



**Virginia Horse Industry
Strategic Planning Committee
Report to the
Virginia Racing Commission**

November 2022

**Deborah A. Easter
President**

**John B. Hannum III
Executive Director**

**Virginia Equine Alliance
38 Garrett Street
Warrenton, Virginia 20186**



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November 2022

Mr. Stuart C. Siegel
Vice Chairman
Virginia Racing Commission
5707 Huntsman Road, Suite 201-B
Richmond, Virginia 23250

RE: 2022 Virginia Horse Industry Strategic Planning Committee;
submission of recommendations

Dear Vice Chairman Siegel:

In June 2017, the Virginia Racing Commission established a Strategic Planning Committee to create a clear, consensus-based plan to guide regulatory and industry stakeholders toward securing the future success of Virginia's horse racing industry. That 2017 strategic plan set out clear goals for the industry to maintain strong industry alliances, continue developing a highly regarded racing product, growing industry revenues, continue to showcase our nationally recognized racing venues, and improve support for industry incentives. We submitted that 2017 strategic plan to the Commission and have focused over the past five years on executing it. We have been successful.

Now, we are pleased to submit to you the Virginia Horse Industry's 2022 Strategic Plan. It builds on our recent years' successes and charts a new three-year course, with some tasks to be carried out over five years.

Acting on behalf of Virginia's horse industry, the Virginia Equine Alliance (VEA) has been pleased to continue taking a leadership role in strategic planning. The VEA has worked with other industry stakeholders for more than five months (June to November 2022) to think through many issues. Our meetings were very well attended, lengthy, and collaborative.

On behalf of the Strategic Planning Committee, I am pleased to submit to the Commission our 2022 strategic plan. This document presents the process we undertook, highlights key points of our deliberations, and lays out our new goals.

This strategic plan focuses on (i) marketing and communications, (ii) racing, (iii) parimutuel wagering and resources, (iv) agribusiness and incentives, and (v) infrastructure.

We look forward to discussing with the Commission the Virginia Horse Industry's 2022 strategic plan.

Sincerely,

A handwritten signature in cursive script, appearing to read "Deborah A. Easter".

Deborah A. Easter
President
Virginia Equine Alliance



**Virginia Horse Racing Industry
Strategic Planning Committee
Report to the
Virginia Racing Commission**

EXECUTIVE SUMMARY

The Virginia Racing Commission has encouraged the Virginia Horse Industry to be guided by a consensus-based strategic plan. We developed a 2017-2022 strategic plan with the Commission's strong support. Building on recent years' successes, the VEA took it upon itself this year to develop a new 2022 strategic plan.

We developed a broad-based Strategic Planning Committee. It included the following organizations and members: Virginia Racing Commission (Marsha Hudgins, Stephanie Nixon, Jeff Tanner, David Lermond)¹; Virginia Equine Alliance (Debbie Easter, Jeb Hannum, Bill Murrill); Virginia Horsemen's Benevolent and Protective Association (David Ross, Doug Daniels, Frank Petramalo); Virginia Thoroughbred Association (Debbie Easter, Amy Moore); Virginia Harness Horse Association (Scott Woogen, Debbie Warnick); Virginia Gold Cup (William Allison); Colonial Downs (Jill Byrne, John Marshall); and Churchill Downs (Bill Mudd, Mike Ziegler, Gary Palmisano). Mr. Tanner and Mr. Hannum served as co-chairs for the Committee.

Secretary Matthew J. Lohr's Charge to the Strategic Planning Committee

The committee was fortunate to be addressed by Secretary of Agriculture and Forestry Matthew J. Lohr. (The Virginia Racing Commission is an agency within the Agriculture and Forestry secretariat.) Secretary Lohr applauded the VEA-led strategic planning initiative and that it includes broad stakeholders.

Secretary Lohr underscored Governor Glenn Youngkin's goal that Virginia be "first in

¹ Virginia Racing Commission members and staff attended and participated in meetings in compliance with Virginia law.

class” in everything that contributes to the Commonwealth’s overall reputation and success – including the horse industry’s agribusiness and racing sectors.

Secretary Lohr encouraged the committee to meet three main challenges: (i) improve the “race day experience,” including expanding the racing calendar to include weekends so that more Virginia families and out-of-state visitors can attend racing events; (ii) do more to incentivize horse breeding in Virginia, which will benefit horse farms; and (iii) improve harness racing, including expanding its calendar and developing a plan to improve its facilities.

Facilitation Process

The VEA engaged a certified mediator to facilitate the strategic planning process. The committee met on five occasions: June 7, 2022; July 14, 2022; August 25, 2022; October 3, 2022; and November 1, 2022.

The committee worked collaboratively and collegially identifying issues and developing strategic initiatives to address them.

The committee worked on a consensus basis. The goal was to reach unanimity on all specific issues related to the strategic plan. All decision-making authority rested with the committee.

It was agreed that should the committee develop a consensus strategic plan, then committee members would agree to support the plan as submitted to the Commission for its review. In the event the Commission, upon review of the strategic plan, offers substantive amendments, the committee members agreed to reconvene as quickly as possible to review the Commission’s proposed amendments and submit comment to the Commission for its consideration.

Materials were prepared for each meeting to guide the discussion. Minutes were taken for each meeting and approved for accuracy of content.

Consensus Achieved

The final strategic plan recommendations are contained in this report. The recommendations are the consensus of the committee.

Summary of Recommendations

The committee agreed that the strategic plan should be a flexible one – for the most part, a three-year plan (2022-2025), with some tasks or goals potentially taking more time to realize.

The committee agreed to focus on five key industry components:

- Marketing & Communications
- Racing
- Parimutuel Wagering & Revenues
- Agribusiness & Incentives
- Infrastructure

The Virginia Equine Alliance, the Virginia Horsemen's Benevolent and Protective Association, the Virginia Thoroughbred Association, the Virginia Harness Horse Association, the Virginia Gold Cup Association, Colonial Downs, and Churchill Downs are all in agreement on the industry's path forward.

This consensus strategic plan consists, in summary, of the following:

- **Marketing & Communications**

The Virginia horse industry is broad and complex. Marketing it is complex. Promoting the horse industry as a whole as well as its agribusiness and racing sectors requires wide collaboration. It also requires engaging the Virginia Racing Commission, the Virginia Tourism Corporation, the Virginia Horse Industry Board, and Colonial Downs, who will deploy considerable resources to promote its business.

The recommendations include focusing marketing efforts on state government leaders who establish public policy governing the horse industry and on the general public whose enthusiasm, energy, and financial support drive the industry's success. Importantly, it also is key to communicate the extraordinary number of direct and indirect jobs across the horse agribusiness industry as well as the significant tax revenue stream provided by parimutuel wagering to the Commonwealth, New Kent County (home of the Thoroughbred track), and to localities that host satellite wagering facilities. Also recommended is that the industry's stakeholders broadly collaborate to prepare a marketing plan whose purpose is to grow the overall fan base, boost wagering, and promote agribusiness activity. It is further recommended that the horse industry engage professional marketing assistance.

- **Racing**

The Virginia horse racing industry – with its Thoroughbred, Standardbred, and Steeplechase events – is diverse and presents a horse racing variety that can appeal to all racing enthusiasts. Horse racing in many respects provides the energy that drives the industry success.

At present, Virginia horse racing's success is limited by its calendar, purse money, and availability of horses and support staff in the Mid-Atlantic region. One of the primary goals is to expand both the Thoroughbred and Standardbred racing seasons, consistent with the newly promulgated federal standards for integrity and safety. The Thoroughbred racing calendar should be revised from its current three days per week to four days per week, and it should be expanded from weekday-only races to include weekends. The Standardbred racing calendar should expand to include many more days of racing. Revising and expanding racing calendars should begin in 2023. Steeplechase venues are encouraged to maintain their current respective racing calendars, though they must continue improving event-site technologies to better accommodate the needs of large crowds and to better enable parimutuel wagering.

It cannot be underscored strongly enough that horse racing and wagering are inextricably linked. As horse racing expands in Virginia – in quality and in race days – so does wagering revenues, which in turn significantly supports horse agribusinesses.

- **Parimutuel Wagering & Revenues**

Parimutuel wagering is the major revenue source for the racing industry – both its agribusiness and racing sectors. Wagering is done via on-track, off-track, Historical Horse Racing (HHR), and online avenues. Wagering and revenues have grown significantly since HHR has been permitted in Virginia. Fully deploying the number of permitted HHR machines in Virginia is a priority.

Additionally, there are opportunities to expand wagering by providing racing on sports wagering platforms, through increasingly sophisticated online platforms, expanded simulcasting and livestreaming, and at Steeplechase events. It is imperative that the horse industry – both its agribusiness and racing sectors – work with Virginia's policymakers and regulators to protect, promote, and expand wagering opportunities to increase revenues.

Last, it is recommended that the Virginia Racing Commission expand its regulatory staff and its wagering-derived budget to (i) better regulate parimutuel wagering, including HHR; (ii) permit overlap of flat, harness, and steeplechase racing to facilitate expansion of racing; and, (iii) assist in implementing and enforcing new federal horse industry safety and medication regulations starting in 2023.

- **Agribusiness & Incentives**

Breeding and raising horses is at the historical heart of the Virginia horse industry's agribusiness sector. Today, however, horse breeding in Virginia is in decline, mirroring a national trend, and horse farms need revitalization. There are

two incentive programs, each funded principally from wagering proceeds, that are vital to improving horse-breeding and horse farms.

The Breeders Fund supports growing Virginia's native horse population. The goal is to double the number of horses foaled in Virginia each year. Increasing the state's Breeders Fund is key to its being more competitive with other states and increasing the number of horses bred. (By comparison, states in the Mid-Atlantic, such as New York, Maryland and Pennsylvania, have Breeders Funds many times the size of Virginia's.)

The Virginia-Certified program supports efforts to bring more horses to Virginia from other states for boarding and training before the end of their 2-year-old year. The Virginia-Certified program has been extraordinarily successful, as it has attracted more than 4,000 horses to Virginia since 2017.

The Breeders Fund and the Virginia-Certified incentive programs are key to revitalizing the horse industry's agribusiness sector. The horse industry must increase its advocacy efforts on their behalf; public policymakers must better understand how integral these programs are to the industry and how foundational wagering is to their funding.

Both programs are important, and both can be improved. Among the recommendations is to create an industry committee to review the Breeders Fund and the Virginia-Certified program. The committee also will develop important additional data to better assess the programs, make improvements to them, and increase the amount of wagering-based funds that go to them.

- **Infrastructure**

Virginia's Thoroughbred track in New Kent County enjoys a national reputation, with one of the best turf courses in the country. The facility requires ongoing maintenance with special consideration being necessary for improvements to its backstretch facilities, including new dormitories and camper spaces. The additional maintenance and housing expansions will position the facility for greater growth and success.

Virginia's harness racing track in Shenandoah County is both historic and aged. The industry has invested significantly in the facility, and it has served harness racing and its fans well. It will remain harness racing's home for the foreseeable future, but a new and modern harness racing facility with a larger racing surface is needed.

Virginia's four Steeplechase venues are historic. Great Meadow, Foxfield, Montpelier, and Middleburg are well-known, draw tremendous crowds, and are important to the industry's overall national renown. Each venue requires

improved onsite Wi-Fi and related technology to better accommodate crowds and better enable potential parimutuel betting.

The above is a general summary of recommendations. This report provides greater context for the Marketing & Communications, Racing, Parimutuel Wagering & Revenues, Agribusiness & Incentives, and Infrastructure categories and greater explanation and justification on specific recommendations to each.

RECOMMENDATIONS

We commend the following Strategic Plan recommendations to the Virginia Racing Commission for its consideration.

MARKETING & COMMUNICATIONS

Generally speaking, “marketing” proved to be a cross-cutting element to most every significant issue discussed in the committee’s other four main focus areas: Racing, Wagering & Revenues, Agribusiness & Incentives, and Infrastructure. Indeed, marketing was seen as so integral to so many issues, the committee decided to make marketing its own focus area so that critical marketing goals could be defined and responsibilities and deadlines established.

Marketing’s principal purpose is to promote Virginia’s horse breeding and racing industry and to educate state political leaders and the public on its economic and cultural importance to the Commonwealth.

There are two key audiences, generally, for marketing the horse agribusiness and racing sectors for continued growth and success: (i) Virginia’s government leaders, who set policy and regulations that guide the industry, and (ii) the general public, who comprise the important and much valued fan base who enjoy attending Thoroughbred, Standardbred, and Steeplechase racing events, and thus are central to public enthusiasm and industry momentum, and who, importantly, wager on races via on-track, off-track, HHR, or online avenues. It is the general public’s enthusiasm and wagering that in so many ways fuel the industry’s agribusiness and racing success.

With these marketing goals and audiences in mind, the following recommendations are made.

Recommendation #1

Develop and execute government relations plans.

Virginia’s government leaders – the Governor and the General Assembly – establish and execute the laws that govern the Virginia agribusiness and racing sectors. The Virginia

Racing Commission is the regulatory body charged with public oversight of the industry and promotion of the native industry. The VEA has historically led efforts to collaborate with the VTA, VHHA, VHPBA, track owners and operators, and others, including hired professional lobbyists, to promote good public policy before the Governor and General Assembly. The VEA's work has been successful, as evidenced by the passage of legislation to establish Historical Horse Racing (HHR) in Virginia, which has dramatically increased wagering revenues that, in turn, have funded agribusiness programs and race events.

As Virginia's horse industry continues to grow – fueled by increased wagering and wagering opportunities – there will be greater need for the VEA and industry stakeholders to collaboratively develop a solid government relations plan that includes year-round activities to educate Virginia's Executive and Legislative branches about the horse industry's agribusiness and racing sectors, so that good public policy can continue being made to increasingly develop these sectors. While the racing industry will see increased revenue from HHR machines and with it the opportunity for growth, the industry will simultaneously face increased competition for the gambling dollar as the state's four approved casinos come on-line in the next few years. Generally, an effective government relations plan will allow the industry to be proactive instead of reactive. As a practical matter, it will fall to the VEA and the Thoroughbred track owner/operator to take the lead in both preparing a collaborative government relations plan and executing it.

- *1.a. Industry stakeholders to establish government relations plans, to effectively lobby the state Executive and Legislative branches.* – Industry stakeholders should develop respective government relations plans that are complementary and include year-round tasks to establish and deepen relationships with Virginia policymakers and regulators as well as to promote the economic importance of the horse industry's agribusiness and racing sectors. The plans will include information on lobbying ethics and compliance; proper and effective ways to engage the Governor's office, General Assembly, and regulators; important messaging that all stakeholders can use; a general schedule when certain activities or tasks should be carried out and key messages delivered; and an annual legislative agenda for General Assembly sessions.
- *1.b. Protect and promote Historical Horse Racing.* – While government relations plans will include numerous principles to protect and promote Virginia's horse industry, it is agreed that the most important task, at present, is to protect and promote the law and regulations allowing HHR. This will include fully deploying the currently allowed number of HHR machines in order to continue promoting and growing the Virginia horse industry's agribusiness and racing sectors.

Recommendation #2

Develop a marketing plan that is collaborative among key industry stakeholders, and is measurable, that grows the fan base.

Virginia's horse industry has enjoyed remarkable growth and success in recent years, with much of this success fueled by an expanding fan base at the Thoroughbred track in New Kent County; the Standardbred track in Shenandoah County; the Steeplechase venues at Great Meadow, Foxfield, Montpelier, and Middleburg; and the growing opportunities for on-track, off-track, HHR, and online wagering, with growing revenue totals to support agribusiness and racing.

There remains work to be done to grow the fan base, including identifying key market audiences and reaching them through smart, strategic, and creative means that can be measured and continuously refined.

Important audiences to reach include the political community (see, government relations planning), the corporate community and corporate sponsors, general horse racing enthusiasts, core bettors, and related horse sectors, such as Eventing.

- **2.a. *The VEA, industry stakeholders, and the Virginia Racing Commission to collaborate on Virginia horse industry marketing.*** – It is recognized that the VEA is the umbrella organization that holds industry-wide interests for agribusiness and racing. It also is recognized that much of the industry revenues are derived from Thoroughbred racing and wagering, which helps support agribusiness and other racing venues. The VRC's mission includes promoting a native horse racing industry. The VEA, industry stakeholders, and the VRC should collaborate broadly on industry-wide marketing.

It is imperative that industry marketing be inclusive of the agribusiness sector, including its incentive programs, and all Thoroughbred, Standardbred, and Steeplechase racing venues. It is recognized that horse industry marketing involves diverse audiences, some specific and targeted markets, and others more general. These include the Governor and General Assembly (government relations); the public at large, including in-state and out-of-state tourists; and horsemen and breeders, to name but a few. Indeed, the audience diversity calls for both broad and targeted marketing program designs.

- **2.b. *Promote and educate about the horse industry's agribusiness and racing sectors; better engage the Virginia Tourism Corporation (VTC); better engage the Virginia Horse Industry Board to assist in developing a marketing plan.*** – A broad goal for a better marketing initiative is to promote and educate all audiences about the Virginia horse industry and its importance to the Commonwealth's history, economy, and culture.

The Virginia Horse Industry Board (VHIB) – which is statutorily charged with the promotion and economic development of the equine industry – should be better engaged to assist in developing an industry marketing plan. The VHIB is currently planning to undertake (likely in 2023) a new horse industry marketing initiative, which will be funded by recent state appropriations. The VEA, VTC, and industry stakeholders should collaborate with VHIB to contribute expertise and leverage resources.

- *2.c. Engage a professional marketing firm.* – Marketing the Virginia horse industry is a complex undertaking, given its diverse agribusiness and racing sectors whose own markets can be even more specially segmented and defined. It is beyond the VEA’s capabilities to adequately undertake developing a broad and inclusive marketing plan without the assistance of a professional marketing firm.

The VEA should lead an effort, working collaboratively with all stakeholders, to engage a professional marketing firm that, in turn, will coordinate with the VHIB and other industry stakeholders to develop an inclusive marketing plan. An important task for the VEA-hired marketing firm will be to design marketing approaches that are specific to industry segments while adhering to a common brand, such as “Virginia is for Horse Lovers” or “Breed more Secretariats.”

Remaining to be determined is how to fund a VEA-hired marketing firm. Such fund sources may include VHIB and the Virginia Racing Commission.

- *2.d. Improving the “race day experience”; capitalize on expanded calendar and “Big Race Days”* – Race days are exciting. The excitement creates enthusiasm and energy that must be strategically capitalized upon, leveraged, and carried forward.

At present, the Thoroughbred racing calendar includes only weekdays; that must change to include weekends (see, Racing recommendations). As the racing calendar is expanded to include weekends, it opens up new creative marketing opportunities to attract families and out-of-state visitors. Any new marketing initiatives will align with an expanded calendar to reach and attract new audiences.

Additionally, new race day marketing initiatives will continue to include special focus on “Big Race Days,” such as Derby Day. The VEA, VHPBA, and track owners/operators will collaborate on additional special race day events.

- *2.e. Capitalizing on special opportunities.* – Virginia is a dynamic, thriving, historical state, and there will be many opportunities each year to develop special marketing initiatives. For example, 2023 will mark the 50th anniversary of Secretariat’s 31-length Triple Crown win (Kentucky Derby, May 6, 2023; Preakness, May 20, 2023; Belmont, June 10, 2023). The 2023 racing season should capitalize upon this anniversary. The VEA and the track owners or

operators should engage the Virginia Tourism Corporation to begin planning a Secretariat-themed special marketing initiative.

Recommendation #3

Develop and deepen industry partnerships.

The VEA has successfully served as a convener and synthesizer of diverse horse industry organizations and interests, working collaboratively with its members: the Virginia Harness Horse Association, the Virginia Horsemen's Benevolent and Protective Association, the Virginia Gold Cup Association, and the Virginia Thoroughbred Association. Additionally, and importantly, VEA has, in many respects, led collaborations with Colonial Downs, the owners and operators of Virginia's Thoroughbred track in New Kent County.

All recognize the valuable partnership that VEA member associations – and others beyond these members – have with Colonial Downs. It is this relationship that must be maintained and strengthened as the industry at large considers more collaborative marketing strategies.

- **3.a. *The VEA and Colonial Downs to investigate greater marketing partnership opportunities.*** – The VEA, Colonial Downs, and VRC should develop a plan for periodic meetings to discuss marketing matters. This increased collaboration will be especially important as the track significantly increases its own marketing initiatives, and as the VEA and others collaborate with the VHIB's plan for a special marketing initiative.
- **3.b. *The VEA and Colonial Downs should investigate marketing "database-sharing opportunities."*** The VEA, its individual members, and Colonial Downs each market various horse industry interests. While individual marketing initiatives will continue in order to promote specific horse industry sectors, there also should be explored ways in which various marketing databases can be shared for broader agribusiness and racing promotional initiatives. Such may lead to a more efficient (less duplicative) use of resources and to more collaborative – and creative – marketing initiatives. The VEA, Colonial Downs, and others should explore contracting with a third party to administer streamlined, collaborative marketing initiatives. The third party also would be responsible for ensuring the protection of individually owned data and databases.

RACING

Horse racing is what elevates the Virginia horse industry's public profile. It is what marketing and advertising are built around. It is what first comes to the public's mind. Wagering on racing generates the greatest revenue and this is critical to all industry sectors and elements – everything from agribusiness writ large, but especially its incentive programs, to Virginia Racing Commission support, to venue operations and purses, to marketing, and to so much more.

Racing events – Thoroughbred, Standardbred, and Steeplechase – also are what bring together fans and enthusiasts, both in-state and from outside Virginia's borders, and which contribute mightily to hospitality and other economic sectors.

Strengthening and building upon the racing sector's growth in recent years is an overarching objective. Colonial Downs has engaged collaboratively in recent years with the VEA and with its individual member associations. This close collaboration has helped keep the horse industry unified and moving forward. There is every reason to believe that the horse industry will remain unified and moving forward, and that complex issues and initiatives to work through will be done so with all key interests represented.

Among the most important near-term racing issues to be tackled is revising and expanding the annual Thoroughbred racing calendar – moving from three days to four days per week, and moving from weekday-only racing to including weekends. Revising and expanding the racing calendar should be done beginning in 2023. Likewise, the Standardbred racing calendar should be expanded, beginning in 2023, to include more racing days. No calendar changes are recommended for Steeplechase events, though operational and technological improvements can be made and additional partnerships created.

Recommendation #1

For Thoroughbred racing, revise the race calendar in 2023; expand it in 2024.

Revising and expanding the Thoroughbred racing calendar from its current three days per week to four days per week – including weekends – is an important change. This will be done in stages. In 2023, the three-day, 10-week racing calendar should be revised to include at least some weekends, if possible. In 2024, assuming 32 or more days of racing, the racing calendar should expand to four days per week (whether this will be a 10-week or 8-week racing season remains to be determined).

At present, Virginia's Thoroughbred racing calendar only includes three days during the week; it does not include any weekends. Thus, the current racing calendar limits the industry's success in numerous ways. It makes more difficult the desire to fill the grandstands with a broader audience, including families, and improving the race day experience; it limits on-track wagering – an important measurement of the quality of the

racing product; and it stymies industry efforts to continue building Virginia's national reputation as a horse racing and breeding state.

In order to successfully revise and expand Virginia's Thoroughbred racing calendar, it will be necessary for track owners and operators to collaborate with the Maryland Jockey Club and others to create a cooperative Mid-Atlantic circuit. Such collaboration will coordinate the way in which horse owners, trainers, jockeys, and support staff – and the track operators – minimize scheduling and labor conflicts and maximize each track's success.

Importantly, the track owners have already begun discussions with the Maryland Jockey Club and others so that an expanded Virginia race calendar – to four days per week, including weekends – might be realized beginning with the 2024 racing season.

- *1.a. Revise the Thoroughbred racing calendar in 2023 to include some weekend dates, if possible.* It is considered critical for Thoroughbred racing at the New Kent County track to include weekends. This will require collaboration with the Maryland Jockey Club, among others. New racing dates will have to be publicized early in order to effectively market the new season calendar.
- *1.b. Expand the Thoroughbred racing calendar in 2024 to four days per week, including weekends.* It is considered critical for Thoroughbred racing at the New Kent County track to expand its racing calendar to four days per week. This will require collaboration with the Maryland Jockey Club, among others. Expanding the racing calendar must be coordinated with the additional HHR machines, allowed by law, coming online.

Recommendation #2

For Standardbred racing, expand the race season – beginning in 2023.

Expanding the Standardbred race season from its current 16 days to 28 days in 2023 is an important change. Expanding to even more race days in future years will depend to some extent on improvements to infrastructure.

Harness racing in Virginia is growing as it overcomes challenges. Infrastructure has improved in recent years at Shenandoah Downs, and more improvements are needed in stabling facilities. In the years ahead, it is agreed that harness racing needs a new track to complement racing at the historic Shenandoah County Fairgrounds. There also have been improvements in simulcasting, including a trial program in 2022 to stream the races on the four national Advance-Deposit Wagering (ADW) providers. The VEA and the VHHA will collaborate with others to review additional simulcasting opportunities.

At present, to capitalize on harness racing's momentum, expanding its season in 2023 to 28 days is necessary. This will bring more harness racing to Virginia; create more race event opportunities for fans, including families; generate more revenue; and continue building Virginia's national reputation as a horse racing and breeding state.

- *2a. Expand the harness racing calendar in 2023.* – The VEA, VHHA, and other stakeholders will work together to increase the 2023 racing season to 28 days. This will require collaboration on various operational and infrastructure matters. New racing dates will have to be publicized early in order to effectively market the new season calendar.

Recommendation #3

For Steeplechase racing, maintain venues, improve technologies and broadcasting, obtain more sponsors, and build stronger partnerships.

- *3.a. Maintaining race calendars.* – Virginia's four Steeplechase venues are historic, well known, in beautiful settings, and draw big crowds that are broadly important to Virginia's horse industry.

The Steeplechase venues should maintain their race calendars: Great Meadow races twice yearly, with the Virginia Gold Cup event in the spring and the International Gold Cup in the fall; Foxfield races twice yearly, in the spring and fall; Montpelier races in the fall; and Middleburg races twice yearly, in the spring and fall. These venues have a goal to expand their live racing attendance.

- *3.b. Develop a plan to improve venue technologies.* – The four venues are in rural settings. Important technologies, such as fiber optic cabling and Wi-Fi, must be improved for the thousands of fans attending these events.

Some Steeplechase venues would like to have parimutuel wagering; thus, it is important for those venues anticipating parimutuel wagering to be properly wired. However, even venues that do not anticipate supporting parimutuel wagering, Wi-Fi and other technologies should be improved for a greater race day experience.

- *3.c. Investigate growing audiences via livestream.* – Steeplechase races can be livestreamed, subject to available onsite technological capabilities. Investigating livestreaming capabilities is consistent with the VEA's potential collaborations with the Steeplechase event boards to consider solutions for improved Wi-Fi and related technologies.
- *3.d. VEA and other industry stakeholders to collaborate with Foxfield, Montpelier, and Middleburg to build stronger partnerships.* – VEA currently invests in all Steeplechase events, notably helping with operational expenses and purses. Great Meadow receives the greatest investment given the size of its twice-yearly events. VEA should explore opportunities to further partner with Foxfield,

Montpelier, and Middleburg races, which may lead to additional financial and marketing support as well as other goals, such as the need for improved jockey and horse safety measures.

- **3.e. VEA to increase support for point-to-point circuit.** – The Virginia Point-to-Point Circuit includes the Rappahannock Hunt, Warrenton Hunt, Piedmont Fox Hounds, Old Dominion Hounds, Blue Ridge Hunt, Loudoun Hunt, and Middleburg Hunt. The circuit has long-standing traditions and is a vital element of Steeplechase racing providing, in part, a training ground for young horses and jockeys. The VEA will collaborate with fox hunting clubs to consider how it can most effectively increase its support for the Virginia Point-to-Point Circuit.

PARIMUTUEL WAGERING & REVENUES

The Virginia horse industry's success in all sectors – agribusiness, racing, infrastructure, and more – is significantly dependent upon steadily increasing revenues, which are principally derived from wagering.

Indeed, if Virginia's horse industry is to continue growing its national reputation – and if it is to be known as “first in class” – then the Virginia General Assembly, Virginia governors, the Virginia Racing Commission, private-sector track owners and operators, and horse racing fans and enthusiasts must all be united in not only protecting existing wagering opportunities and platforms, but in expanding them.

Key among the strategies to increase wagering is fully planning and building out the statutorily allowed 5,000 HHR machines. Growing HHR revenues fuels the agribusiness and racing sectors and also helps fund improved racing facility infrastructure.

The horse industry must be applauded for its recent years' revenue growth, despite pandemic-related challenges. Since passage of the HHR legislation, revenue from HHR machines to the industry has grown from \$4 million in 2020 to \$16 million in 2021, and it continues to grow. The future is bright for increased wagering opportunities and increased total revenues, putting the Thoroughbred track in New Kent County in the position to be one of the premier tracks in the Mid-Atlantic region.

Recommendation #1

Fully deploy the statutorily authorized HHR machines.

It is imperative that the Virginia horse industry work collaboratively to fully deploy the authorized 5,000 HHR machines in alignment with an expanded racing calendar to 50 days of racing per year. It is anticipated that fully deploying HHR machines will take several years, as HHR-hosting facilities continue to be planned and constructed.

As additional HHR sites are considered, and local referenda proposed, there should be collaboration with the agribusiness sector, which has considerable resources and reach in many localities and may well be helpful in HHR expansion efforts.

- *1.a Colonial Downs will lead efforts to fully deploy HHR machines to the statutorily permitted 5,000 machines.* This is a priority. This necessarily requires support from the VEA and its individual association members and from the general public. All horse industry sectors must be aligned in this goal. This priority should be prominent in the VEA's government relations strategies.

Recommendation #2

The Virginia Racing Commission should increase its staff and budget appropriations to provide regulatory oversight for the rapid expansion of racing and parimutuel wagering locations.

The Virginia Racing Commission should expand its regulatory staff to include those with parimutuel wagering expertise. Such should include a director of parimutuel wagering compliance, who would oversee a staff proficient in parimutuel regulations, operations, licensure, day-to-day controls, and enforcement. The Commission members also should be increasingly trained in parimutuel wagering operations, regulations, and compliance matters.

Additionally, and importantly, the VRC must have additional staff to regulate multiple racing venues when expanded Thoroughbred, Standardbred, and Virginia Gold Cup (Steeplechase) racing calendars overlap. Unless the VRC has sufficient resources to regulate multiple racing venues simultaneously, it will be difficult to expand the racing seasons.

Equally important, starting in 2023 federal horse racing regulations – under the Horseracing Integrity and Safety Act (HISA) – involving medication and doping become effective and will require substantial staff and resource assistance from the VRC for their enforcement.

It is recognized that expanding the VRC's oversight responsibilities may require statutory amendments regarding the VRC's responsibilities, and it will certainly require additional appropriations, which are well below the tax revenue generated by parimutuel wagering.

- *2.a. The VEA should work with the VRC and all horse industry stakeholders to advocate for increased VRC resources, including personnel and appropriations, for expanded regulatory oversight.* – The VEA and VHBPA should work with the VRC staff to determine where the VRC needs additional resources to bolster its ability to promulgate parimutuel regulations and provide greater oversight to racing and wagering operations, licensure, controls, and enforcement.

Additionally, the VEA should include greater support for VRC resources in its General Assembly advocacy.

Recommendation #3

Expand parimutuel wagering to key sports-wagering platforms.

Sports wagering is lawful in Virginia. An important next step to boost wagering in Virginia is to expand parimutuel wagering to be included on sports wagering platforms. The racing industry is in a unique position to provide content to the sports wagering platforms as horse racing takes place during the day whereas the professional sports leagues are usually playing at night. The Virginia horse industry should collaborate and position itself to take full advantage of sports wagering opportunities. Successfully doing so will grow online wagering, which will increase support for the agribusiness and racing sectors. The Thoroughbred track owner/operator necessarily will take the lead to expanding sports wagering to well-known national platforms.

Additionally, the industry should explore incorporating sports-wagering into retail facilities, such as Rosie's, which will increase exposure to horse racing.

- *3.a. Expand parimutuel betting to sports wagering platforms.* – The Thoroughbred track owner should lead efforts to expand parimutuel wagering to sports wagering platforms. The VEA should support this effort.
- *3.b. Support incorporating sports wagering satellite wagering facilities (e.g., Rosie's).* – Incorporating sports wagering into retail satellite wagering facilities complements horse racing. This may require an amendment to Virginia law, which the industry should support.

Recommendation #4

Improve harness racing distribution.

Harness racing is currently being simulcast to the ADW platforms. This can be expanded and improved. Expanded harness racing simulcasting and livestreaming to broader audiences will increase off-track and online harness racing wagering. The VHHA should collaborate with Thoroughbred track owners – capitalizing upon their technological expertise and resources – to expand simulcasting and livestreaming of harness racing.

- *4.a. The VHHA to collaborate with Colonial Downs to explore additional simulcasting opportunities.* – It is recognized by the VHHA that the Thoroughbred track owner/operator has significant technological and marketing capabilities and can be helpful in advising and assisting on strategies to expand its livestreaming to reach broader audiences and thus realize greater betting revenue.

Recommendation #5

Review regulations and prepare a strategy to pursue parimutuel wagering at Steeplechase races; investigate livestreaming and wagering on Steeplechase races.

Virginia Steeplechase races are major events. Some events draw crowds numbering tens of thousands of fans. Parimutuel wagering at Steeplechase events is lawful if licensed by the VRC, and some venues can take advantage of it. There is significant potential for wagering revenue from Steeplechase races at those venues desiring to have it. Additionally, as ongoing efforts are made to dramatically improve Wi-Fi and related technology infrastructure at Steeplechase venues, additional consideration should be given to expanding simulcasting races abroad where steeplechasing is very popular.

- *5.a. The VEA and Steeplechase community should form a committee to determine the various venues' interests in pursuing parimutuel wagering.* – It is recognized that some but not all Steeplechase venues have interest in pursuing parimutuel wagering. If there is sufficient interest, there should be a review of parimutuel wagering regulations to determine whether and how certain regulations could be amended to be less burdensome for wagering at Steeplechase racing.
- *5.b. Investigate simulcasting Steeplechase racing to Europe, with betting allowed.* – Steeplechase advocates have expressed interest in studying the feasibility of simulcasting Virginia Steeplechase events to Europe and in allowing parimutuel wagering from European bettors. VEA should work with the Steeplechase community to determine the feasibility of livestreaming Steeplechase events to Europe, with betting, and, if warranted, develop a plan to pursue it.

AGRIBUSINESS & INCENTIVES

The Virginia horse industry's agribusiness sector includes breeding and raising horses. The industry programs that encourage and support breeding and raising horses in Virginia are critically important to the agricultural economy of the state, to the farm owners where the horses reside, and to Virginia's reputation as a horse breeding and horse racing state.

The Breeders Fund and the Virginia-Certified programs are important incentives that promote the agribusiness sector. These incentives programs are inextricably tied to parimutuel wagering in Virginia.

The Breeders Fund

The Breeders Fund supports breeders and owners of Virginia-bred horses. A key goal is to grow the native horse population, which provides horses to race at the Thoroughbred track in New Kent County and in so doing expands agribusiness across the state.

A goal should be to double the number of foals in Virginia. This will require working much more closely with key breeders.

As the Breeders Fund is funded primarily from on-track, simulcast, and online wagering proceeds, it becomes financially stronger as parimutuel wagering grows. In the second half of 2022 and going forward, the Fund will receive a portion of HHR funds. The current allocation to the Breeders Fund is approximately \$1.5 million annually, which is significantly lower than funds available in other neighboring states. This makes it difficult to attract breeders and horses, and consequently the number of horses bred in Virginia is on the decline. The new contribution to the Fund from HHR revenue will increase the Fund by approximately \$1 million per year, yet this still leaves the Fund significantly smaller than, for example, Maryland, New York and Pennsylvania.

The Breeders Fund must grow substantially over time to more significantly impact the industry's agribusiness sector. Additional key data is needed in order for stakeholders to improve the program and its impact.

The Virginia-Certified Program

The Virginia-Certified program's purpose is to revitalize Virginia horse farms and related infrastructure. It is funded by HHR revenues, which go to the VEA for distribution. The program supports efforts to bring horses to Virginia for boarding and/or training before the end of their 2-year-old year. Because of the program's requirement that a horse stable in Virginia for a minimum of six months, existing horse farms are expanding, new horse farms are being established, related infrastructure is being developed – and the horse agribusiness sector, as a whole, is growing.

Indeed, the Virginia-Certified program is generally regarded as the most successful Virginia horse industry incentive. It has attracted in excess of 4,000 horses to Virginia since the program's inception in 2017. At present, the VEA is spending \$4 million per year for the Thoroughbred-certified program and the Virginia-bred owners program.

There may be ways to reform elements of the Virginia-Certified program to improve its effectiveness. In order to improve the Virginia-Certified program, it must be reviewed, and additional data developed to consider certain reforms.

Recommendation #1

The Breeders Fund should be reviewed to ensure it is currently realizing its maximum potential, and there must be additional key data developed to enable better informed decision-making to improve the program.

- *1.a. Establish a committee to review the Breeders Fund.* – A committee comprised of the VTA, VHPBA, and Colonial Downs should be established to review the Fund and consider what additional key data is needed to improve it.

- *1.b. Increase the Fund.* – Over time, the Fund should be increased substantially – likely doubled – to increase agribusiness opportunities. It is noted that increasing the Fund is subject to growth in parimutuel wagering.

Recommendation #2

The Virginia-Certified program must grow. This will require broad industry collaboration. There also must be an effort to better educate policymakers on the Virginia-Certified program's importance to agribusiness.

- *2.a. Establish a committee to review the Virginia-Certified program.* – A committee comprised of the VTA, VHHA, VHPBA, and Colonial Downs should be established to review the program and plan for its growth.
- *2.b. Increase as necessary the Virginia-Certified program's budget.* – It is important that over time the program's funding be raised to an amount to be determined in conjunction with the program's review. Increasing funding is subject to growth in HHR machines.
- *2.c. Educate policymakers.* – The Virginia-Certified program is critically important to the agribusiness sector – revitalizing Virginia horse farms by bringing more horses to Virginia. Virginia policymakers should learn more about the inextricable link between the Virginia-Certified program and the horse industry's agribusiness sector. Better educating policymakers is inherently part of the VEA's government relations plan.

INFRASTRUCTURE

Virginia is home to highly regarded horse racing venues, though improvements are necessary in order to continue advancing horse racing in Virginia.

Virginia's Thoroughbred track in New Kent County first opened in 1997. It is nationally regarded as a premier racing venue and is home to what many believe is the best turf course in the United States. It has been generally well maintained over the past 25 years, yet improvements in maintaining its grandstand, surfaces, and backstretch facilities are needed.

Virginia's Standardbred track in Shenandoah County is a historic venue located at the Shenandoah County Fairgrounds. The VEA has invested heavily in improvements, and it has a regulation track. However, the venue is aged, requires significant maintenance, and lacks certain integral infrastructure, such as permanent stabling. It is not a facility that can advance harness racing in Virginia to where it should be. It is agreed that while the industry would like to maintain some level of harness racing at Shenandoah Downs, a new, modern harness racing facility is needed.

Virginia's Steeplechase venues are nationally known, draw large crowds, and are an important part of Virginia's storied horse history and culture. Great Meadow races in the spring (Virginia Gold Cup) and the fall (International Gold Cup). Foxfield races in the spring and fall. Montpelier races in the fall. Middleburg races in the spring and fall. Each of these venues is experiencing increased costs, and each could benefit from greatly enhanced Wi-Fi and related infrastructure as well as greater sponsorships and partnerships.

Recommendation #1

Virginia's Thoroughbred track in New Kent County requires improved maintenance and new investments in backstretch facilities.

- *1.a. Maintenance.* – Colonial Downs will continue to maintain the facility's grandstand, track surfaces, and backstretch facilities, consistent with regulatory requirements.
- *1.b. Capital Improvements.* – Colonial Downs will work with industry stakeholders to evaluate the infrastructure required to support existing and additional racing. This will include track surface lighting, backstretch housing and accommodations, and support services.

Recommendation #2

Maintain Shenandoah Downs, consider certain additional investments, and begin planning for a new harness racing facility.

While Shenandoah Downs infrastructure limits harness racing's growth, it is an important venue – having hosted harness racing for over a century – and it is planned to maintain a presence there even after a new harness racing facility is constructed. The Shenandoah Downs facility must continue to be maintained, and additional consideration should be given to investing in some support facilities. Importantly, the VEA and VHHA should begin undertaking preliminary planning for a new, modern harness racing track.

- *2.a. Maintain Shenandoah Downs.* – Harness racing will remain at Shenandoah Downs for the foreseeable future. It is increasingly a destination track for harness racing. Its half-mile track meets regulation standards and requires ongoing maintenance. Its grandstand is approximately 100 years old and requires ongoing maintenance. The facility must continue to be well maintained so that it remains an attractive and safe harness racing venue.
- *2.b. Consider additional prudent investments, notably in stabling facilities.* – Shenandoah Downs has no permanent stalls. Consideration should be given to investing in "removable stalls" that the VEA or VHHA would own and may be available for other uses.

- *2.c. Plan for a new harness racing venue.* – It is important that the VEA and VHHA begin undertaking preliminary discussions and planning for a new Standardbred track in Virginia. Ideally, a new venue would be located in eastern Virginia, making it more travel-convenient in the Mid-Atlantic circuit. It also, ideally, would include a 5/8-mile track (or longer). It is estimated that a new venue would require 75-100 acres.

The VEA and VHHA should establish a planning committee, which would be charged with undertaking preliminary steps, such as site analyses, design concepts, and capital financing; this may include hiring consultants to assist.

Recommendation #3

Undertake collaborations to improve Steeplechase events' onsite technologies, and explore stronger VEA partnerships with Steeplechase events.

Virginia's four Steeplechase venues – Great Meadow, Foxfield, Montpelier, and Middleburg – are independently owned and operated. Each has its own governing board. Steeplechase venues typically receive revenue from tickets, parking, tent rentals, and sponsorships, which support operations, purses, and infrastructure needs. The principal infrastructure challenge at most Steeplechase venues is technology-related, especially regarding Wi-Fi adequacy for large crowds and permanent fiber optic cabling for broadcasting the races. Fiber optics and Wi-Fi are necessary for enabling parimutuel betting. The VEA invests in Steeplechase events, notably helping with operational expenses and purses, and there is opportunity for still stronger partnerships between the VEA and Steeplechase events.

- *3.a. Develop a plan to address cabling, Wi-Fi, and related technological challenges.* – VEA, Steeplechase event boards, and others are to collaborate to develop technological solutions for these challenges.
- *3.b. VEA and Steeplechase venue governing boards to explore stronger partnerships.* – VEA will consider stronger partnerships and greater support for Steeplechase events. Such enhanced partnerships and greater support may include general marketing and metrics, assistance in gaining additional sponsorships, and additional collaboration to improve safety for jockeys and horses.

APPENDIX A

Schedule of Action Items

Appendix A
Schedule of Action Items

RECOMMENDATION	PARTY RESPONSIBLE	SCHEDULE
MARKETING		
1.a. Develop Government Relations Plans	VEA, Colonial Downs	Nov-Dec 2022
1.b. Protect, promote HHR	VEA, Colonial Downs; all industry stakeholders	2022, ongoing
2.a. VEA, Track owner to collaborate re horse industry marketing, generally	VEA, Colonial Downs, VRC	2023, ongoing
2.b. Engage Virginia Tourism Corp., Virginia Horse Industry Board	VEA, Colonial Downs, VRC	2023
2.c. Engage professional marketing firm	VEA, Colonial Downs, VRC; inclusive of all stakeholders	2023
2.d. Improve Race Day experience	VEA, Colonial Downs, VHHA, VGC; inclusive of all stakeholders	2023, ongoing
2.e. Capitalize on special marketing opportunities, such as Secretariat's 50 th Anniversary of Triple Crown	VEA, Colonial Downs	2022, ongoing
3.a. VEA, Track owner to develop greater marketing partnerships	VEA, Colonial Downs; inclusive of all stakeholders	2023, ongoing
3.b. Investigate sharing marketing databases	VEA, Colonial Downs; inclusive of all stakeholders	2023

RACING		
1.a. Revise Thoroughbred racing calendar to weekends	Track owner, VHBPA	2023, ongoing
1.b. Expand Thoroughbred racing calendar to 4 days per week	Colonial Downs, VHBPA	2024, ongoing
2.a. Expand Standardbred racing calendar to additional days	VHHA, VEA	2023, ongoing
3.a. Maintain Steeplechase event calendar	VGC, other Steeplechase organizations	2023, ongoing
3.b. Develop plan to improve Steeplechase venue Wi-Fi, other technologies	CGC, other Steeplechase organizations	2023, ongoing
3.c. Investigate growing Steeplechase audiences via livestreaming	VGC, other Steeplechase organizations, VEA	2023, ongoing
3.d. VEA to collaborate with Steeplechase venues re stronger partnerships	VEA, Foxfield, Montpelier, Middleburg	2023, ongoing
3.e. VEA to increase support for point-to-points	VEA, fox hunting organizations	2023, ongoing

PARIMUTUEL WAGERING & REVENUES		
1.a. Fully deploy HHR machines to 5,000 cap	Colonial Downs; fully industry support	2023 - 2025
2.a. VEA to advocate for additional VRC staff and appropriations to meet added regulatory compliance demands	VEA, Colonial Downs, all stakeholders	2023, ongoing
3.a. Expand parimutuel betting to sports wagering platforms	Colonial Downs	2023, ongoing
3.b. Support incorporating sports wagering into retail gaming facilities	Colonial Downs	2024
4.a. Improve harness racing distribution	VHHA; Colonial Downs advise, assistance	2023, ongoing
5.a. VEA, Steeplechase community to determine interest in parimutuel betting	VEA, VGA, other Steeplechase organizations	2023, ongoing
5.b. Study feasibility of simulcasting Steeplechase events to Europe, including wagering	VGC, other Steeplechase organizations, VEA	2024

AGRIBUSINESS & INCENTIVES		
1.a. Establish committee to review Breeders Fund	VTa, VHPBA, Colonial Downs	2023, ongoing
1.b. Increase Breeders Fund	VTa, VHPBA, Colonial Downs	2023, ongoing
2.a. Establish committee to review Virginia-Certified program	VTa, VHHA, VHPBA, Colonial Downs	2023, ongoing
2.b. Fully fund Virginia-Certified program	VTa, VHHA, VHPBA, Colonial Downs	2023, ongoing
2.c. Educate policymakers re Virginia-Certified program	VEA, VTa, VHHA, VHPBA, Colonial Downs	2023, ongoing

INFRASTRUCTURE		
1.a. Maintain Thoroughbred track to regulatory requirements	Colonial Downs	2022, ongoing
1.b. Collaborate on infrastructure (lighting, housing, camping)	Colonial Downs	2023, ongoing
2.a. Maintain Shenandoah Downs	VEA, VHHA	2023, ongoing
2.b. Consider additional prudent investments (stabling)	VEA, VHHA	2023, ongoing
2.c. Preliminary planning for new harness racing venue	VHHA, VEA, Colonial Downs	2023, ongoing
3.a. Collaborate re solutions to fiber optic cabling, Wi-Fi, other technology challenges at Steeplechase venues	VEA, VGC, other Steeplechase organizations	2023, ongoing
3.b. VEA, Steeplechase venues to consider stronger partnerships	VEA, VGC, other Steeplechase organizations	2023, ongoing