



Testimony in support of SB 165 (-1 amendment)
Submitted by Grants Pass Downs
Senate Finance & Revenue Committee
February 17, 2021

Chair Burdick, and members of the committee, I'm Travis Boersma, CEO of Grants Pass Downs, writing in support of SB 165, with the proposed (-1) amendment that replaces the bill.

I'm pleased to say the Oregon horse racing community has come together to support modernizing how one portion of horse racing revenues are distributed to organizations representing and promoting the industry. Our legislative proposal relates only to revenues from wagers made through "Historic Racing Machines" (HRMs), by moving from percentage allocations to a fixed payout to Oregon horse racing organizations.

We'd like to share some background on Oregon horse racing to help the committee understand why this legislation is important.

Grants Pass Downs (GPD) holds the only commercial horse racing license issued by the State of Oregon. GPD secured this license when Portland Meadows closed in 2019.

GPD's mission is to reinvigorate Oregon's horse racing industry, while bringing new economic development opportunities to Southern Oregon. Thus far, GPD has invested \$10 million in track and equine facility upgrades at the Josephine County Fairgrounds, as well as installed turf soccer fields in the track infield for the local community.

With the state's commercial racing license comes certain privileges, including:

- Running live horse racing meets – currently held at the Josephine County Fairgrounds track;
- Managing Off Track Betting (OTB) facilities that allow wagering on live simulcast horse racing meets nationwide. Currently, there are 10 OTB locations throughout the state, collocated at restaurants and bars;
- Offering on-site Historic Racing Machines (HRMs), which are video terminals that allow pari-mutuel betting on horse races run in the past. **This type of wagering, which is associated with most horse racing tracks nationwide, was authorized by the Oregon legislature in 2013.**



A portion of revenues from all of these activities are directed by statute to several horse racing related organizations, including:

- Oregon Racing Commission (ORC), the state agency which oversees the industry;
- Oregon Thoroughbred Owners and Breeders Association;
- Oregon Quarter Horse Racing Association;
- Oregon Horsemen's Benevolent Protection Association.

The statute says these organizations are allowed to use these supplemental funds for "operating expenses and other benefits for horsemen" in the state. We estimate that in 2021, revenues from live horse racing and OTBs will dedicate more than \$3 million to these state horse organizations, which includes around \$1.2 million alone for the Oregon Racing Commission.

Grants Pass Downs is committed to keeping horse racing alive in the state. These horse racing associations are key partners and share race revenues to promote their important work to support the industry.

The overall amount wagered on a horse race is called the "handle." After paying out winning bettors, the amount left over is the "take out" rate which is used to pay winning horse owners and jockeys (the "purse") and to pay the costs of operating a race track.

While take out rates for live racing and OTBs is 20%, the take out rate for bets made through HRMs is only 8%. These slim margins make the economics of HRMs unpredictable and challenging.

Just like at Portland Meadows before, these Historic Racing Machines will be placed in the soon-to-built "Flying Lark" restaurant and entertainment center. The Flying Lark, which will be adjacent to Grants Pass Downs, will boast a full service family restaurant, a grab-and-go restaurant, sports bar, gaming floor, banquet facilities and art pieces by regional artists that celebrate the magic, power and beauty of horses.

While we hope this entertainment center will be successful, it is extremely difficult to estimate the amount that will be wagered on historical horse races, especially since these HRMs will be based in Grants Pass, and not in the larger Portland metropolitan area. The current rates in statute for the HRMs does not make it financially viable for Grants Pass Downs as the operator given the uncertainty that exists.



It is expensive to run a quality horse racing facility that places a priority on the well-being and safety of the horses, jockeys, racing staff, trainers, owners, horsewomen and horsemen.

Our legislative solution is straightforward. For revenue from HRMs, we ask the legislature to change the statute to move from percentage allocations to a fixed payout model directed toward the various Oregon horse racing organizations. The fixed amounts are more than what these organizations have secured in the past from HRMs, and would include an annual 3% escalation factor. The new revenue distribution with SB 165-1, would be the following for the next several years:

SB 165-1 statutory guarantee + Annual 3% increase			
	2022	2027	2029
Oregon Racing Commission	\$200,000	\$232,000	\$246,000
Oregon Thoroughbred Owners and Breeders Association	\$150,000	\$174,000	\$184,500
Oregon Quarter Horse Racing Association	\$50,000	\$58,000	\$61,500
Oregon Supplement Fund	\$20,000	\$23,000	\$24,800
Backside track improvements	\$50,000	\$58,000	\$61,500

This modification, for just one portion of betting, gives more certainty to horse organizations and GPD. **The percentages in the statute sent to the horse racing organizations would remain the same for live horse racing and OTBs.**

We want to see a robust horse racing industry in Oregon that can be sustainable for the long run. A modification in the payout model will give greater certainty to Oregon's horse associations and to Grants Pass Downs as we work collaboratively to promote a strong horse racing industry in Oregon. We ask you to support SB 165-1. Thank you.