



November 1, 2017

BRIEFING: WHAT THE PASSAGE OF EXPANDED GAMING MEANS FOR PA RACING

Following years of uncertainty, we're proud to announce budget legislation has passed that PROTECTS the Race Horse Development Fund by converting it to a virtually untouchable trust fund.

This is a major victory the PHHA and fellow horsemen's organizations have fought long and hard for. Finally, people can confidently invest in PA without worry that an unexpected major diversion of funds would harm our purse structure.

It's called a "lockbox." That means racing funds are essentially locked away and cannot be raided for general purposes due to amendments to the Race Horse Development and Gaming Act. And, should the legislature attempt to take money anyway, a "clawback" provision will be triggered, requiring complete repayment of all funds diverted since 2009---over \$185 million. That means our fund is better protected than ever before.

Budget legislation also significantly expands gaming, allowing for "mini-casinos," VGTs at truck stops, online gaming and lottery products, and also opens the possibility for parimutuel horse racing wagering through operators not directly connected to racetracks. All of these will compete to a certain degree with current revenue-generating sources that contribute to purses.

Exactly how much impact this expansion will have is yet to be seen. Some of these (truck stop VGTs, online lottery games) will probably have little effect on our revenues. Others may be the subject of legal challenges or a long implementation process, meaning they could be many months or even years away. And it's possible "mini-casinos" might only appeal to a small subset of gamblers who want a no-frills experience lacking the glamor and amenities of Vegas-style properties like Mohegan Sun Pocono or Harrah's Philadelphia.

In fact, when the day comes that all of these expanded gaming options are in place, it's possible their combined impact, if negative, could actually be *less* than future legislative raids on the fund might have been were it not for our new set of protections with the newly established trust fund and lockbox and clawback provisions.

In summary:

- The Race Horse Development Fund is safer and better protected today than it has ever been due to the establishment of the racing trust fund.
- The PA racing industry is strong and well-positioned for 2018 and beyond.
- It's safer than ever to invest in PA thanks to our funds being safeguarded by tough "lockbox" and "clawback" provisions in amendments to the Race Horse Development and Gaming Act.

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