



**MI HOUSE AGRICULTURE ORAL TESTIMONY – HB 4599 and HB 4600**

**Crystal Terrell, MHHA Secretary**

**April 21<sup>st</sup>, 2021**

“Chairwomen Alexander and Members of the Committee my name is Crystal Terrell and I am the Treasurer and an Executive Committee Member for the MI Harness Horsemen’s Association. I want to thank the sponsors for their work on this important issue as well as your continued support of horse racing in Michigan. We have submitted written testimony with some specific suggestions on how best to improve this already good legislation, but instead of reading our written testimony I thought I would instead talk more broadly about how critical the AEIDF is to growing equine related agriculture in Michigan.”

The AEIDF, which was established by Section 20 of the horse racing act, is critical to Michigan’s horse racing industry and encouraging the investment by owners, trainers and breeders in Michigan sired and bred horses. Within this fund are a series of budget line items that promote breeding, owning, training, and racing Michigan horses. The greater the revenue amount that can be deposited in this fund, results in larger purse structures and incentives for our racing programs which encourages breeding each year.

As an investor in Michigan’s horse racing industry as horse owner and breeder who relies on boarding my horses on other’s farms I can attest to the substantial costs related to horse racing including:

- a. training, vets, feed, board rent
- b. Owning and racing a horse is a minimum \$30,000.00/year endeavor
- c. Breeding a racehorse is a 4 year investment on average costing \$15,000 a year ( \$60,000 are invested before your potential racehorse steps foot into a racetrack

So when I look to invest in Michigan sired horses, which I have over the past 11 years I have owned horses. I look for what the potential earning opportunities those horses have against the purchase cost of those horses. A key factor into those earnings opportunities is a direct result of the revenue available through the AEIDF.

A strong AEIDF encourages breeding and investment in the state’s racing industry. One of the main drivers for individuals, like myself, to invest their time and money into the industry is how strong the purse structure is for the 2 and 3 year old programs, which in Michigan are raced primary at our county fairs, a strong sire stakes program and strong pari-mutuel racetrack purse structure. The breeding program for the 2 and 3 year old acts as a feeder system to the pari-mutuel racetrack horse supply. The stronger the 2 and 3 year old programs, the more incentive there is for breeders to raise and sell their horses and a strong purse structure for Sire Stakes encourages owners and trainers to invest in Michigan sired and raised horses. A healthy pari-mutuel racetrack is critical to having a strong AEIDF as the revenue for this fund comes almost exclusively from the tax on simulcast and advanced deposit wagering that are statutorily required to be paid per Section 21 of the horse racing act.

To highlight the impact of a strong AEIDF fund I want to share a quick statistic from 2007. In 2007, six racetracks were in operation, the AEDIF fund received 15 million in revenues due to simulcast wagering taxes, the resulting Standardbred sire stakes that year raced for an average \$125,000 per race, under the current breeders awards structure, breeders of winning horse potentially received a check for

\$12,500. Fast forward to 2020, with 1 remaining racetrack, the AEIDF saw 2.7 million in revenue from wagering tax from simulcast and ADW, sire stakes raced for an average of \$26,000, with breeders of those winning horses receiving a potential check of \$2,600 that is an 80% decrease from 2007. When you look at the number of MI sired horses for those years 2007 saw 789 amount of registered 2 year olds compared to 148 for 2 year olds in 2020. I wanted to highlight this to show the direct impact of higher purse structure on Michigan's breeding industry. As the industry became less stable during the times between 2007 and 2020 we have seen the number of MI sired horses decrease due to more lucrative programming in states such as Ohio and Indiana.

It is imperative that Michigan looks for ways to increase revenue to the AEIDF in order for our horse racing programs to be attractive to not only Michigan residents but out of state investors. The more attractive the programs look the greater the investment in the breeding industry which has a direct impact on Michigan's agricultural industry. The American Horse Council Economic Impact Survey suggests Michigan's horse racing provides an economic impact of \$389 million and supports roughly 4,000 jobs. This number can and will grow exponentially with the addition of new revenue. Other states have adopted additional revenue generating tools at their racetracks in addition to simulcast wagering, that have resulted in substantially higher revenue numbers for their programs. A consistent, competitive purse structure for these program results in a dramatic increase to breeding numbers. As an example in 2011 Ohio racetracks partnered with the lottery and within the first year of operation of the racino model, the breeding industry saw a tremendous growth with the number of Ohio sired horses increasing from 463 registered foal in 2011 to 966 in 2012 - a 115% increase and this number is now a 260% increase from registered Oh sired foals comparing 2011 to 2020. Ohio is now one of the premier racing states in the country with an extremely strong sire stakes program – offering purses for their Championship races of \$250,000. Last year they reported over 1,600 foal born to Ohio stallions. This is a tremendous impact on the local Ohio agricultural sector. Additionally Ohio offers year round racing at the pari-mutuel tracks which has increased the number of trainers and owners investing in Ohio.

Our goal is to update the AEIDF through HB 4599 and HB 4600 and continue to push for new tools which will generate more revenue for purses at the track and more revenue for the AEIDF.

Thank you again for the opportunity to speak with you today. I am happy to answer any questions you may have.

April 21, 2021



Chairman Alexander and Members of the Committee,

Thank you for your continued support of Michigan horse racing. On behalf of the Michigan Harness Horsemen's Association and our members across the state I am proud to offer this written testimony in support of HB 4599 and HB 4600. As we continue to push for more modern tools to support live horse racing, updating the AEIDF is a critical component to ensuring the horse industry thrives in Michigan.

While the MHHA believes the changes in HB 4599 and HB 4600 will help move the industry forward in conjunction with other gaming reforms we did want to make some specific recommendations that we believe will improve these bills.

- Page 6 and 7 – Section 20 (5)(c) – The MHHA would recommend including that each designated funding section include money both for “purses and other costs associated with” as each day of racing at a county fair contains roughly \$2,250 in costs related to judges, clerks, photo finish, and the starting gate.
- Page 14 – Section 20 (11) – In recent legislation that allowed for the use of third party facilitators this payment was increased from 1/100 of 1% to 1/15 of 1% for the compulsive gaming prevention fund. Given the recent increase (over 6x) increase was made just a few years ago we would hope the committee would leave this level of funding at its current level.
- Inclusion of a Standardbred Owner's Award – The current law contains owners awards for Thoroughbred horses on page 10 “A sum to pay awards to owners of Michigan bred horses that finish first, second, or third in races open to non-Michigan bred horses.” We would seek that same language be mirrored in the section on Standardbred horses.
- Increasing scope of Michigan Breeders Awards - to include “and up to 20% of the gross purse to breeders of Michigan-bred horses that finish first, second or third in races open to non-Michigan bred horses”

Again, I want to thank the bill sponsors, the committee, and all of supporters of Horse Racing in the Michigan Legislature for their continued support and desire to help us bring back this important agricultural industry.

As always, the MHHA is happy to answer questions, comments, or concerns.

Best Regards,

Thomas Barrett, President  
Michigan Harness Horsemen's Association

