



# THE RACE HORSE DEVELOPMENT FUND: HOW PENNSYLVANIANS BANKROLL THE SPORT OF KINGS

Updated in May 2021



EDUCATION VOTERS  
of Pennsylvania

## INTRODUCTION

In 2004, the General Assembly passed Act 71, the Pennsylvania Race Horse Development and Gaming Act. The Act permitted slot machines at racetracks and imposed a 55% tax on slot revenue. It also directed up to 12% of those tax dollars to support the race horse industry through the Pennsylvania Race Horse Development Fund (PRHDF).[i]

The PRHDF provides \$240 million per year in taxpayer-funded subsidies to wealthy horseracing enthusiasts and hobbyists. Since 2004, Pennsylvania’s horse racing industry has received a staggering \$3 billion in revenues. The money is used to pad cash prizes and provide pensions for wealthy horse owners, breeders, and trainers. It also funds drug testing for horses and advertising costs for racetrack marketing, among other things. What this report makes clear is that the fund does not provide is any significant economic benefit to Pennsylvania.

The system is riddled with conflicts of interest and self-dealing. The industry regulatory body, the State Racing Commission, is dominated by the horseman – the very beneficiaries of millions of state dollars in subsidies. The breeding funds operate with little public oversight and even less accountability to taxpayers.

This report details EVPA’s findings and recommendations for eliminating the PRHDF and reinvesting hundreds of millions of dollars into public education to support Pennsylvania’s youth and future workforce.



Fans watch racing on Pennsylvania Derby Day 2017. (Eclipse Sportswire)

# IT'S TIME TO PUT THE EDUCATION OF CHILDREN OVER THE HOBBIES OF MILLIONAIRES.

Inadequate state funding for early childhood education in PA means that more than half of preschoolers who are eligible for publicly-funded, high-quality pre-k don't get to attend. Pennsylvania college graduates carry the 2nd highest student debt in the nation. Pennsylvania ranks 47th out of 50 states for investment per capita in higher education. And, Pennsylvania ranks 46th in the nation in state support for K-12 education, leaving hundreds of thousands of students without the resources they need to succeed.

While Pennsylvania schools struggle and students lose once-in-a-lifetime opportunities to learn, PA is providing an enormous bounty for millionaire horse owners and their dying industry.

## RACEHORSES ARE A LUXURY GOOD

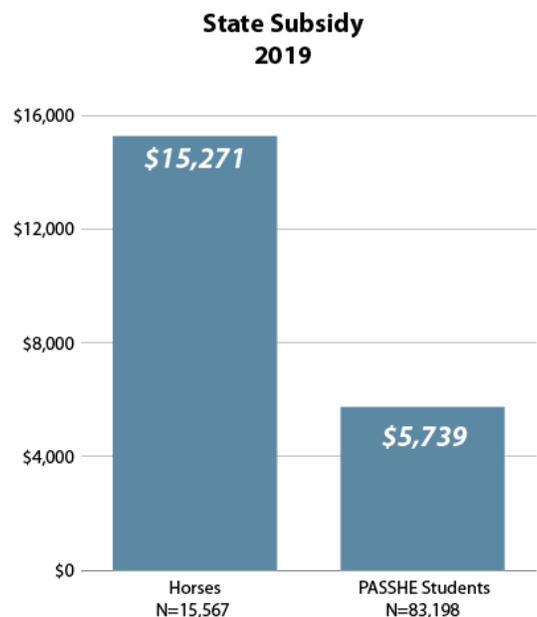
The average maintenance cost of a racehorse is \$25,000 per year, though more expensive horses can cost more than double that amount.[ii] In Pennsylvania, racehorses are exempt from sales tax. If you buy a car for work - you pay sales tax. If you buy a horse to ride - you pay sales tax. It is only the racehorses that are sales tax exempt. [iii]

## RACEHORSES GET MORE SUBSIDIES THAN COLLEGE STUDENTS

In 2019, a total of 15,567 horses competed over the course of the year, an average of 5 starts per horse. The state invested \$237.7 million in the industry; approximately \$15,271 per horse. [iv]

By way of contrast, the 90,415 students enrolled Pennsylvania's 14 state system universities received \$477.5 million, or \$5,739 per student. [v]

Policymakers have to ask themselves what the better investment is in Pennsylvania's future: horses that race for four years or students whose education lasts a lifetime.



Source: Pennsylvania Gaming Control Board Pari-mutuel Benchmark Reports

# WEALTHY HORSE OWNERS REAP THE BENEFIT OF MORE THAN \$200 MILLION IN SLOTS REVENUE EACH YEAR

Billions of dollars of Pennsylvanians' hard-earned tax dollars have been used to fund a small number of wealthy racing enthusiasts and hobbyists—many of whom do not live in Pennsylvania.

## PURSES: \$159.8 MILLION

Purses are cash prizes awarded to the wealthy owners of winning race horses. Only 12% of purses are funded by winning bets; the rest come from taxpayer dollars. Approximately half of purses are won by non-residents--a total of \$88 million in 2018.

## BREEDERS FUNDS: \$32 MILLION

In 2018, more than \$30 million in breeders awards and stakes fund cash were distributed to only 614 people in total.

## PENSIONS AND HEALTH INSURANCE: \$11.3 MILLION

Pennsylvania taxpayers fund the pension and health insurance benefits of wealthy race horse owners, breeders, and trainers, to the tune of \$11.3 million dollars per year.

## TESTING FOR PERFORMANCE ENHANCING

## DRUGS + PROMOTIONAL COSTS: \$13.8 MILLION + 2.4 MILLION

Taxpayers fund state-mandated drug testing for winning horses and, as of 2016, advertising costs for racetrack marketing.

## Wealthy Recipients of RHDF Purses

George Strawbridge, Jr., Campbell's Soup heir  
Hank Northhaft, Texas technology entrepreneur  
Stuart Grant, Delaware attorney  
Kenneth & Sarah Ramsey, Kentucky millionaire



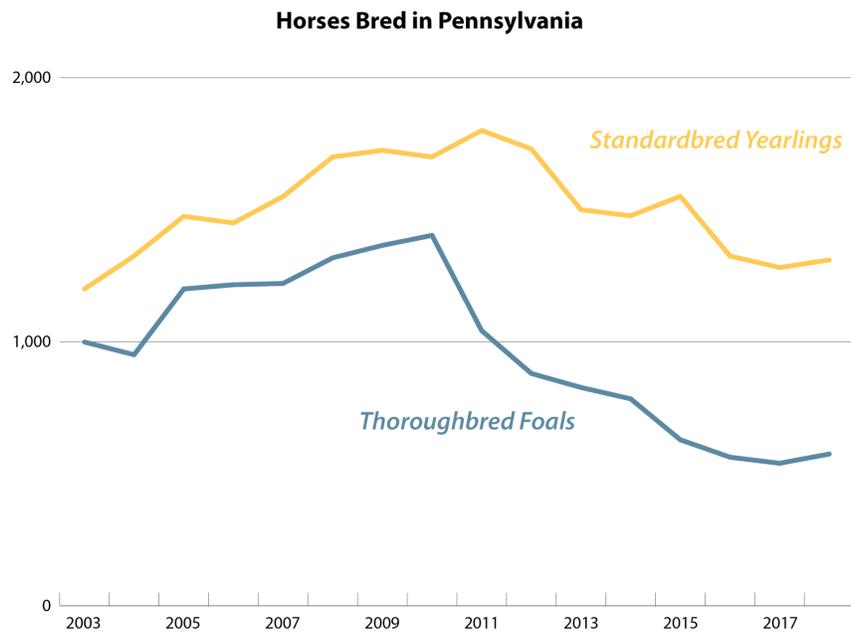
# DOES THE RACEHORSE DEVELOPMENT FUND PROVIDE ECONOMIC BENEFIT TO PA?

Racetrack attendance is small and declining. The public has little interest in the sport. Average attendance for the Williamsport Crosscutters minor league baseball team is greater than the average attendance at any of the state's six horse tracks!

In 2019, the PRHDF subsidy of \$238 million was five times the amount wagered by Pennsylvanians on races run on Pennsylvania tracks. Horse racing generates fewer than 10,000 direct jobs. By contrast, the tourism industry generates 310,000 direct jobs but receives a fraction of state taxpayer support.

## THE NUMBER OF FOALS IS DECLINING

A goal of Act 71 was to support the industry by increasing the number of horses bred in the Commonwealth. The argument is that supporting horse racing is supporting agriculture and protecting farmland. The measure of success of a breeding program is the number of horses sired or raised in a state. The number of thoroughbred foals peaked in 2010, but declined by 60% by 2018 from 1405 to 575. Standardbred yearlings peaked in 2011 at 1800 and have declined to 1310.



Source: Pennsylvania Gaming Control Board Pari-mutuel Benchmark Reports, 2011-2018

Source: PA Horseracing Benchmarking Reports

## OVERSIGHT OF TAXPAYER DOLLARS TO RHDF HAS BEEN LIMITED

The Race Horse Development Fund operates with little transparency and great potential for conflicts of interest. Millions in tax dollars are doled out to wealthy, private horse hobbyists with almost no public disclosure or accountability. The gaming law severely constrains the powers of the Department of Agriculture, which is charged with administration and oversight.

## BREEDERS DISTRIBUTE BREEDERS FUNDS TO THEMSELVES

In 2016, the Pennsylvania Breeders Association was given full control over administering more than \$16 million in cash prizes that are distributed to thoroughbred breeders each year.[vi] There is no contract for how these funds are distributed. The Joint State Government Commission flagged this issue in a 2017 report and recommended that a detailed written contract be created “with adequate provision to address any potential conflict of interest.” [vii] Nothing has changed since then.

## RACING'S IMPACT ON THE HORSES

Since 2010, 1,400 horses have died at Pennsylvania racetracks. More than half were killed at Parx Racetrack in Bensalem and hundreds of others have died at Penn National, Presque Isle, and the three harness tracks. The Deaths of dozens of horses at the Santa Anita race track in 2019 alerted the public to this problem.

But the track with the most dead horses that year was Parx Racing in Bensalem with 59 dead horses. One hundred and sixteen horses were killed at Pennsylvania tracks that year.



# HORSE RACING NO LONGER A WINNING PROPOSITION FOR THE STATE

The Race Horse Development Fund is the state's single largest annual economic development program. Yet racing's economic footprint is small - much smaller than the rest of the equine industry - not to mention the agricultural industry as a whole.

It creates just over 1700 full-time track jobs, and fewer than 10,000 direct jobs overall. The tourism industry, which creates 310,000 direct jobs, received \$18 million in General Fund support in 2019.

At the Senate Appropriations Committee hearing for the Department of Agriculture in March 2020, Secretary Russell Redding indicated that after \$3 billion in spending over the years it is appropriate to believe the industry should be self-sustaining. That seems to be a reasonable position.

The commonwealth must look ahead. The best investment our governor and legislature can make is Pennsylvania's future workforce - by providing a solid foundation for students and making public college more affordable. That is the winning bet.

## RECOMMENDATIONS

**It is time for the commonwealth's subsidy to end.**

**We recommend eliminating the PRHDF and reallocating this funding to the General Fund to be invested in public education to support Pennsylvania's youth and future workforce.**

**TO READ THE FULL REPORT VISIT [WWW.KIDSOVERHORSERACING.ORG](http://WWW.KIDSOVERHORSERACING.ORG)**

### Citations

- [i] Act of July 5, 2004 (P.L.572, No.71), accessed at: <https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=04&div=0&chpt=11>.
- [ii] Training fees run \$40-\$140 per day, or \$14,000-\$50,000 per year. Veterinary fees are \$100 per month and up to 50% of trainers' fees and shoes alone cost \$80-\$120 per month.
- [iii] The propagation and raising of horses to be used exclusively for commercial racing activities is considered farming and exempt from sales taxation. PA Department of Revenue. 2019. "Tax Information for Farmers," September 2019. Accessed at <https://www.revenue.pa.gov/FormsandPublications/FormsforBusinesses/SUT/Documents/rev-1729.pdf>
- [iv] PGCB 2018 Racetrack Casino Benchmark Report p.9
- [v] Commonwealth of Pennsylvania, Governor's Executive Budget, 2019-20. P E.14-15
- [vi] Act 114 of 2016. 3 Pa.C.S. § 9336(f). Accessed at: <https://codes.findlaw.com/pa/title-3-pacsa-agriculture/pa-csa-sect-3-9336.html>
- [vii] Joint State Government Commission, General Assembly of the Commonwealth of Pennsylvania.2017. "Horse Racing in Pennsylvania, a Staff Study," February 2017. P 80. Accessed at: <http://jsg.legis.state.pa.us/resources/documents/ftp/publications/20170301%20horse%20racing%20in%20pennsylvania%20final.Pdf>
- [viii] Joe Drape and Corina Knoll. 2019. "Why So Many Horses Have Died at Santa Anita," New York Times, June 26, 2019. Accessed at: <https://www.nytimes.com/2019/06/26/sports/santa-anita-horse-deaths.html>.
- [ix] Website:Horsewacingwrongs. Accessed at: <https://horseracingwrongs.org/killed-2019/>