



Report of the Equine Industry Support Measures Study Committee February, 2022

Committee Members

Representative Russell Ott, Chairman
Representative Bill Hixon
Mr. Jack Sadler
Mr. Kip Elser

Senator Katrina Shealy
Senator Dick Harpootlian
Ms. Deborah McCutchen

Study Committee Staff

Mr. Dustin Stimson, Esquire
Ms. Ellie Hayes

Mr. Trey Byars
Ms. Kate Maroney

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Introduction

In Spring 2021, the South Carolina General Assembly established the South Carolina Equine Industry Support Committee to examine the potential for further growth of the equine industry in South Carolina. The committee traveled across the State of South Carolina, holding numerous meetings, to study the impact that the Equine Industry has on our state. The committee identified barriers that exist for equine in our state, compared South Carolina to other states' equine industry, and worked with organization across the state to see how they vision the future of South Carolina's equine industry.

Committee Membership

The committee consisted of seven members. Two members of the SC House of Representatives, Representative Russell Ott, who represents House District 93 and Representative Bill Hixon, who represents House District 83, two members of the SC Senate, Senator Katrina Shealy, who represents Senate District 23 and Senator Dick Harpootlian, who represents Senate District 20. The Speaker of the SC House of Representatives appointed Mr. Jack Sadler and the President of the SC Senate appointed Ms. Deborah McCutchen. The Commissioner of Agriculture appointed Mr. Kip Elser. Representative Russell Ott served as the Chairman of the committee.

Economic Impact of the Equine Industry in South Carolina:

The Equine Support Measures Study Committee used the information from *The Economic Impact of the Equine Sector on South Carolina* study conducted by the University of South Carolina for the South Carolina Department of Agriculture to understand the significance the Equine Industry in South Carolina has on our state economically. At the time of the study, 2018, the total annual economic impact of the equine industry in South Carolina was approximately 1.9 billion dollars. Per the study, 1% of all the horses in the United States reside in South Carolina. There are approximately 28,545 jobs associated with the equine industry.

Wildlife Management Area Public Trail Riding

The South Carolina Department of Natural Resources identified the Wildlife Management Areas (WMA) that you either have to have a permit to trail ride on or are unable to trail ride on. A permit is needed for the Donnelley WMA, Wateree River WMA, and the Hamilton Ridge WMA. No horses are allowed at Bird Key Stono WMA, Crab Bank WMA, Deveaux Bank WMA, Sassafras Overlook, Abner Creek Falls Trail, Samworth WMA, Santee Delta WMA, and the Beach at Botany Bay. All other WMA properties allow public trail riding.

Horse riding is allowed on roads open to motorized vehicular traffic, unless signage is there stating otherwise.

Potential Equine Growth Opportunities:

One of the potential equine growth opportunities discussed was establishing advanced deposit wagering in South Carolina.

States that allow Advanced Deposit Wagering (ADW):

Alabama	Arizona	Arkansas
California	Colorado	Connecticut
Delaware	Florida	Idaho
Illinois	Indiana	Iowa
Kansas	Kentucky	Louisiana
Maryland	Massachusetts	Michigan
Montana	Nebraska	New Hampshire
New Mexico	New York	North Dakota
Ohio	Oklahoma	Oregon
Pennsylvania	Rhode Island	South Dakota
Tennessee	Vermont	Virginia
Washington	West Virginia	Wisconsin
Wyoming		

Advance Deposit Account Wagering: A form of pari-mutuel wagering in which an individual may establish an account with a person or entity licensed by the established group and may place a pari-mutuel wager through that account that is permitted by law

Advance Deposit Account Wagering Licensee: A person or entity licensed to conduct advanced deposit account wagering and accept deposits and wagers, issue a receipt or other confirmation to the account holder evidencing such deposits and wagers, and transfer credits and debits to and from accounts

Intertrack Wagering: Pari-Mutuel wagering on simulcast horse races from host track by patrons at a receiving track

Interstate Wagering: Pari-mutuel wagering on simulcast horse races from a track located in another state or foreign country by patrons at a receiving track or simulcast facility

Receiving Track: A track where simulcasts are displayed for wagering purposes

Advanced Deposit Wagering in Other States

ADW Tax Rates in Pari-Mutuel States

- Around the United States today, state tax rates on pari-mutuel wagering typically are relatively low compared to other forms of gaming.
 - This is because other revenue from betting horses-generally known as pari-mutuel takeout, often characterized as a tax - is reinvested in each state's horse agribusiness. Those dollars support horse ownership through purse (prize money) payments,; breeding farms through success based awards; employment of people who are most qualified for and productive in animal care; horse health research; higher education in animal- related sciences and business; and so forth.
- Specific to Advance Deposit Wagering (ADW), tax rates are low, generally less than 5% with a weighted average under 1.4%, for a variety of good business reasons. ADWs are private enterprises, and they receive a portion of the "takeout" (revenue) from a pari-mutuel pool as compensation for facilitating interstate and in-state wagering transactions via laptops and mobile phones. Because of this, states that have approved ADW have chosen to keep taxes on those enterprises low, usually in the 1-2% range, if they tax ADW at all.
 - Not all states specify a tax on ADW, instead leaving ADW revenue distribution to contractual relationships between the private stakeholders generally the race tracks involved, their horsemen's groups (similar to the player's association in other pro sports) and the contracting ADW facilitator.
 - Because these private contracts are typically not publicly available, information about revenue attributable to ADW handle is not always available, and when it is, as in the case of the states below, may not be fully reflective of the positive dollar flow from ADW.
- In Kentucky, for example, ADW annually generates approximately \$2.5 million in direct tax revenue (a relatively small portion of overall wagering-related revenue) which is considered an "excise" tax and is largely earmarked by statute for racing associations and prize monies in the state. Kentucky's General Fund realizes, by design, approximately 15% of the ADW-specific tax the state assesses, or less than \$400,000 per year from its direct tax on ADWs, while the horse agribusiness receives roughly five times that amount from ADW alone.
- Other states that have instituted a direct tax on ADW most often have done so in similar fashion, assessing a low share of takeout because they see greater economic value in the largest share of revenue going back into the industry. Even then, states often specifically allocate that ADW tax back to the business of horses.
 - A large portion of any ADW related tax is often allocated to the administration and programming of the regulatory agency that oversees the sport, in effect another payment back into the horse industry rather than a general tax receipt.
 - For example:

Sample ADW Specific Taxes and Allocations in Pari-Mutuel States*							
				ADW	ADW	\$	%
Year		State	ADW Handle	Tax Rate	Tax	Allocated to	Allocated to
						Horse Funds**	Horse Funds**
2019		IL	217,147,633	1.75%	3,800,084	3,800,084	100%
2021	Est	KY	450,000,000	0.50%	2,250,000	1,912,500	85%
2021	Est	AZ	31,704,342	0.55%	174,947	174,947	100%
2021	Est	WV	16,196,860	2.00%	323,937	80,984	25%
2021	Est	MN	76,059,764	4.89%	3,715,645	3,715,645	100%
*Does not include amounts allocated by private contract							
**Includes funding of regulatory commission and programming							

Barriers for Equine Growth:

One of the primary barriers for growth in the equine industry is that funding is needed to create and manage programs that are established to help the equine community. South Carolina has many programs that would be beneficial to residents but the programs have not received any funding to help their cause.

One of the programs that the committee learned about was Thoroughbred Retirement Foundation Second Chances. This program allows prisoners the opportunity to work with horses as a part of their prison sentence. The program began in South Carolina in 2008. The program is located at Wateree Correctional Facility, and the prison has approximately 110 acres at the facility to use for the horses. Currently, there are 11 horses and 4 inmates involved in the program. The committee heard from a participant in the program, and he described his experience as life changing because it encourages self-esteem and improves the mental health of the people involved. He also believes that the program would excel in high school vocational centers to get younger people more involved and interested in the equine industry.

South Carolina in Comparison to Other States:

The chart below shows the economic impact and the public trail miles in South Carolina and neighboring states.

State	Economic Impact	Public Trail Miles
South Carolina	\$1.936 Billion	946.8
North Carolina	\$2 Billion	1,197.85

Georgia	\$2.5 Billion	634.7
Florida	\$6.8 Billion	996
Virginia	\$2 Billion	1,019.5
Kentucky	\$6.5 Billion	1,159.4

Committee Recommendations:

Since April 2021, the Equine Industry Support Measures Study Committee has done substantial research on the equine industry in SC. We have heard from witnesses all around the state involved in the equine industry telling us how significant the industry is on many levels. The industry has roughly \$2 billion in economic impact every year and provides 28,545 jobs. The commission has also established that SC is facing tremendous competition from other states. Among the most pressing needs for the industry in SC:

1. Re-establish residency programs in SC similar to Delaware and Virginia by creating incentives for owners that place their horses at South Carolina training centers.
2. Establish owner, breeder & stallion awards.
3. Invest in 4H and other student programs that foster equine activities as well as education and skills training in equine care.
4. Re-establish the Groom Elite Vocational School at the Wateree Correctional Facility, establish the same type of program within the juvenile justice system and include equine job training in the state vocational curriculum.
5. Support 501(c)3 equine based entities such as South Carolina's steeplechase races in Camden, Aiken and Charleston as well as other charitable equine events including the trail ride supporting the South Carolina state horse – The Marsh Tacky.
6. Upgrade existing facilities and build new facilities to help attract participants and spectators for Quarter horses, American Saddlebreds and all disciplines within the equine industry.
7. Require state parks to open more trails for the trail riding community and improve amenities.
8. Establish a veterinary school (in conjunction with Clemson).

In order to accomplish these objectives, the study committee recommends that SC:

1. Establish an equine commission to guide accomplishment of the above objectives.
2. Establish an Advanced Deposit Wagering platform to fund the above needs in SC.
 - Racing Resource Group, Inc. (RRG) is a professional analytics business specializing in horse racing. RRG has generated hundreds of business projections over 30 years of work in the industry.
 - In this case, RRG factors in the business results if other states that allow both pari-mutuel betting on horse racing and ADW, along

with other South Carolina market considerations, to arrive at the financial scenarios below. Major assumptions include that enabling legislation will allow for ADW transacted by one or more entities licensed by an Equine Commission or other state agency

- RRG sees the following preliminary range of economic scenarios for ADW in South Carolina:
 - Moderate Performance: Baseline annual ADW handle projection of \$40 million per year, resulting in approximately \$8 million in gross takeout/revenue.
 - High Performance: Baseline annual ADW handle projection of \$70 million per year, resulting in approximately \$14 million in gross takeout/revenue.
 - These are estimates only, predicated on known and anticipated market conditions that are subject to change. Actual results may vary and those variations may be material.

Appendix 1

(Meeting Notes)

Equine Industry Support Measures Study Committee Meeting Notes

Wednesday, June 23, 2021

12:00 pm

Room 403, Blatt Building

Committee Members:

The Honorable Russell Ott - Chairman - House District 93 - Calhoun, Orangeburg, and Lexington Counties

The Honorable Dick Harpootlian- Senate District 20 - Lexington and Richland Counties

The Honorable Katrina Shealy - Senate District 23 - Lexington County

The Honorable Bill Hixon - House District 83 - Aiken and Edgefield Counties

Mr. Christopher (Kip) Elser

Ms. Deborah McCutchen

Mr. Jack Sadler

Committee Staff:

Ms. Ellie Hayes - Executive Assistant - House Ag Committee

Mr. Dustin Stimson - Chief Legal Counsel - House Ag Committee

Mr. Trey Byars - Research Director - Senate Ag Committee

Ms. Kate Maroney - Executive Assistant - Senate Ag Committee

Meeting Notes:

Representative Hixon nominates Representative Ott as Chairman of the Equine Study Committee.

Senator Shealy seconds this motion.

All members were in favor, electing Representative Ott as Committee Chairman.

Clint Leach- South Carolina Department of Agriculture

Mr. Leach discusses the study report that the committee members received concerning the Equine Industry in South Carolina. The study received information concerning training, racing, recreational use, and trial riding of equine in the State of South Carolina.

There were 524 Horse owners and 88 facilities that submitted information for the study.

Approximately 73, 600 horses are in South Carolina, which make up about 1% of the total United States Horse Population. There are about 18, 000 thoroughbred in South Carolina.

The Equine Industry is a 2 Billion dollar a year industry for South Carolina.

About 29,000 jobs come either directly or indirectly from the Equine Industry in South Carolina.

The Equine Industry helps provide support to Veterinarian services, real estate, hotels, restaurants, and the hospitality industry.

There are four categories for growth within the Equine Industry in South Carolina:

1. Race related activities
2. Training Facilities
3. Expo/ Arena Industry
4. Recreation/ Ownership by South Carolina Residents

Gabriel Kingsley

Discussed different techniques used by horses and described different events that are across the state that deal with the equine industry:

- Aiken
- Elloree

<https://www.scstatehouse.gov/video/archives.php>

Questions by Members:

(Answers provided by Clint Leach with the SC Department of Agriculture)

For Senator Shealy’s question regarding page 7 and the total impact by industry sector chart – I reached out to USC for a further breakdown of the \$648.1M for “support activities for agriculture and forestry.” They are unable to provide a more detailed look, as this wasn’t something they specifically studied in depth.

For Representative Ott’s question about whether the equine industry grew at the same pace overall as the agribusiness industry, let me provide some details, but also premise it by saying the studies conducted weren’t an apples-to-apples comparison.

- 2019 total equine impact - \$1.9B / 2004 total equine impact - \$478M (the 2019 study was much more in depth in what was studied and surveyed) // based upon these numbers, the equine industry grew by nearly 75 percent. However, again, this isn’t a true and accurate comparison
- 2018 total agribusiness impact - \$46.2B / 2006 total agribusiness impact - \$34B // based upon these numbers, the agribusiness industry grew approximately 25 percent from 2006 to 2018

For Representative Ott’s questions regarding South Carolina’s total annual impact versus neighboring states, as well as the total number of public trails, see the below chart.

<u>State</u> <u>(Miles)</u>	<u>Annual Economic Impact</u>	<u>Public Trails</u>
South Carolina	\$1.936B	946.8
North Carolina	\$2B	1,197.85
Georgia	\$2.5B	634.7
Florida	\$6.8B	996
Virginia	\$2B	1,019.5
Kentucky	\$6.5B	1,159.4

Equine Industry Support Measures Study Committee Meeting Notes

Tuesday, August 24, 2021

12:30 pm

Rye Patch, Aiken, SC

Committee Members Present:

The Honorable Russell Ott - Chairman - House District 93 - Calhoun, Orangeburg, and Lexington Counties

The Honorable Katrina Shealy - Senate District 23 - Lexington County

The Honorable Bill Hixon - House District 83 - Aiken and Edgefield Counties

Mr. Christopher (Kip) Elser

Ms. Deborah McCutchen

Mr. Jack Sadler

Committee Staff Present:

Ms. Ellie Hayes - Executive Assistant - House Ag Committee

Mr. Trey Byars - Research Director - Senate Ag Committee

Ms. Kate Maroney - Executive Assistant - Senate Ag Committee

Additional Staff Present:

Mr. Sam Orr - Senate

Mr. Richard Pearce - House

Meeting Notes:

John Carmichael - SCTRF Second Chances

-SCTRF program began in 2008

-This program allows prisoners the opportunity to work with Equine as part of their sentence

-Currently, there are 11 horses and 4 inmates involved in this program

-This program could also grow to be taught at high school vocational schools in South Carolina and the curriculum is simple to teach and explain to others

-if the program is efficient, it helps people become better people

-the program also encourages self-esteem and improves the mental health of the people involved.

- Currently this program is located at Wateree Correctional Facility
- The prison allotted 110 acres of land in front of the facility to use for the horses
- Most horses used come from the thoroughbred retirement foundation, which is a rescue organization
- This program has not grown into a larger program due to the lack of resources
- The foundation is a non-profit

James Banks - Works with the felon programs

- was a prisoner and says it would have been helpful and beneficial if he would have been able to be a part of this program while in prison
- Mr. Banks brought attention to the growing quarter horse industry in South Carolina
- At a sale in Wyoming, a quarter horse sold for 85,000
- A lot of buyers at the sale were from Aiken, South Carolina
- People are attracted to life in South Carolina and growing our equine industry will only attract more people and more events throughout the state

Doug Berry - Veterinarian

Performance Equine Vet in Aiken, South Carolina

Currently there are 2 active surgical specialists who service about a 3 hour radius

There are 11/12 equine vet facilities across South Carolina

Jobs with vet are dependent of ability of client.

There has been a 5-10% growth over the past few years

Vets are faced with salary issues because other states pay more because they have more horses

It is hard for more people to show interest because it is hard to have a good work/life balance

A main demand is 24-hour service for horses

There is also a seasonal influx from clients from the north. This is about a 30% influx

In the late summer/ fall

Horses come to SC for training

Owners take risk of bringing their horse

Business opportunities come with increased presence

Every horse that is brought into the state has a trickle down effect to help the economy

Concerning Trends:

Education

Number of thoroughbreds

Getting a new generation of horsemen

Older stables

Things we need:

Quarter horses

Thoroughbreds

Trail Riding

This year, 3 Olympic winners did trail riding in Aiken

We need to find a way to make sure they do not leave to go to other states due to our lack of resources

South Carolina does not have a vet school

-We need to expand relationships with vet schools

Concerning Vet Schools:

South Carolina's budget provides 40 students to attend out of state vet school for in state tuition costs in an effort to encourage South Carolinians to attend vet school even though our state does not have one

Equine Industry Support Measures Study Committee Meeting Notes

Wednesday, January 5, 2022

Blatt 433

Columbia, SC

Committee Members Present:

The Honorable Russell Ott - Chairman - House District 93 - Calhoun, Orangeburg, and Lexington Counties

The Honorable Katrina Shealy - Senate District 23 - Lexington County

The Honorable Bill Hixon - House District 83 - Aiken and Edgefield Counties

Mr. Christopher (Kip) Elser

Ms. Deborah McCutchen

Mr. Jack Sadler

Committee Staff Present:

Ms. Ellie Hayes - Executive Assistant - House Ag Committee

Mr. Dustin Stimson - Chief Legal Counsel - House Ag Committee

Mr. Trey Byars - Research Director - Senate Ag Committee

Ms. Kate Maroney - Executive Assistant - Senate Ag Committee

Additional Staff Present:

Mr. Sam Orr - Senate

Meeting Notes:

STATEMENT OF

TOM ARONSON

PRESIDENT, RACING RESOURCE GROUP, Inc.

To The

SOUTH CAROLINA HOUSE EQUINE STUDY COMMITTEE

January 5, 2022

My name is Tom Aronson and I am president of Racing Resource Group, Inc., a Florida-based consultancy specializing in horses and horse activities. Thank you very much for the opportunity to present this statement to you in support of the work of this committee as it considers ways to enable a better future for this state's horse-based agribusiness.

For the purposes of this hearing, I can be considered an expert in the business of horses. In the past, I was the head of legislative affairs for the American Horse Council, the Washington, DC-based organization representing horse interests; senior vice president of the Television Games Network, the pioneering creator of the modern Advance Deposit Wagering business I'll be discussing here; and a specialist in start-ups involving customer engagement around horses and horse sports.

Specific to South Carolina, I've been enlisted to help think through how we might collectively answer to the needs of horse-driven agriculture here. My initial observation in this regard is to make clear what I believe to be an absolute truth: South Carolina's horses and horse people need help. Not a handout, but rather some new tools to help them compete for investments in horse farms, horse breeding, training centers, veterinary activity and other horse-based enterprise increasingly flowing out of South Carolina and into surrounding states. Absent any action to help South Carolina's horse ecosystem regain its competitive footing, the many aspects of what was once a vibrant horse economy here will continue to dwindle and may disappear altogether.

As others have testified, South Carolina has a long history of dedication to and success with horse-based agriculture, sports and enterprise. For example, in the not-too-distant past, South Carolina training centers were top-of-mind when people around the country were choosing places to have their young horses "started" during the winter months. At the advice of a wise friend, I sent the first young thoroughbreds I ever bred to Ellore Training Center in 2018 and 2019 to begin their education, and I'm very glad I did. The care and training they received there was second to none. But reports have continued to filter in about empty stalls and tough competitive times for those businesses, and the root cause has become apparent to me. There is no sustaining source of revenue for thoroughbred racehorses, owners and trainers in South Carolina; just as importantly, states like Virginia and Kentucky

are enjoying an upsurge in interest and horse business activity, which means alternative choices for out-of-state professionals who used to winter their racehorses here.

Another example can be found in the downward trend of breeding thoroughbreds in South Carolina and their competitiveness around the country. In 2001 there were 232 mares bred in this state; two decades later, the number (in 2020) was 26. Similarly, in 2001, South Carolina-breds earned \$607,400 in races around the country; in 2020, the corresponding figure was \$65,000. Basically, there has been roughly an 85% decline in almost any measurement related to South Carolina's thoroughbred breeding business.

One of the most noticeable contributors to this decline in competitiveness has been the fact that there has been no organized way for the residents of South Carolina to help generate revenue for the business, as is the case in most other states, through legal pari-mutuel betting on horse races. While horse racing over the past 20 years was pioneering what is generally known as Advance Deposit Wagering, or ADW, this state (among just a handful of others) has not had a body to approve any such technological enablement much less a strategy for seeing that the revenue which might be generated is properly distributed back into the state's horse agribusiness. In my mind, as a horse business professional, that can be seen as a missed opportunity, but in a very real sense South Carolina actually now has the chance to take advantage of what has been learned by others and create a "better mousetrap."

Let's demystify and explore this, starting with two definitions.

First, what does "pari-mutuel" mean? Pari-mutuel literally means "betting amongst ourselves." Dollars are bet into a pool, from which the host of that pool deducts an established (by statute or regulatory authority) percentage as its source of revenue, then redistributes the remaining amounts to people as winnings from the event according to their relative shares of the pool. In pari-mutuel play, the host of the pool has no active interest – doesn't care – what the result is, because the takeout (revenue) deduction has already been made out of the pool before redistribution to winners. Virtually all horse racing events in the United States are conducted under this format, as are many lottery games (like Powerball) and various forms of a relatively new entertainment option, Daily Fantasy Sports. The practical opposite of "pari-mutuel" is "fixed odds," common in most sports betting, where the player is actually betting against the host, generally an authorized bookmaker, and that host therefore has an active interest in the outcome of the event. The phrase "fixed odds" refers to the fact that the odds the

player receives from the bookmaker are established at the time the bet is made, rather than (as in pari-mutuels) finalized when the event actually starts. This creates an element of risk, and effectively a rooting interest, for the bookmaker, as compared to pari-mutuels.

Second, what does “ADW” mean? As I indicated, “ADW” is short for Advance Deposit Wagering. ADW is not a kind of bet or game. It simply is a technology platform, in the same way that online banking is a platform, that allows individuals to deposit monies into an account, then move dollars in and out of that account securely through credits and debits. It’s a process we Americans have become very used to and comfortable with. More explicitly, with respect to what we are talking about today, ADW allows residents in the many states where betting on horses is legal to establish an account and pursue their preferred entertainment from home, or on the road. The guiding feature here is “advance deposit.” That allows a state to set, require and oversee customer standards like age, residency, and financial capability by which an authorized ADW provider must abide. No one can open an account if he or she does not meet the stipulated requirements before funding it.

Horse racing invented the concept of legal and secure betting from home in the early 1970s. In fact, in 1978, the U.S. Congress enacted the Interstate Horse Racing Act, designed (at horse racing’s official request) to help the sport formally manage this growing legal entertainment. This was at the time, and remains today, an unprecedented and unique action by Congress to recognize as legal the business of offering to players in one state – via simulcast or phone at that time, and now ADW – wagering on a race that is being conducted in another, provided of course that the states involved agree to the transaction in the first place. The advent of the internet and then mobile phone applications has expanded legal betting on horses via ADW to the point where today ADW accounts for approximately 60% (over \$7 billion) of the \$12 billion that is bet legally on horses in this country each year, ranging from the sport’s most famous races like the Kentucky Derby to the hundreds of other authorized races conducted around the country every day.

So, today, in most states, there is nothing especially noteworthy about playing a horse by phone or laptop via ADW into a hosted pari-mutuel pool. In the background, there are intricacies involving the economic relationships between and among the host track (where the race originates), the enabling ADW licensee (doing business in the state where the player resides), and the customer that are well established but perhaps best left to another day and forum to discuss more fully. It is essential however to note here, among those intricacies, that in order to facilitate and systematize the regulatory process around ADW, American horse racing has broadly agreed that the Oregon Racing Commission (ORC)

should serve as the regulatory “hub” for all ADW activities, including but not limited to the authorization of ADW companies to do business and the reporting of all wagering transactions. Nothing in that preceding sentence precludes any individual state from requiring its own separate licensing of an ADW, and writing the standards for such licensure; in fact, most do. It simply reflects that a state can authorize ADW knowing that any enterprise enabling a transaction also has to pass muster under ORC regulations, and that those requirements have been endorsed by all major racing states in the country.

Revenues from pari-mutuel betting on horse racing in a state generally are directed (by statute, regulation or contract) to specific stakeholders or programs, such as purses (prize monies to owners), breeding incentive programs (to encourage the breeding of horses in a state), capital improvements (for facilities where people watch races or keep and train horses), horse health research, education programs (to support prospective careers with horses), and so forth. Which leads us back to the current state of affairs in South Carolina.

Without the now relatively commonplace mechanism for its residents to play the races, a state’s horse agribusiness can suffer greatly at the hands of alternatives – other forms of agriculture that may enjoy subsidies, for example, and/or other states where people may choose to take their horses and investments because the grass and the money are, literally and figuratively, greener on the other side. So South Carolina stands at a crossroads. What next?

Within the now well-traveled terrain of ADW around this country is what may be a unique opportunity for South Carolina not just to join in but to establish a new state-centric model for pari-mutuel ADW activity, both in the way it is approved and the way its revenues are directed. This is because modern ADW has taken two distinct forms – the prevalent “national model” featuring multijurisdictional ADWs that operate largely as businesses designed to meet the minimum requirements of revenue distribution a state may impose, but take on a more “corporate” look because of it, and a more individualized “local model” characterized by greater focus on customers living in a state or specific market area and the allocation of revenues derived from their spending to more local interests. Today there are a few examples of such local ADWs, but even those have been structured around the needs of a mature racing business including existing racetracks. South Carolina, without much of that traditional overhang and a fresh set of specific objectives centered around its horse agribusiness, can write some new rules and fashion an innovative approach to pari-mutuel ADW. Criteria for receiving an ADW license in South Carolina could (and should, in my opinion) include a clear

plan and demonstration of how such licensure will benefit the State, its horses and horse businesses, and its residents.

The main takeaways here are hopefully that pari-mutuel ADW is no radical departure – South Carolina residents already have access to a well-known form of it known as Daily Fantasy Sports – and that there is a unique opportunity at hand to give a traditional and respected farm-based business some competitive tools and a much brighter future.

Testimony by Ms. Lisa Zappolo, President of the South Carolina Horsemen's Council

-The economic impact of the industry is difficult to calculate because there are so many varied equine pursuits.

Trail riding is a major pursuit within our state and there are dozens of saddle clubs and organized trail riding groups who hold multiple events each year. Plum Branch, Ward, and Manchester State Forrest host large, open rides, within South Carolina.

The Carriage industry within our state generates approximately 12 million dollars and employs about 300 people. This figure is not inclusive of the feed, shavings, tack, etc that is used to keep the horses maintained.

In the early 2000s, Cutting Horse shows within our state drew an average of 225 entries per show weekend, with 14 shows per year. Due to a lack of suitable facilities, our state lost these shows to Georgia and Florida. The National Reining Horse Association is also bypassing South Carolina for Georgia because the lack of facilities.

Equine assisted therapies are instrumental in helping children with disabilities and veterans with PTSD. Participating in equine lesson programs and youth rodeo events teach young children values and responsibilities that are not learned from video games.

Committee Discussion:

A majority of the committee members are interested in recommending that Advanced deposit wagering be established in South Carolina.

Representative Hixon then asked what the committee was going to do amount the additional 91% of the equine industry in our state because only 9% of horses in SC are considered thoroughbreds.

The members then signaled that with ADW it would help fund the remaining part of the state's equine industry.

The committee decided to send comments to staff to have the report drafted and to meet at the completion of the drafted report to vote on its approval.

