

# TDN Q&A

## TDN Q&A: GOVERNOR ERNIE FLETCHER

Kentucky Governor Ernie Fletcher, elected in 2003, recently sat down for a phone interview with the TDN's Steve Sherack to discuss the Republican's support of the horse industry and his stance on gaming.

Governor Fletcher has created a \$12-million Breeders' Incentive Fund, which provides funding to owners and breeders of Kentucky-breds. After less than a month on the job, the 54-year-old abolished the Kentucky Racing Commission and replaced it with the Kentucky Horse Racing Authority. The KHRA was given direction to govern and also promote the industry. Fletcher's House Bill 350, which creates tax incentives, has helped attract international horse racing events like the 2010 Alltech World Equestrian Games to Kentucky.

Fletcher, born in Mount Sterling, Kentucky, graduated from the University of Kentucky in 1974 with a bachelor of science degree in engineering. Following college, he served as a fighter pilot in the United States Air Force. Fletcher returned to school and received an M.D. degree from the University of Kentucky College of Medicine, and practiced as a family physician for 12 years. Fletcher served one term on the Kentucky House of Representatives in 1995 and was elected to the United States House of Representatives in 1998. He was re-elected in 2000 and 2002.

### Growing up in Kentucky, what are some of your earliest memories at the racetrack and how did you get introduced to racing?

We used to go to both the Thoroughbred track and also harness racing when we were younger. The Thoroughbred industry, Keeneland racetrack in particular, has been a tradition in Kentucky for years. I can remember, going back to my college days [at the University of Kentucky in Lexington], when you used to get off early in the afternoon and go out to the races. Keeneland has a wonderful tradition of horse racing.



Governor Ernie Fletcher  
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Sherack photo

### How important financially is the racing industry to the state of Kentucky?

It's nearly a \$3.4-billion industry overall. Equine sales now exceed \$1 billion annually; horses are our leading agricultural product in the leading agricultural industry. People know Kentucky as the horse capital of the world.

### Since becoming governor of Kentucky, what are some of your biggest contributions to the horse-racing industry?

My work for the Thoroughbred industry, it goes back to congress. In 2002, I got the Rolapp Award for service to the horse industry, and I was the one who established the horse caucus in congress. We were working on a number of pieces of legislation and we felt like it was important to develop a caucus. And that's the reason why we won the Rolapp Award.

After becoming governor, I realized the racing authority had a lot of concerns regarding integrity and credibility, so within the first month, I re-organized the entire racing authority. It was called the Racing Commission. I made it the Horse Racing Authority and gave it a direction not only to govern, but also to promote the industry. When we came in, the executive director was also a steward, so it was kind of a fox guarding the hen house at that point. We developed a good stewards' program to make sure that it was independent. We additionally set about to reform drug testing and raceday medication rules. I think we have some of the best rules to provide integrity, which was a concern for racing in Kentucky for many Thoroughbred owners and individuals involved in the racing industry.

Additionally, with my Jobs For Kentucky Tax Modernization Plan, we worked very strongly with Senator Damon Thayer, who's worked very closely with the Breeders' Cup and the Thoroughbred industry to develop the Breeders' Incentive Fund. The Fund amounts to \$14 million plus--about \$12 million of that goes to the Thoroughbred industry.

### If re-elected, what do you plan on doing to support the racing industry during your next term?

We want to continue in any way we can to expand the Breeders' Incentive Fund. I think there's a lot that can help us basically increase the purses here for folks that breed horses in Kentucky, not just those who come in and race. The industry has a foundation of breeding here in Kentucky. Racing is extremely important and a wonderful part of the culture, but when you look at the entire industry, it is the breeding industry that's extremely important. We want to grow the incentives for individuals to breed their horses in Kentucky and race them in Kentucky. We believe that as we increase the purses based on whether horses are bred in Kentucky, it will attract not only more people to race here. Overall we have high purses on the national average, but the Fund allow us to increase purses at those tracks where they may not have quite as high.

Fletcher Q&A cont.

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We additionally want to change the way we treat the horse industry--consistent with what I worked to do on the Farm Bill in congress. What I wanted to do there was to designate a horse farm so that it's considered an agricultural industry, not separate from agriculture. That means you would be exempt from sales tax when you buy feed, hay, fencing. All of those things that are important for horse farms would be exempt from the sales tax for the first time.

We passed the House Bill 350, creating tax incentives to attract international horse racing events like the Breeders' Cup as well as the Alltech Equestrian Games, so we have some incentives for other equestrian sports and activities here. We were able to secure the World Equestrian Games, which are being held outside of Europe for the first time; that will be in 2010, when the 2010 Alltech World Equestrian Games come to central Kentucky.

One of the things with the Thoroughbred Incentive Fund, the incentives go not only to the breeders of winners of all maiden special weight, allowance and stakes races in Kentucky, but also winners of Grade I races outside of Kentucky. If you look at those Grade I stakes components, they allowed us provide incentives both on the state and national level. That really promotes the industry, particularly breeding here in Kentucky, which is very very important to our tradition.

**The last time you were up for election, you said that you wouldn't stand in the way of the people voting on gaming in Kentucky. Now you are opposed to gaming and casinos in Kentucky. What is your stance on that issue?**

When I last raced, I said, from the standpoint of a constitutional amendment, that if the general assembly pushed it, I don't personally support it--I would not go out and support it. The vote is on the people. When my opponent now has stepped up and said emphatically multiple times that he will get it passed, I've said he's making this election a referendum on gaming. He's pretty well guaranteed that if he gets elected, he's bringing casino gambling to Kentucky. I'm personally against that and I'm taking a strong stand and saying I don't believe that's good for Kentucky. I know it's not good for the economy and I really don't believe in the long run that it's good for the horse industry or the Thoroughbred racing industry.

**Can you expand on why you don't think it would be beneficial to the horse industry or to Kentucky as a whole?**

What you're doing is you're coming into those racetracks that may not be able to offer higher purses and using a portion of casino gambling proceeds to push-up those purses. And what you're saying is that you're really having less interest in horse racing than you are in slots or video lottery. There's a marked difference between casino gambling and what happens there versus horse racing. It doesn't deliver the promised revenue because it really is a revenue shift--it takes money out of other businesses. What you will see in the future, I believe, is it will lessen the number of individuals who are interested in coming out to a horse race and wagering on horses because they are going to be involved in casino gambling. You will eventually find, I think, that the legislature, over a period of time, will look and say, 'we are no longer going to subsidize these purses that are not self-sufficient.' I think it will be a detriment in the long run, and there are a number of horse people who believe it will too. I think there's a world of difference in the people who are involved in the horse industry versus the people who are involved in the casino industry. You don't have the long standing history of organized crime--you don't have any history of organized crime in the horse industry--compared to what you have in casino gambling. It brings in a different culture of people, brings in a different impact on the government and also has a tremendous impact on shifting money out of the economy, which horse racing doesn't do. Horse racing has an economy of its own that's very beneficial to breeding industry, the training industry, the racetracks. That money stays within the state. That's why I think gaming and casinos are a bad idea for the economy, a bad idea for families, and I don't think it's a good idea for the Thoroughbred industry in the long run.

**The purses generally go up at racetracks that have VLTs and casino gambling. With a lot of the neighboring states having that, and competition so tough these days in racing, do you fear that it's going to be hard for the smaller tracks in Kentucky like Ellis and Turfway to compete with the neighboring states? Do you think they will be in any danger if their purses can't compete with some of the neighbors?**

I don't think there's any question, with those tracks that don't have the level of racing and level of purses, that there are some concerns. But I think there are other ways--breeders incentives and other incentives--to help promote those tracks without bringing in casino gambling, which I think isn't going to sustain a track that isn't self-sufficient in the long run. You're not going to have legislative support for a track that's not self-sufficient. I would rather work to make those tracks self-sufficient through good management, and look at what other incentives we can provide that will attract more people and more horses to race at those tracks.

Fletcher cont.

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**Keeneland and Turfway Park have both recently switched to synthetic racing surfaces. What do you think of synthetic surfaces?**

There's no question that you decrease the number of injuries. It's much more friendly to the horses and I think that's helping the industry, too. If there are any people who have some reticence about horse racing because of the injuries that occur, [synthetic surfaces] lessen that concern substantially. It's been a good experience here and I imagine we will see that type of improvement at tracks all across the country. It's good for the horses, and what's good for the horses is good for all of us.

**Since you've been elected governor, what's been your proudest or most memorable moment in racing?**

There's no question--I've given away four Kentucky Derby trophies. That is one of the most exciting times in Kentucky each year--that first Saturday in May. The crowd sings 'My Old Kentucky Home,' the Kentucky Derby occurs and it's so exciting because you can see the thrill in the horse that's won. They know they are champions--you can tell by the way they carry themselves; they know they have just won the most important horse race in the world. And giving that trophy to the owner, the trainer, the jockey, is one of the most exhilarating experiences a governor in Kentucky has.

**Anything else you would like to add?**

Last year we had 11,200 mares registered. We're still registering for 2007, and we will exceed that. Folks talk about the number of mares decreasing. That's not the case, and we believe the Breeders' Incentives are helping that. We've had two large operations just close their operations in Florida and move to Kentucky--Cloverleaf and Padua. Our Breeders' Incentives, I believe, played a role in that. We've had money distributed by 2,600 breeding partnerships, and 4,000 races have been won by Kentucky-breds that received awards. We plan on distributing \$15 million in 2007. That it promotes not only racing in Kentucky, but it promotes breeding, which is an integral part. It brings the industry together, rather than divides it.