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► THE LIST



**BIG DEALS**  
**Mergers and**  
**acquisitions**

Biggest Deals  
of 2012

**PAGE B6**

► COVER STORY



JEFF RUSSO

## BREEDING CONTEMPT

After four straight years of seeing their slots funds diverted to other uses, breeders and trainers in Pennsylvania want their full share restored.

STORY BY JOHN GEORGE

**W**hen legislation was OK'd to allow slots wagering in Pennsylvania, the law called for allocating a portion of the slot machine revenues to help the struggling horse racing industry.

When the economy tanked, that fund also became a temporary pot of money that the state dipped into to help balance the budget. But now, with the state seeking to divert money from the fund once again, horse breeders are saying, "Enough is enough."

**Cover Story | Page 4 ►**

► NEWS FRONT

### Medicaid timeout

Keystone Mercy puts a hold on adding new members.

**Page 3 ►**



### Real food

Q&A with Lucinda Duncalfe of Real Food Works.

**Page 8 ►**



### Jewelers' row

Harvey Rovinsky of Bernie Robbins Jewelers in CEO File.

**Page 12 ►**

**INSIDE:** CEO FILE 12 | PEOPLE ON THE MOVE 14 | BIGGEST DEALS OF 2012 B1 | **THE LIST:** MERGERS AND ACQUISITIONS B6 PRIVATE EQUITY FIRMS B10



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► COVER STORY

# ENOUGH HORISING AROUND

Breeders and trainers are crying foul over the diversion of slots funds

JOHN GEORGE | SENIOR REPORTER

**H**orse owners and breeders across Pennsylvania are pulling back on the reins and yelling, “Whoa.”

What they are trying to halt is the continued diversion of slots wagering funds intended to boost prize money and provide bonus payments for Pennsylvania-bred horses.

Slots wagering is down at most of the state’s six horse racing tracks, which means fewer dollars for the Race Horse Development Fund.

The development fund totaled \$280 million in fiscal 2012. It was created under Act 71, the 2004 legislation that legalized slots wagering in the state. The fund was established to supplement purses, finance breeder incentive programs and provide health and pension benefits for trainers as well as other horse racing industry workers.

Gov. Tom Corbett’s proposed budget for fiscal 2014 calls for taking nearly \$31.2 million out of the development fund for use in the general fund. The racing industry said they agreed to such diversions — in the

form of a 17 per cent assessment — with the Rendell administration when the economy was slumping. Part of their deal was for the assessments, which have totaled \$200 million, to end after four years, which would be the current fiscal year.

## Sending a message

“The message that is going out to people who invested in horse farms and training facilities is that the commonwealth is not a place to rely on what [politicians] say,” said Sal DeBunda, a horse owner and president of the Pennsylvania Thoroughbred Horsemen’s Association that represents the owners and trainers at Parx in Bensalem. “I don’t think they are looking at the long-term picture here.”



DeBunda

This year, two Pennsylvania tracks have implemented across-the-board reductions in purses and a third plans to follow suit when it starts live racing in the spring.

Pete Peterson, a spokesman for Pennsylvania Equine Coalition, which represents a statewide group

that represents more than 10,000 owners and trainers, said the continued diversion of money from the development fund could also end up costing the state significant job losses from an industry that says it supports more than 20,000 workers.

“It discourages future investment in the industry and makes horse owners consider whether they want to continue racing in Pennsylvania, or go somewhere else where the purses are better,” Peterson said. “Horses are mobile. You can put them in a van and be somewhere else tomorrow.”

Brian Sanfratello owns a horse farm in Perkasio and is president of the Pennsylvania Horse Breeders Association. He said the coalition, which fought of a plan to take \$70 million in additional money out of the development fund last year, is again meeting with legislators to voice its opposition to the proposed budget.

“We’ve already given \$200 million to the state to help them out with their budget shortfalls,” Sanfratello said. “No other organization has given anywhere near that amount. Enough is enough. This shouldn’t be a fund the state can dip into any time it wants.”

Jay Pagni, a Corbett spokesman, acknowledged the



**A DAY AT THE RACES:** The entrance of Parx East in Bensalem and the lobby. Keith Jones, the track announcer, with his binoculars.

## ► BY THE NUMBERS



## Slots distribution

Pennsylvania law mandates the following split of revenue from each dollar generated by slot machine gaming:

- Licensee Retained Earnings 45¢
- Gaming Fund Property Tax Reduction 34¢
- Racehorse Development Fund 12¢
- Economic Development & Tourism Fund 5¢
- Local Government Share 4¢



45¢

34¢

12¢ 5¢ 4¢

Source: Pennsylvania Gaming Control Board

original idea was for the assessment to end after four years.

“There was an expectation things would turn around quickly,” Pagni said. “The recovery has not occurred as quickly as people hoped and wished from both sides.”

He said the governor’s budget proposal continues the practice established in previous years of using the money transferred out of the development fund for other items in the Agricultural Department, many of which benefit the horse racing industry. That list includes support for the Animal Health and Diagnostic Laboratory at the University of Pennsylvania’s Veterinary School in Kennett Square and the Pennsylvania Veterinary Laboratory in Harrisburg for testing of equine, livestock and domestic animals.

Pagni also said the governor’s budget office is projecting that slots revenue going to the development fund will increase by \$20 million in fiscal 2014.

The Pennsylvania Equine Coalition disagrees, saying the development fund is already shrinking, and is expected to take in between \$5 million to \$15 million less this year.

During the last six months of 2012, the amount of funds generated from slot machine wagering that went into the fund dropped by 4.6 percent, or \$6.36 million, when compared to the same period the previous year. In January, the amount plunged 6.19 percent, or \$1.33 million, when compared to January 2012.

All Pennsylvania casinos pay into the fund. Casinos with horse racing tracks are contributing 10 percent to 12 percent of their slots revenues; casinos without racing pay 6 percent. The amount the racetracks get for larger purses and breeder incentives is based on a formula tied to each facility’s gross terminal revenues from slots wagering.

**On the decline**

Peterson said slot revenues fell at all the racetracks because of increased competition from in-state stand-alone casinos as well as from slots parlors in the neighboring states of Ohio, New York and Maryland.

“These continued declines will impact thousands of Pennsylvanians involved in the racing and breeding industry, including veterinarians, blacksmiths, trainers, breeders, drivers, grooms, and jockeys, farmers who produce feed, and small businesses that provide supplies and equipment,” Peterson said. “Breeders’ incentives are already down and some tracks were forced to reduce their purses by 10 to 13 percent this year. ... We are only asking that policy makers keep their promise that the four-year diversion of funding from the racing and breeding fund would end after this fiscal year,” Peterson said.

According to data compiled by gamblingnotepad.com for an August 2012 report, the daily average purses at three Pennsylvania tracks is about \$238,000 — an amount that has doubled since slots wagering was legal-



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**Enough is enough!**

— Brian Sanfratello

President

Pennsylvania Horse Breeders Association

”

ized. By comparison, New York’s four thoroughbred tracks average \$304,000 in daily purses, Maryland’s two tracks average about \$248,000 in daily purses and Delaware’s one track averages \$215,000. At the top of the list for states with multiple tracks is Kentucky, where the tracks average \$320,000 in daily purses.

**Purses cut**

Last month, Meadows Racetrack and Casino in western Pennsylvania said it was cutting purses by about 10 percent across the board. Penn National in Grantville implemented a 13.2 percent cut in purses effective Jan. 1, while Presque Isle in Erie, which doesn’t begin live racing until May, is looking at a decrease in purses at between 10 percent and 12 percent, according to Todd Mosteller, executive director of the Pennsylvania Horsemen’s Benevolent & Protective Association.

Mosteller said the proposed additional development fund diversion is not being well received by the industry. “We have people who had invested millions of dollars in

Pennsylvania based in Act 71,” he said. “I’m talking breeders, owners and trainers. This game is extremely expensive, and in racing you have to be good to make money. It’s capitalism at its finest.”

Mosteller said people in the racing industry have set up shop in Pennsylvania, invested in infrastructure and developed long-term business models based on the provisions to boost the industry contained in the slots wagering legislation. “When you take funds away it deteriorates the business model,” he said. “Agriculture is [one of the top] industries within the commonwealth. What’s being done is rather shortsighted.”

There are no plans to reduce purses at Harrah’s in Chester or Pocono Downs in Wilkes-Barre.

Parx in Bensalem was able to avert an across-the-board cut in purses because it had already taken steps to prepare for less money, according to DeBunda at the PTHA.

**Advance planning**

“When the [development fund] money was taken from us four years ago we started to plan ahead,” DeBunda said, referring to the state’s temporary four-year, 17 percent assessment on the horse racing industry.

DeBunda said the Bucks County race track took three primary actions: Days with 10 races were cut to nine races, participation payments of \$500 to \$1,000 that went to local breeders whose horses didn’t finish in the top five were cut in half, and purse amounts for some races were “selectively readjusted” starting last fall.

“We did a lot of things to adjust the amount we pay out,” he said, “but we didn’t do a flat 10 percent like some of the other tracks are doing.”

DeBunda said Parx Racing has benefited from the success of Parx Casino, which generates slots revenues of \$384.6 million last year, a 2.1 percent over its 2011 total and the highest amount among the state’s 11 casinos.

Parx is coming off a year when its total handle — money wagered at its track and off-track betting facilities through its phone-betting system, and from betting on its races at other tracks via simulcasting — increased 2.85 percent last year to \$489.2 million from \$475.7 million.

“I can’t remember the last time that happened,” said Joe Wilson, chief operating officer at Parx Racing, of the increase. “We were seeing double-digit decreases until last year.”

Wilson said last year’s improvement resulted from a combination of generally favorable weather on racing days and the continued improvements in the quality of races at the track, which helped simulcast wagering on its races at tracks outside the state grow by 11 percent.

Last year, he said, Parx added two additional graded stakes races — a designation awarded by the Thoroughbred Owners and Breeders Association to races that have attracted the highest quality competition — to the eight it already featured. ■



JOHN GEORGE | BUSINESS JOURNAL

**BRIGHT OUTLOOK:** Joe Wilson said the total handle at Parx increased 3 percent in 2012.

**PA Racehorse Development Fund**

The fund has grown 66 percent during the past five years.

