it can bring many benefits to our state and embracing communities. Local voters should be allowed to determine whether horseracing would be allowed in their communities. Further, state revenues derived from horseracing activities and pari-mutuel wagering should be devoted and dedicated to educational recipients, including the HOPE Scholarship program and Pre-Kindergarten. This committee has no desire to endorse open-ended casino gambling, but it does understand and propose that pari-mutuel wagering on horseracing should be authorized and welcomed in the State of Georgia.

**DISSENT
OF THE SENATE
STUDY COMMITTEE ON
HORSERACING IN GEORGIA**



Honorable Hardie Davis
Senator, District 22



Honorable William Ligon
Senator, District 3

I. INTRODUCTION

The General Assembly is being asked to consider amending the Georgia Constitution which currently prohibits pari-mutuel betting in Article I, Section II, Paragraph VIII. It must be underscored that this is no minor change in state law; instead it would be a dramatic departure from a constitutional provision designed to protect Georgians from the pathologies associated with gambling. The obligation of our elected leaders to protect the public is also reflected in O.C.G.A. § 45-10-1, the Code of Ethics for Government Service, where the very first duty of elected officials and government workers is to uphold a loyalty to the highest moral principles. This should automatically preclude State officials from embracing any type of gambling activity personally and certainly to refrain from passing legislation that would entice Georgia's citizens into harmful economic choices. Free markets naturally include risk taking and potentially adverse consequences, but the voluntary exchange of goods and services should not rely upon predatory models that appeal to the weaker aspects of human character. Government's role is to ensure that public policy is a benefit to society or at the least, not detrimental. While many equestrian activities and equestrian sports provide great value for Georgians, this does not mean that same value exists when equestrian sports are combined with gambling, in this case pari-mutuel betting. Further, the State should not have a vested interest in supporting gambling activities that would fill State coffers at the expense of creating gambling addictions that lead to ruined lives and broken families.

II. FINANCIALLY UNFEASIBLE INDUSTRY LEADS TO MORE GAMBLING

Pari-mutuel wagering and particularly horse racing, as a form of gambling in the United States, has experienced a dramatic and sustained decline in terms of public interest and revenues over the last 30 years. This trend has been universal in states where pari-mutuel wagering has not been combined with some other form of gambling, such as Video Lottery Terminals (VLTs) or slot machines.

In New York, where horseracing predates the nation's founding, racing revenues have declined to approximately 20 percent of what they were in 1974.¹ In Illinois, horseracing has experienced its lowest levels of wagering in 35 years after years of decline.² In Kentucky, known as the horseracing state, the decline in racing revenues has reached near crisis status in recent years because much of the state economy is linked to horseracing.³

The growth in other forms of gambling is generally considered to be a primary cause of horseracing's decline. Therefore, it is not surprising that where horseracing appears to continue to generate profits (Indiana, for example), it is because racing venues have incorporated other forms of gambling. These other forms of gambling include slots, VLTs, and table games, and represent the profit centers for these racing venues. States like Kentucky are now having serious debates about saving their racing industries by incorporating slots and other games.⁴

¹ See: <http://therail.blogs.nytimes.com/2010/06/06/reasons-for-the-decline-of-horse-racing/>

² See: <http://sj-r.com/> Bigger purses send even Jim Edgar's horses to Indiana

³ See: The Paulick Report at <http://paulickreport.com/>, October 19, 2009

⁴ See: <http://usatoday30.usatoday.com/sports/horses/triple/derby/story/2012-05-01/Future-of-horse-racing-in-Kentucky-may-depend-on-slots/54709728/1>

To the far north in Ontario, after a few years subsidizing the horseracing industry (over \$300 million), a recent Commission report found that the industry essentially could not survive on traditional race betting alone.⁵ While recommending an end to the permitted subsidy, it also found that the industry should be allowed to create "other" games tied to racing if it were to become self-sustaining - many of its examples looking very much like slots and other "instant win" games employed in the temporary subsidy. In essence, the Commission recommended a continued use of expanded gambling options to support the industry.

It is critical to recognize that once the horseracing industry is allowed to operate legally in Georgia, it will develop an incredibly strong lobby that will fight – as it has in other states – to expand gambling beyond pari-mutuel betting when horseracing starts faltering as a stand-alone industry.

III. FEDERAL LAW RECOGNIZES CLASS III GAMING AS OPEN DOOR

The Attorney General of Georgia, Sam Olens, in a letter dated February 1, 2012, regarding the Indian Gaming Regulatory Act, explained that Class III gaming includes casino-like gambling and pari-mutuel betting. An Indian tribe which can show that a state allows Class III gaming has legal ground to pursue Indian Lands for the purpose of casino gambling within that state.⁶

This concern regarding Indian gaming relates to recent efforts by the Creek Indian Band's submission of an application to the Bureau of Indian Affairs for recognition of property in Glynn County. This type of "venue shopping" takes place when there appears to be a legitimate hope that a state will embrace Class III gaming or has already done so. It should be noted that the Georgia Council on American Indian Concerns, which represents indigenous Indian tribes in Georgia, has consistently resisted the opportunity to allow gambling on any tribal lands. However, should the state embrace Class III gaming, other tribes seeking a new venue for casino operations could gain a foothold in Georgia and run gambling establishments despite the long-standing policy of indigenous tribes.

Indian gaming is fraught with its own social costs due to the fact that Indian lands are taken out of the governance of the State. These lands do not provide any tax base for the local community because they are off the tax digest. Local police powers have no jurisdiction on Indian lands. Further, there can be no revenue sharing with the State.

⁵ See: <http://www.omafr.gov.on.ca/english/about/transition/finalreport10232012.htm>

⁶ See: 25 U.S.C. §§ 2710(d)(1)(B); 2710(d)(2)(A); 2710(b)(2)(B).

IV. SOCIAL COSTS

A strong correlation exists between pathological gambling and crime according to a study disseminated by the U.S. Department of Justice.⁷ The study revealed that "the percentage of problem or pathological gamblers among the arrestees was three to five times higher than in the general population." (p. ii). In addition, "more than one third of the compulsive or pathological gamblers arrested . . . had been arrested on at least one felony count" and one-third of those "admitted that they had committed the robbery to pay for gambling or to pay gambling debts." (p. 5). Published in 2004, the study noted that there were about 2.5 million Americans who were pathological gamblers and another 3 million were problem gamblers. (p. 4). In a 2000 report by The National Gambling Impact Study Commission: Impact of Gambling Economic Effects More Measurable Than Social Effects, known economic costs to society at that time were estimated to be \$5 billion per year and an additional \$40 billion in lifetime cost for productivity reductions, social services, and creditor losses. However, according to NGISC, the estimates are based on a small number of tangible consequences; and, as a result, the figures must be taken as minimums."⁸

V. RECOMMENDATIONS

Given the economic reality of horseracing around the country, this dissent strongly recommends against bringing the industry to Georgia. By introducing an industry in clear decline historically, the facts reveal that it would soon need to be propped up by other sources of revenues, either by opening up our state to other forms of gambling (which also come with serious social pathologies and economic costs and disproportionately harm the poor and less educated) or by state tax subsidies, neither attractive prospects for real and sustainable economic growth in Georgia.

⁷ See: Pathological Gambling in Arrestee Populations by Richard C. McCorkle, Ph.D, 2004, [https://www.ncjrs.gov, document 203197.pdf](https://www.ncjrs.gov/document/203197.pdf)

⁸ See the United States General Accounting Office, GGD-00-78 Impact of Gambling, p. 4