

**Senate Agriculture Committee**  
**April 21, 2016**  
**SB 504**

My name is George Kutlenios. I am the president of the Michigan Horseman's Benevolence and Protective Association (HBPA). My wife and I maintain a 60-acre thoroughbred farm in Holly, Michigan that is home to 28 thoroughbred race horses, brood mares, babies and retired horses. The focus of our farm is to provide thoroughbred race horses to the Hazel Park Race Course. We breed our mares to Michigan stallions, provide aftercare and find suitable new careers for our retired horses. Our small farm supports two trainers, an exercise rider, three grooms and a maintenance person in addition to my wife and I.

I would like to focus on the positive aspects of the existing horse racing act and the changes that Senate Bill 504 proposes for the good of the industry.

The existing act includes three important components:

- 1) the act provides a framework for the rules and conduct of horse racing in Michigan.
- 2) the act insures that there is a live racing component at licensed race tracks for simulcasting.
- 3) the act provides for a model of distribution of the income generated at race tracks to be split between the tracks, the State of Michigan, the horsemen's purses and the breeding and incentive programs in Michigan.

While the 1995 act may be "broken" and outdated, these features of the existing bill and the proposed bill are not broken and are very important.

While some may view the reduction of the number of race tracks in Michigan from eight to now two racetracks as a negative, this market adjustment is having a positive impact on Michigan's remaining two tracks. For example, the thoroughbred home track, Hazel Park, has attracted thousands of horse racing fans every weekend in the past two years after Hazel Park elected to revamp their business model and brought the thoroughbred racing product back to the Detroit area. Race tracks in surrounding states can count their attendance in the hundreds.

The amount of wagering on "live" racing at Hazel Park is well above all of the tracks in surrounding states. The average number of thoroughbred horses entered at Hazel Park per race is above or equal to our competing tracks in surrounding states.

Most importantly, let me add that this positive rebound at Hazel Park is taking place at a race track with NO attached casino and NO income from other forms of revenue, like legal ADW wagering. In other words, MICHIGAN fans attend races at MICHIGAN'S Hazel Park race track to see LIVE MICHIGAN Horse racing.

SB 504 addresses and removes outdated language that has been unchanged since 1995. For example, "City Rules" that mandate requirements based on Detroit's population being over one million is removed. The method of purse distribution generated from horse racing is restructured to reflect two tracks racing two distinct breeds of horses in the Detroit metro area. SB 504 would also authorize the addition of advanced deposit wagering, or simply allowing the use of telephones and tablets to place wagers on horse racing.

With an estimated 100 million currently being wagered in Michigan from out-of-state ADW providers, this change allows this new revenue to be captured by the State of Michigan, the tracks and the horsemen. Advanced Deposit Wagering on live racing is no different than Advanced Deposit Lottery, or the current internet state lottery. ADW is currently legal in almost every state in the country and certainly legal in states that host live horse racing. Throughout the country, ADW is the fastest growing segment of horse racing wagering, due to the wide acceptance of the technology aspects of cell and tablet usage.

The current distribution formula of purses to the two tracks and the two breeds still reflect a time when there were six standardbred tracks and two thoroughbred tracks. The formula sends approximately 65% of the purse funds to standardbreds and 35% to thoroughbreds. This is simply an “upside down” distribution model for purses. SB 504, as amended, calls for a distribution based on a “site specific” model. In essence, SB 504 simply states that the purse money generated at an individual race track stays at the race track where it is generated for use in that track's breed of racing.

The casinos, the state sponsored lottery and horse racing are not recession-proof. During the time of Michigan's recession, these industries experienced a decline in revenue. Recessions and competition principally affect the revenue streams of casinos and the lotteries. But horse racing in Michigan is the only betting industry product that is completely tied to the Michigan agricultural industry. Michigan horse men and women maintain large horse farms, purchase top quality hay and feed from Michigan producers, employ trainers, grooms, hot-walkers, veterinarians, farriers and farm support staff.

Michigan horse racing and the Michigan agricultural community is a pure Michigan symbiotic relationship. As a large equine state, it is difficult to drive along any Michigan road or highway and not see horses grazing at farms. It is safe to say that no one in Michigan breeds a horse to be a pasture ornament. Michigan horses are bred to be competition horses. Dressage horses, hunter-jumper horses, English pleasure horses, barrel racing horses, polo horses are all well represented in our state. Most importantly, retired thoroughbred race horses are a vital support pipeline for these and other disciplines in the Michigan equine industry.

In closing, last Friday night, one of our three-year-old race horses developed colitis. My wife and I, along with our trainer, two grooms, our veterinarian and our rider, stayed up all night with him. Early Saturday morning, we took the colt to the vet hospital at Michigan State University. We were met at the door by a horse attendant, two veterinarians and two vet techs. Within an hour, full body scans were done, IV fluids were started and blood samples were drawn.

From polo horses to pets, we were one of eight horses to arrive at MSU that day. After three days, our colt came back to our farm completely healthy. Seeing so many horses all receiving outstanding care from, arguably, one of the best equine facilities in the country, only reinforced the importance, the care and the scope of the equine industry in Michigan. Our industry stands on our own two feet (and our own four feet) without aid, support or subsidy. We are proud of our industry and our nearly 100-year heritage of horse racing in Michigan and we ask for your support to continue this tradition.