

**FINAL REPORT OF THE
VIRGINIA DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES**

**THE STUDY OF VIRGINIA'S
EQUINE INDUSTRY**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 22

**COMMONWEALTH OF VIRGINIA
RICHMOND
2005**



J. Carlton Courter, III
Commissioner

COMMONWEALTH of VIRGINIA

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November 1, 2005


TO: The Honorable Mark R. Warner, Governor of Virginia
and Members of the General Assembly

It is my privilege to present this final report from the Virginia Department of Agriculture and Consumer Services in response to Senate Joint Resolution 57 (2004). SJR 57 directed the Department of Agriculture and Consumer Services to study ways to enhance the economic development of Virginia's horse industry and to examine incentives to generate growth in the industry and evaluate obstacles that may hinder the economic development of the industry.

The Equine Industry Task Force, which was created by me to conduct this study, considered an extensive list of issues that affect the horse industry in Virginia and, as a result, the Task Force has developed an equally extensive list of recommendations for your consideration.

Thank you for the opportunity to conduct this study and for your interest in growing the equine industry in Virginia.

Respectfully submitted,


J. Carlton Courter, III
Commissioner

Enclosure

cc: The Honorable Robert S. Bloxom
Secretary of Agriculture and Forestry

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PREFACE

In response to Senate Joint Resolution 57 passed during the 2004 Session of the Virginia General Assembly, the Commissioner of Agriculture and Consumer Services appointed an Equine Study Task Force to participate in a study of the equine industry to identify economic incentives and disincentives to the growth of the equine industry in the Commonwealth.

The Task Force met four times during 2004 and three times in 2005 before this report was issued and contributed greatly to the identification and assessment of the main issues presented in this final report. The following persons were invited to participate on the Equine Study Task Force:

Dr. Marty Adams, Southern States Cooperative
Connie Collier, Accounting by PC
Dr. R.C. Dunavant, Virginia Harness Horse Association
Sandy Gerald, Virginia Horse Shows Association
Heather Goodwin, Oak Ridge Racing Associates
Beryl Herzog, Virginia Horse Council
Gene Hansen, Tidewater Horse Council
Darlene Jacobson, Virginia Horse Industry Board
Donna Johnson, Virginia Agribusiness Council
Spencer Neale, Virginia Farm Bureau
Glenn Petty, Virginia Thoroughbred Association
Ian Stewart, Colonial Downs
Betsy Tuckey, Virginia Quarter Horse Association

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J. Carlton Courter, III, Commissioner
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Andrea Heid
Perida Giles
Roy Seward

EXECUTIVE SUMMARY

Senate Joint Resolution 57 passed by the 2004 Virginia General Assembly calls for the Virginia Department of Agriculture and Consumer Services to study ways to enhance the economic development of Virginia's equine industry. The Commissioner of Agriculture and Consumer Services was directed to create a task force to assist the Department in defining the scope of the study, conducting the study, and formulating findings and recommendations. The Department was also directed to examine incentives to generate growth in the industry and evaluate obstacles that may hinder the economic development of the industry.

The Department was further directed to submit an interim report on the progress of the study to the Governor and the 2005 Session of the General Assembly. The Department submitted an Interim Report to the Governor and to the 2005 General Assembly. Now this final report of its findings and recommendations is being submitted to the Governor and the General Assembly by November 30, 2005.

The purpose of this final report is to communicate the issues identified by the Equine Study Task Force and to briefly explain their importance to the economic development of the equine industry in Virginia.

To date, the Equine Study Task Force has met seven times, has reviewed the nine areas referenced in SJ 57, and has identified key issues that should be further examined and addressed by recommendations.

This final report provides 16 recommendations to the 2006 General Assembly. The recommendations are as follows:

1. The Task Force recommended in its interim report that the General Assembly support legislation to permit the establishment of an equine feed checkoff through a referendum that allows horse owners to vote on this self-assessment. This has since been approved by the General Assembly and the referendum will be conducted in 2005-2006.
2. The Task Force recommends that the funding of the .05% allocation of pari-mutuel monies for the Virginia Equine Center Foundation, .05% for the Virginia Horse Industry Board, and .15% to the Virginia-Maryland College of Veterinary Medicine be restored and not be subject to a total allocation cap.
3. In consideration of the major contributions of the Virginia Horse Center to the state's equine industry and to the state's economic growth, and due to the fact that the Center faces significant competition from state-supported horse centers in surrounding states, the Equine Study Task Force is recommending on-going funding for the Virginia Horse Center be continued at \$890,000 per fiscal year for the original debt service.

4. Because of the economic stimulus it creates and the increased marketing opportunities the program generates for small horse breeders, representing non-racing breeds, the Task Force recommends that the funding for the Virginia Horse Breeder Incentive Program be restored by the General Assembly to the levels at the inception of the program-- \$125,000 in general funds per fiscal year.
5. To accomplish some of the major efforts put forth in this report, the Task Force further recommends that the \$900,000 currently being generated by the horse racing industry be re-invested in the industry—rather than being forwarded to the General Fund as is the current practice. These monies could be used for education and promotion of the Virginia equine industry as the purpose of the monies is “to promote, sustain and grow the native industry.”
6. The Task Force recommends removing from Chapter 29, Section 59.1-391, of the Code of Virginia, “Local referendum required.” This would allow the Virginia Racing Commission and local jurisdictions to control the approval of new sites.
7. The Task Force stresses promotion and education as the best and most efficient means to further develop horse trails in Virginia. Cross promotion to the general public will need to be coordinated with Virginia Tourism as well.
8. The Task Force recommends:
 - Land use assessment be made available uniformly throughout the Commonwealth.
 - Additional funding be provided for purchase of development rights programs.
 - Tax credits for the development value of conservation easements be maintained.
 - Virginia Horse Industry Board be requested to solicit proposals for developing a comprehensive guide for local governments to utilize in enacting land preservation tools as well as local ordinances that would facilitate the friendly development of the equine industry.
 - Virginia Horse Industry Board be requested to solicit proposals for developing a comprehensive guide for equine owners regarding land preservation options as well as a list of qualified accountants and legal advisors to facilitate their participation in certain programs such as donation of a conservation easement.
 - Virginia’s Right to Farm Act be maintained.
 - Virginia Cooperative Extension Agents become an integral part of educating horse owners and local governments about the benefits of land preservation with regards to the equine industry.
9. The Task Force recommends that horse associations encourage their members to work in their counties to keep local leaders informed about the contributions of the industry to protecting green space, including providing these leaders with industry economic reports. The Task Force also recommends that the industry identify ways to work with the Virginia Association of Counties and the Virginia Municipal League to accomplish this.

10. The Task Force recognizes the need for additional study regarding promotion of all segments of the industry. The Task Force supports future surveys of the equine industry by the Virginia Agricultural Statistics Service.
11. The Task Force supports increased resources for Virginia Cooperative Extension equine activities and programs for the Virginia horse industry—including more research positions and funding for staff and programs—to strengthen the connection and communication with the Virginia horse industry. More money is needed for Cooperative Extension to provide educational services to the horse industry and to address the growing needs of Virginia’s equine industry. Resources are not keeping pace with the growth of the horse industry in the state. A tenure track faculty position which could support adult extension education and conduct needed research would greatly benefit the equine industry. Current state extension efforts are focused primarily on youth. This additional position would allow development of a similar high quality program focused on the adult horse owner.
12. The Task Force encourages Cooperative Extension to develop educational efforts to reach the horse industry. Expanded funding and staffing would promote this interaction with the horse industry community. Expanded funding and staffing would allow Cooperative Extension to increase the number of area equine agents across the state. This move would provide the equine community with more local expertise and a conduit to the other specialists on the main campus. Technical support of the equine 4-H program on the Blacksburg campus would allow current educational programs to be expanded and strengthened, better serving the state’s youth community. In addition, the Task Force supports the growing 4-H Horse Program and recommends fully staffing the equine program including that a horse representative be appointed to the 4-H Advisory Council to better serve, educate, and develop the future leaders of the industry.
13. The Task Force recommends that the Virginia Horse Council appoint a representative to the Disaster Animal Care and Control Committee working with the Virginia Department of Emergency Management to keep the industry involved in the development of a statewide disaster plan. The Virginia Horse Council should be charged with developing a disaster plan in concert with Cooperative Extension and the plan should be posted on both the VHC and the Cooperative Extension websites.
14. The Task Force recommends funding for a position in the Virginia Department of Agriculture and Consumer Services Marketing Division for Agritourism promotion and support. The position would work with the Virginia Tourism Corporation to promote the horse industry as well as other segments of agritourism. This includes development of more public/private partnerships and providing education, information, and guidance in helping to make the industry and its facilities more

accessible to equine enthusiasts and tourists and assist in promoting these facilities.

15. Due to the complexity of the application of sales and use taxes on the equine industry in Virginia, the Task Force recommends that this issue should undergo further study on ways to level the playing field through changes to the regulations and/or legislative action to make the laws more compatible with existing laws for other livestock species and to remove any deterrents to non-residents coming to Virginia to engage in horse-related activities.
16. Due to the issue being considered by the U.S. Congress, the Task Force recommends that the slaughter of horses for human food and the exportation of horsemeat as human food need not be addressed any further by this equine industry group.

BACKGROUND AND AUTHORITY

There are 170,000 horses, ponies, and mules in the state, making Virginia the 5th largest equine state in the United States, with an inventory value of \$1.46 billion, as determined by the Virginia Agricultural Statistics Service (VASS) in its 2001 equine survey. The VASS Survey also states that:

- With a reported sales value of \$99.4 million alone in 2001, horses rank as the 7th largest agricultural commodity in the state.
- In 2001 \$505 million was spent caring for horses—with an average expenditure of \$2,969 per equine.

According to the 2001-2002 Economic Impact Study conducted by the Wessex Group for the Virginia Equine Educational Foundation and funded by the Virginia Horse Industry Board, each year:

- Some 700 equine events are held in Virginia.
- Eight hundred thousand (800,000) participants and spectators take part in these events.
- Participants spend over \$167 million at the events.
- The industry provides 22,000 jobs with wages of \$352 million.
- The industry also creates more than \$802 million in business sales for Virginia.

It should also be noted that, since horse racing began in 1997, pari-mutuel wagering has generated \$16 million in tax revenue for the Commonwealth.

Despite the size and economic importance of Virginia's equine industry, Virginia faces substantial competition from other states in the region to continue to develop and succeed. In addition, many issues are developing on local, regional, and national levels that could adversely affect the growth of the equine industry in the Commonwealth.

Senate Joint Resolution 57 passed by the 2004 Virginia General Assembly called for the Virginia Department of Agriculture and Consumer Services to study ways to enhance the economic development of Virginia's equine industry. The Commissioner of Agriculture and Consumer Services established a task force to assist the Department in defining the scope of the study, conducting the study, and formulating findings and recommendations. The Department was also directed to examine incentives to generate growth in the industry and evaluate obstacles that may hinder the economic development of the industry.

The Department was further directed to submit an interim report on the progress of the study to the Governor and the 2005 Session of the General Assembly. The Department is to complete the meetings of the Task Force by November 30, 2005, and submit to the Governor and the General Assembly a final report of its findings and recommendations by that time.

This report constitutes the final attempt to communicate the issues identified by the Equine Study Task Force and to briefly explain their importance to the economic

development of the equine industry in Virginia. This final report also provides 16 recommendations which should be considered during the 2006 General Assembly Session.

STUDY METHODS

The Commissioner appointed members of the Equine Study Task Force as directed by SJ 57 in April 2004 and invited other interested parties to participate and to contribute. Members include, among others, representatives of the Virginia Horse Council, the Virginia Horse Industry Board, the Virginia Thoroughbred Association, the Virginia Harness Horse Association, the Virginia Horse Shows Association, the Virginia Quarter Horse Association, Southern States Cooperative, Colonial Downs, and Oak Ridge Racing Associates.

SJ 57 suggested nine areas of possible study:

- 1) use tax – examine the use tax, which deters many horse owners from Virginia and other states from bringing show and racehorses into the state
- 2) personal property tax – survey localities to determine which counties impose a personal property taxes on horses, which are defined as agricultural animals by the state
- 3) sales tax exemption – examine the application of sales tax on horses sold within the Commonwealth to determine whether the breeding animal exemption should be expanded
- 4) zoning issues – evaluate zoning issues to determine if local zoning ordinances curtail the development of equine businesses in certain areas
- 5) development of horse racing industry – investigate how funds from the horse racing industry can be redirected back into the equine industry to enhance the development of the industry
- 6) land use/conservation practices – examine land conservation practices, the preservation of green space, and other environmental issues as they relate to the growth of the equine industry
- 7) exportation of horsemeat – determine the extent to which horses or horsemeat are exported to foreign markets for purpose of human consumption and what laws or regulations govern such a practice
- 8) state funding – explore the impact of the loss of state funding on such important industry-related initiatives as the Virginia Horse Center and the Virginia Horse Breeder Incentive Program and
- 9) state natural disaster response plan for horse owners – investigate the need for establishing a state natural disaster plan and education and training to help horse owners prepare for disasters.

To date, the Equine Study Task Force has met seven times, has reviewed the nine areas referenced in SJ 57, and has identified key issues that should be further examined and addressed by recommendations.

TASK FORCE DISCUSSIONS AND PRESENTATIONS

At the first meeting, Task Force members reviewed the main issues cited in SJ 57. The group identified several key focus areas: legal, tax, zoning and land use, equine industry statistical information, and funding. At the suggestion of Task Force members, presenters were invited to subsequent meetings to discuss these issues in depth. A summary of these presentations follows.

Connie Collier of Accounting by PC examined the issue of taxes that affect the equine industry. Ms. Collier highlighted the types of taxation: real estate, personal property taxes, merchants capital tax, business license taxes, sales taxes, and consumer use taxes. The consumer use tax has a major impact on the racing and showing aspects of the industry. The sales tax exemption on feed is not consistently applied as compared with other breeding species. It was discussed that the Task Force might make recommendations to the Tax Commissioner to consider changing the enforcement of the sales and use tax. These recommendations could relate to the ag production aspects of the equine industry and emphasize the potential growth of the industry, taxing the “end product,” e.g., an increase in entertainment and other taxes paid.

Larry Land, Director of Policy Development, Virginia Association of Counties, detailed zoning and environmental issues that have a bearing on the industry. Mr. Land cited that all counties in Virginia, with the exception of Arlington County, have horse farms. He also said that the main environmental concerns affecting the industry are erosion and animal waste. Mr. Land cited major environmental benefits of horse farms as the preservation of open space and the aesthetic value of land in horse use. Many environmental concerns will continue to develop over the next 10 years that will impact the agriculture industry. He also briefly discussed zoning and said that the basic regulatory laws governing zoning are the Virginia Right to Farm Law and county ordinances. Generally, horse farms are permitted “by rights use” in agricultural areas. He also cited a website for specific information on local zoning ordinances, www.municode.com/resources/code_list.asp?stateID=46

Kevin Barnes, State Statistician, Virginia Agricultural Statistics Service, clarified the methodology of the 2001 VASS Equine Survey which provides the most recent statistical report devoted solely to describing the state’s equine industry. Mr. Barnes commented that this was the first time VASS had undertaken an equine survey. He explained the mechanics of the study. Efforts to secure accurate information on the industry were conducted by mail questionnaires, follow up phone calls, and several one-on-one interviews through land area based sampling. The relative error of 15% indicates that confidence can be assigned to the survey results.

Dr. George Rimler, Commissioner, Virginia Racing Commission (VRC), highlighted the work of the VRC. Dr. Rimler emphasized that to grow the racing industry it is necessary to increase the amount of purses at the racetrack and increase the number of racing days. He also said it is necessary to have more off-track betting facilities to generate

money to pay for the races. Dr. Rimler added that the VRC is committed to marketing and is putting together a Marketing Advisory Committee to present ways to promote the racetrack to Colonial Downs. He also contrasted the racetrack and the Lottery, Virginia's two gaming activities, noting that the Lottery does not need local referenda in order to expand its programs.

Don Blankenship, Deputy Commissioner, Virginia Department of Agriculture and Consumer Services, highlighted 2004-2006 general and non-general state support of horse programs.

- *Total state support* for equine industry programs for Fiscal Year 2005 and 2006 equals:

	FY 2005	FY 2006
<i>General Fund</i>	\$968,000	\$249,651
<i>Non-General Fund</i>	\$2,424,000	\$2,804,000

- These *general fund* monies included appropriations for the debt service of the original building of the Virginia Horse Center in Lexington--\$890,000 for Fiscal Year 2005 and \$169,651 for FY 2006.

Virginia Racing Commission monies (*non-general fund*) are being used in several areas:

- The Virginia Horse Industry Board and the Virginia Equine Center Foundation will receive up to \$40,000 each per fiscal year. In addition, the VRC is supporting Virginia Tech's Virginia-Maryland Regional College of Veterinary Medicine in the amount of \$204,000 for each fiscal year.
- The VRC is also supporting the breeding aspect of the racing industry for \$1.79 million in FY 2005 and \$1.92 million for 2006.
- For promoting and marketing of the Virginia equine industry, the VRC will have up to \$250,000 for 2005 and \$500,000 for FY 2006.

State support for the horse industry programs for FY 2005 amounts to \$3.39 million and \$3.05 million for FY 2006.

Beryl Herzog, past president of the Virginia Horse Council, presented a summary of the VHC's plans for a proposed equine feed checkoff. Mrs. Herzog commented that the feed checkoff could assist in the long-term growth of the Virginia equine industry by raising as much as \$200,000 on an annual basis. This would come from an assessment of \$3 per ton, or 7.5 cents per bag of commercial feed labeled for equine use. The monies would be used to provide research, educational and promotional support for expansion of the industry through the Virginia Horse Industry Board.

Stephanie Turner, Division of State Parks, Virginia Department of Conservation and Recreation, presented an overview of State Parks and the many issues dealt with in managing the parks, particularly as they relate to horses. She cited that there are 34

state parks and over 450 miles of trails. She also said that there has been a decrease in dedicated trails over the past several years—and that more are “multi-use” (hikers/bikers/equestrian).

Ms. Turner also cited the following impacts of horses in state parks:

- Significant increase in trail maintenance needs
- Obvious structural impacts (parking areas, signage, water supply)
- Management of horses and riders—Coggins checks, rider safety, manure and that it is a management challenge to minimize conflicts with other users.

The Division of State Parks is “re-visiting” the standards for planning equestrian trails. The number one concern of state park staff is the impact of horses on the maintenance of the trails. Shortage of manpower is also a major issue—a “stumbling block” for the expansion of trails. Concerns of staff with equestrian trails were also cited:

- Need for separating parking and access areas from other day users
- Safety issue—keeping horses off the main roads; rider safety (equipment)
- Educate staff and public as to the nature of the horse
- Cleaning up after horses/impact of tethering to trees, etc.
- Trail impacts and increased maintenance.

She mentioned that education of the public is needed as to the nature of horses and relating to trails issues.

Ms. Turner added that to increase opportunities for equestrian use of parks—funding and education are needed:

- Funding for trail maintenance and development of property designed trails
- Funding for support structures (parking lots, access separate from other users)
- Education of equestrians regarding additional impacts to parks and
- Education of all users on overall trail etiquette and resource conservation.

Additional presenters in 2005 included:

Dr. Mark McCann, Head, Animal and Poultry Sciences, VPI&SU, Blacksburg. Dr. McCann identified the goals, challenges, and trends that Virginia Cooperative Extension is finding in the horse industry in the state.

Cooperative Extension is working to appoint regional additional staff to serve the equine industry throughout the state. Cooperative Extension is also finding several trends including: an increase in the number of pleasure horses and the increased ability and use of the Internet for information.

Challenges Cooperative Extension faces include the diversity of the audience—horse owners are dispersed throughout the state and have a variety of skills and disciplines. In

addition, there is a limited number of trained equine professionals and a lack of good research-based information. Needs include:

- getting more students placed in intern programs in the industry
- needing a place for a “demonstration” facility—to show types of facilities, stalls, etc., to horse owners and
- an overall lack of resources—staff and funding, including a lack of funds for this type of facility.

Of 400 animal science majors at Virginia Tech, 80% have an interest in equine science, and 60% are in the equine emphasis track. Some 40% of students are from out of state and come to Tech for the equine studies program.

Carrie Swanson, Animal Science Agent, Charlottesville/Albemarle County Office, commented that Extension focuses on research—unbiased information and agents are the link between farmers, university researchers, and the horse industry. She added that one of the major problems is that horse people do not know who/what Extension is. There is a good opportunity for agents to be the link between traditional farmers and the horse industry—and provide information horse people are looking for, e.g., with regard to sources of hay. Agents also face funding and time constraints.

Celeste Crisman, Horse Extension Specialist (Youth/4-H), Cooperative Extension, VPI&SU, Blacksburg, detailed the goals of the 4-H Horse Program and her role as Youth Horse Extension Specialist. She emphasized that the 4-H Horse Program is carried by the volunteers. She also believes it is important to work closely with the Virginia Horse Council to “reach out” to the horse community. She mentioned that there is a new joint website, HorseQuest.Info. This site is being sponsored by 25 universities and offers opportunities to search the joint database for publications or frequently asked questions. Currently geared to adults, there are plans to add a youth component. Informational brochures will be available on the site.

Ms. Crisman also emphasized that the Virginia 4-H Equine Program, which includes over 4,000 youths, helps young people learn leadership, citizenship, and life skills. Activities include the state judging contest, art contests, and “horseless” projects that many children can participate in. Challenges include maintaining the quality of volunteer leaders and funding.

Mike Terry, Esquire, Hirschler/Fleischer, Richmond. Mr. Terry stated that Virginia currently has a good Equine Liability Act in existence. The Act provides some level of protection for owners being sued over the “natural acts” of horses. The Act does not protect horse owners from negligent actions. However, there are other issues that may become critical legal issues in the future for members of the horse industry.

On-going issues include sale agreements, taxation, and nuisance suits. These “nuisance neighbor” suits will continue to grow as the industry deals with further development throughout all areas of the state. And, liability will continue to be an issue.

FINDINGS AND RECOMMENDATIONS

In responding to recommendations in SJ 57, the Task Force made 16 critical recommendations relating to the growth and development of the horse industry in the Commonwealth. The Task Force in its meetings in 2004 and 2005 considered the issues referenced in SJ 57 as well as other matters identified in group discussions and covered in presentations. During the process, the Task Force members developed the following as a list of priority issues deserving the attention of the Governor and the General Assembly with suggested actions to be considered:

1. FUNDING {*SJ 57 Suggested Study Area #8*}

a. Equine Feed Checkoff. The Task Force found that the current level of revenue generated to support equine industry initiatives through the Virginia Horse Industry Board is insufficient to meet the industry's ever-increasing growth and related needs. Legislation was spearheaded by the Virginia Horse Council to institute a 7.5 cents assessment per bag of commercial equine feed. This self-assessment could raise as much as \$200,000 for support of the state's equine industry and assist in its long-term growth.

The monies would be used to establish a Virginia Equine Feed checkoff and would provide research, educational and promotional support for expansion of the industry.

Legislation passed the 2005 General Assembly authorizing a referendum of equine owners to vote on the checkoff. A letter from the horse industry petitioning the Virginia Board of Agriculture and Consumer Services was presented in September 2005. With approval, the referendum will subsequently be conducted throughout the state. The Virginia Department of Agriculture and Consumer Services would establish referendum guidelines and would be responsible for overseeing the referendum process. All feed manufacturers who produce equine feed that is sold or imported for sale in Virginia would be responsible for collecting the assessment and remitting it to the Virginia Department of Agriculture and Consumer Services on an annual basis. The Virginia Horse Industry Board would be charged with administering programs and projects funded by an equine feed checkoff.

Recommendation: The Task Force recommended in its interim report that the General Assembly support legislation to permit the establishment of an equine feed checkoff through a referendum that allows horse owners to vote on this self-assessment. This action was taken by the 2005 General Assembly.

b. Virginia Racing Commission monies for Virginia-Maryland Regional College of Veterinary Medicine, Virginia Equine Center Foundation and Virginia Horse Industry Board. Through enabling legislation passed in 1998, funding was authorized for the Virginia Horse Industry Board, the Virginia Equine Center Foundation, and the Virginia-Maryland Regional College of Veterinary Medicine (VMRCVM) from a small

percentage of the pari-mutuel monies wagered. This funding was cut in response to the state's budget crisis over the past few years. Funding was also eliminated for future years. The equine industry feels these monies, which were used for grants by the Virginia Horse Industry Board, to assist the Virginia Equine Center Foundation, and by the VMRCVM, should be fully restored as these funds help to develop and grow the state's equine industry.

Recommendation: The Task Force recommends that the funding of the .05% allocation of pari-mutuel monies for the Virginia Equine Center Foundation, .05% for the Virginia Horse Industry Board, and .15% to VMRCVM be restored and not be subject to a total allocation cap.

c. Funding for Virginia Horse Center. The Task Force notes that the Virginia Horse Center in Lexington is the premiere equestrian facility in the Commonwealth and quite possibly in the U.S. but is subject to significant competition from state-supported horse centers in surrounding states. Based on a 2001 study, Horse Center activities accounted for \$3.4 million in state and local tax revenues, of which \$1.9 million went to the state government and \$1.5 million went to local governments. Since the 2001 study, operations at the Horse Center have increased 28% and a revised economic impact study is being prepared. Direct expenditures in Virginia by horse show participants, participants of other events, and the Virginia Horse Center in the twelve months ending in May 2001 totaled \$30.2 million, of which \$28.3 million were made in the Lexington area.

The Task Force also notes that the Horse Center was responsible for \$25.9 million of indirect revenue generated at the state level and \$17.9 million in the Lexington area. The Horse Center's contributions of labor income was \$15.9 million statewide and \$10.9 million in the Lexington area. In addition, 54.3 percent of individuals who come to the Horse Center are from out of state. * Without the Horse Center, funds and taxes generated by these participants would be diverted to other states.

{* "The Virginia Horse Center's Economic Impact," John Knapp and Catherine Barchers, the Weldon Cooper Center for Public Service, University of Virginia, July 2001.}

Recommendation: In consideration of the major contributions of the Virginia Horse Center to the state's equine industry and to the state's economic growth, and due to the fact that the Center faces significant competition from state-supported Horse Centers in surrounding states, the Equine Study Task Force is recommending funding for the Virginia Horse Center be restored by the General Assembly to \$890,000 per fiscal year for the original debt service. This recommendation was made in the Interim Report and \$890,000 was restored to the Virginia Horse Center for the 2006 fiscal year. The Task Force recommends that this funding be provided to fund the original debt service.

d. Funding for Virginia Horse Breeder Incentive Program. The Virginia Horse Breeder Incentive Program (VHBIP) was established in 1982 by the General Assembly to encourage the breeding of quality horses in the Commonwealth by stimulating private sector investment in the industry. The VHBIP specifically assists the small business person—the small horse breeder who is not involved in horse racing. (Racing breeds have their own incentive program which is self-funded through the pari-mutuel handle.) The program is a major marketing tool in selling and breeding horses, both in state and out of state.

Originally operated on a matching private/public dollar-for-dollar basis, the program has continually undergone severe financial cutbacks. In 1989-90 program funds of \$61,000 were reduced to \$51,000. In 1992-93, funds were further reduced to \$32,000 and then reduced to \$25,000 for fiscal year 1993-94. They remained at that level until the funds were eliminated completely in 2002-2003.

As public monies decreased, so have private monies, dropping from \$133,371 in 1990-91 to \$32,398 in 2001-02. As funding for the program decreased, the number of associations participating in the program dropped, as did the number of breeders.

Between 1991 and 2001, more than 1,500 horse breeders in the Commonwealth participated in the VHBIP. In addition, combining private monies and public monies during this timeframe, more than \$1 million was generated back into the Virginia equine industry, spurring the growth of the industry and ancillary businesses and services.

The VHBIP has generated private industry investment in the Virginia equine industry. Without this program, possibly millions of dollars have flowed out of Virginia while a number of breeders have relocated to other states.

The Task Force notes that the Virginia Horse Breeder Incentive Program is an excellent program for the small horse owner who wishes to breed high quality horses representing various non-racing breeds. While many of the checks the individual breeders received were not in the triple digits, the marketability of horses as “Virginia bred” was enhanced, as was the reputation of Virginia bred. The program was a motivator for many people to enter the horse business—to breed horses and to participate in the program.

The Task Force notes that the program is a public/private partnership and that is also a key selling point. It is a program which stimulates private investment in the equine industry and ultimately expands the industry in the Commonwealth.

Recommendation: Because of the economic stimulus it creates and the increased marketing opportunities the program generates for small horse breeders, representing non-racing breeds, the Task Force recommends that the funding for the Virginia Horse Breeder Incentive Program be restored by the General Assembly to the levels at the inception of the program-- \$125,000 in general funds per fiscal year.

e. Reinvesting Racing Funds. Monies generated by the 2% tax paid to the Commonwealth on every wager placed in the state have been used to fund the activities of the Virginia Racing Commission and the surplus (\$900,000) was returned to Virginia's General Fund. Pari-mutuel racing was never promoted as a tax revenue source for the Commonwealth, but as an economic development project for the horse industry. Subsequently, reinvesting the surplus in the industry is consistent with the mandate of the pari-mutuel law which is "promote, sustain, and grow a native industry."

Recommendation: To accomplish some of the major efforts put forth in this report, the Task Force further recommends that the \$900,000 currently being generated by the horse racing industry be re-invested in the industry—rather than being forwarded to the General Fund as is the current practice. These monies could be used for education and promotion of the Virginia equine industry as the purpose of the monies is "to promote, sustain and grow the native industry."

2. GROWING HORSE RACING IN VIRGINIA {SJ 57 Suggested Study Area #5}

According to the enabling legislation, pari-mutuel wagering on horse racing is intended "to promote, sustain and grow the native industry" of race horse breeding. The horse racing and breeding industries have a major impact on the entire equine industry and on the related sectors of agriculture that support the industry. The horse racing industry also makes a direct financial contribution through pari-mutuel taxes to the state of Virginia, the Counties of New Kent and Henrico, the cities of Richmond, Chesapeake, Hampton, Alberta (and in the near future Vinton), the Virginia/Maryland Regional College of Veterinary Medicine, the Virginia Horse Industry Board and the Virginia Horse Center.

Deterrents to Growth of the Industry

The Task Force found that the biggest single deterrent to the growth of both the Thoroughbred and the Standardbred racing and breeding industries in the Commonwealth is the "local referendum" requirement for Satellite Wagering Facilities (SWF). Currently, the unlimited racetrack license holder (Colonial Downs) is required by the enabling legislation to pass a local referendum prior to seeking final approval from the Virginia Racing Commission and the local land use authorities. This process is resource intensive and, in larger municipalities, logistically difficult due to the process required.

Removing the local referendum requirement would allow Colonial Downs or any other unlimited licensee to actively and promptly pursue additional SWF locations. The limit for SWFs was increased to ten by the 2004 General Assembly. By January 1, 2006, the Colonial Downs network should consist of nine SWFs: two in Richmond, two in Chesapeake, and one each in Hampton, Brunswick, Vinton, Henry County, and Scott County. If the language requiring a local enabling referendum were removed, the additional SWF sites could be built out in approximately 12 months. This would dramatically increase the amounts of monies wagered which would: 1) increase purses

that, in turn, generate additional live racing days; 2) increase funds to the Virginia Breeders Fund which creates additional incentives to breed race horses in Virginia and/or own race horses bred in Virginia; 3) increase direct revenues to the Commonwealth of Virginia and the other host municipalities and 4) increase the direct revenues designated for the Virginia/Maryland Regional College of Veterinary Medicine, the Virginia Horse Industry Board, and the Virginia Equine Center Foundation.

In addition, the growth of the pari-mutuel handle and the increases listed will stimulate overall growth in the Thoroughbred and Standardbred industries. This will generate an immediate increase in receipts throughout the various agricultural sectors that service the Thoroughbred and Standardbred industries.

The Lottery v. Pari-Mutuel Comparison

The placement of wagering outlets without local enabling referenda has an existing precedent in the Virginia Lottery. In 1987, Virginia voters passed a statewide referendum to create a lottery by a vote of 791,518 to 607,884, or a margin of 56.6% to 43.4%. In 1988, the voters of Virginia passed a statewide referendum to allow pari-mutuel wagering on horse racing by a vote of 1,086,996 to 858,850, or a margin of 55.9% to 44.1%. Both margins of victory would be considered a landslide or mandate in any other type of election.

Following the passage of the referendums the Commonwealth of Virginia formed the Virginia Lottery Commission (VLC) and the Virginia Racing Commission (VRC). This is where the similarities in the two gaming industries end.

The Lottery which benefits the Commonwealth was allowed to place outlets throughout the state with only the VLC's approval. Subsequently, there are now approximately 5,000 outlets throughout the state, and this virtually unlimited distribution system generates \$1 billion a year in wagers. Since horse racing began in 1997 and through mid-2003, the Lottery had generated \$1.79 billion in tax revenue for the Commonwealth. During the same time period, pari-mutuel wagering with a severely limited distribution system, has generated \$16 million in tax revenue.

The difference between the two distribution systems creates an illogical contradiction. Pari-mutuel wagering is designed to "promote, sustain and grow" the native equine industry. With a more efficient distribution system similar to the Virginia Lottery's, the pari-mutuel wagering industry will: 1) generate additional receipts in various agriculture sectors which service the equine industry; 2) generate additional activity in other economic sectors utilized by the industry such as automobiles, tractors, lawn equipment, hospitality, hardware and many others 3) create direct employment in the equine industry and the horse racing and pari-mutuel wagering industries; and 4) preserve agricultural traditions and preserve open space.

The Virginia Lottery does not promote, sustain or grow any industry. It rewards a small sector of participants that win while taxing the citizens of the Commonwealth.

Subsequently, it is poor policy to burden a private gaming industry that generates economic growth with a cumbersome local enabling referendum requirement while the state controlled gaming industry has no such burdensome requirement.

Good policy would dictate that the Commonwealth of Virginia and the private industries of horse racing and breeding and pari-mutuel wagering be allowed to compete on “level ground.” Good policy would also dictate that private industry which is designed to stimulate a large economic sector would not be subject to burdens not placed on a state controlled competitor.

Recommendation: The Task Force recommends removing from Chapter 29, § 59.1-391 of the Code of Virginia, “Local referendum required.” This would allow the Virginia Racing Commission and local jurisdictions to control the approval of new sites.

3. HORSE TRAILS IN VIRGINIA {SJ 57 Suggested Study Area #6}

Summary: While the number of multi-purpose and equine trails in Virginia continues to increase, thanks to a strong and growing demand, numerous issues constrain a more rapid expansion. Many of the problems which face the equine enthusiast can be solved through better education and a stronger promotional effort at the national, state, and especially the local level (where zoning issues directly impact the trail rider).

Demand: Trail riding dominates the uses of the 170,000 plus horses and riders within the Commonwealth, and this number does not include visitors from outside Virginia. The numbers and demand increase yearly. Land use studies by several municipalities (Loudoun County, Virginia Beach, et al.) within the past few years also reveal an enhanced perception of the equine industry and the desire by land planners to incorporate more “open space” and “green space” provided by horse farms. Today, every county but one (Arlington County) hosts horse farms, and zoning issues relative to horses seem to be abating or earlier laws prohibiting riding tend to go unenforced.

The 2000 Virginia Outdoors Survey reported that 97% of the respondents asked for more trails in the state park system, and even though only 6.2% actually participated in horseback riding, 23.3% said it was “very important” for the state parks to provide more horse trails.

Current Status: From the Virginia Horse Council’s survey, Public Horse Trails, every region of Virginia contains areas of public access to trails, with approximately 70 public facilities available to the rider. Problems do exist at many of these locations, especially with lack of services; i.e., water, parking, waste management, unkempt trails, and needless restrictive covenants on horse access. The Commonwealth’s park system has approximately 500 total miles of trails, but slightly less than 200 of those miles are open to the equestrian.

During the Reagan administration, federal parks were asked to open up more acreage to individuals seeking recreational activities, including the horseback rider, but declining park budgets and the failure to enact appropriate user fees have hindered trail expansion to the extent originally foreseen. In Virginia, the “battlefield” parks have shown great cooperation with the equine industry, but federal wildlife preserves, like the Back Bay Wildlife Refuge (Virginia Beach) stubbornly have refused a right of way along the ocean, even to access the False Cape State Park just to its south.

While it is extremely difficult to measure, given the lack of statistics collected to date, it is thought that equine access to federal and state public lands is minimal, and with few exceptions, access to municipal public areas is miniscule. Cited later in this report, the primary reasons for denial to such public areas could well rest with the lack of education provided to public authorities, besides being a low priority in the budgetary process.

Issues That Affect Trails Development

Promotion and Education go hand-in-hand and should be coordinated with the abundant horse organizations throughout the state. Few private landowners understand or even have heard of the Equine Liability Act, which legislatively recognizes the risks of horseback riding and exonerates the landowner from liability resulting from casual riding across his land. Even some employees of the Commonwealth’s Department of Conservation and Recreation (refer to the presentation by Ms. Stephanie Turner) fear that 1) horses do not necessarily “mix” with hikers and mountain bikers, and 2) that horse manure might create health hazards. Both of these issues seem to be without merit, but it reveals that the education of city/county administrators and councils and federal and state legislators becomes imperative if more public lands are to become available to the horse enthusiast. The process should be ongoing, especially given the inherent advantages to a community from the presence of horses.

From a promotional perspective, it appears that the Outdoors Survey, the Equine Considerations & Land Use Policies of the Virginia Association of Counties, the Virginia Department of Conservation & Recreation, the Governor’s Task Force on Tourism, and the Governor’s Outdoor Resources Tourism Advisory Board, among many other recreational and equine organizations, support a strong, educationally oriented, promotional effort to ensure that citizens understand well the recreational, historical, and land use benefits accrued from the equine industry.

Facilities Planning and Funding Requirements lack tremendously, even with recent publicly endorsed bond issues to enhance state parks. State and federal parks remain in a budgetary quagmire, even though in late September, Congress’s lower house passed legislation opening all federal parks and preserves to horses. The legislation has moved to the Senate, but additional funding did not accompany the legislation. Suffice it to say that, with the support and assistance of many volunteers and equine organizations, much of the primary facilities work might be accomplished. With such an

effort, the private sector could be expected to invest in further infrastructure when it realizes the economic benefits that would accrue.

Other Issues which enter the trails equation include land use planning, shared uses of public land (with hunters and motorized vehicles), and lobbying of local and state leaders to lift restrictive laws to horseback riding.

Recommendation:

The Task Force stresses promotion and education as the best and most efficient means to further develop horse trails in Virginia. Cross promotion to the general public will need to be coordinated with the Virginia Tourism Corporation. (Refer to the following sections on Land Use and Education for more specific recommendations.)

4. LAND USE {SJ 57 Suggested Study Area #4}

Since 2001, Virginia has lost over 330,000 acres of cropland; over 1,700 farms went out of existence; and the value of farms and farm buildings increased over 35%. It is anticipated that 70% of Virginia's farm and forestlands will change hands within the next 10 to 15 years. Landowners need to have viable options other than selling out for development.

Land preservation, whether state or local, benefits the equine industry as well as the public as a whole. The equine industry strongly supports land preservation tools and incentives, including purchase of development rights programs, land use assessment, sliding scale tax rates, tax credits, etc.

A number of these land preservation programs are local option programs. In fact, not all localities offer each of these program options. Sometimes the locality is financially strapped because of other funding needs and sometimes because of a lack of understanding the benefits. As an example, studies have shown that agriculture land and open space on average only cost local governments about 36 cents per dollar in services per dollar of tax revenue received whereas residential use of the land costs local governments about \$1.25 in services per dollar of tax revenue received. Because many of these programs are locally based, an on-going dialogue and partnership needs to be established between the members of the equine industry in each locality and the governing body. Because the equine industry is growing in Virginia, equine owners can play a critical role in helping to preserve green space while at the same time providing positive net fiscal benefits to localities.

With regards to state programs such as tax credits, members of the horse industry need to be better educated about the benefits of preserving open space and what programs are available. In addition, it would be helpful to have a network of accountants and legal advisors that are familiar with these programs statewide to help equine owners in participating in these programs.

The use of land goes beyond land preservation. There is also a whole array of local ordinances which sometimes treat different uses of horses in varying ways – some positive and some negative. A resource base is needed to help provide expertise and training to local officials about the diversity of the industry as well as the economic benefits to their locality and to the state as a whole. Horses are agricultural animals and should be treated like livestock. Equine owners fall under the same protections for nuisance and local restrictions in Virginia’s Right to Farm Act as other livestock.

Recommendation: The Task Force recommends:

- Land use assessment be made available uniformly throughout the Commonwealth.
- Additional funding be provided for purchase of development rights programs.
- Tax credits for the development value of conservation easements be maintained.
- Virginia Horse Industry Board be requested to solicit proposals for developing a comprehensive guide for local governments to utilize in enacting land preservation tools as well as local ordinances that would facilitate the friendly development of the equine industry.
- Virginia Horse Industry Board be requested to solicit proposals for developing a comprehensive guide for equine owners regarding land preservation options as well as a list of qualified accountants and legal advisors to facilitate their participation in certain programs such as donation of a conservation easement.
- Virginia’s Right to Farm Act be maintained.
- Virginia Cooperative Extension Agents become an integral part of educating horse owners and local governments about the benefits of land preservation with regards to the equine industry.

Horses play an important role in preserving green space and this message needs to be communicated to local governments. One avenue to accomplish this is to establish on-going communications with the Virginia Association of Counties (VACO) and the Virginia Municipal League (VML) to try to reach local boards of supervisors and local governing bodies. Horse associations should encourage their members to work with localities to keep them informed about the contributions of the industry to protecting green space. In addition, various horse industry economic reports should be made available to localities.

Recommendation: The Task Force recommends that horse associations encourage their members to work in their counties to keep local leaders informed about the contributions of the industry to protecting green space, including providing these leaders with industry economic reports. The Task Force also recommends that the industry identify ways to work with the Virginia Association of Counties and the Virginia Municipal League to accomplish this.

5. EDUCATION

The Task Force found that the equine industry needs to develop a major effort to educate the general public about horses and, for example, issues surrounding horse usage on trails. The benefits to communities and to the state need to be emphasized.

The Task Force supports future economic impact studies of the industry funded by entities such as the Virginia Horse Industry Board and other associations and recognizes that all sectors of the industry benefit from the studies. In addition, future studies should be linked with the Virginia Agricultural Statistics Service (VASS) survey conducted in 2001.

Recommendation: The Task Force recognizes the need for additional study regarding promotion of all segments of the industry. The Task Force supports future surveys of the equine industry by VASS.

Cooperative Extension. Cooperative Extension is dealing with various trends in the horse industry including an increase in the number of pleasure horses and the increased ability and use of the Internet for information. Cooperative Extension is working to appoint additional staff to serve the industry.

Challenges Cooperative Extension faces include the diversity of the audience—horse owners are dispersed throughout the state and have a variety of skills and disciplines. In addition, there is a limited number of trained equine professionals and a lack of good research-based information.

Needs include:

- getting more students placed in intern programs in the industry
- needing a place for a “demonstration” facility—to show types of facilities, stalls, etc., to horse owners and an
- overall lack of resources—staff and funds, including lack of funds for this type of facility.

Of 400 animal science majors at Virginia Tech, 80% have an interest in equine science, and 60% are in the equine emphasis track. Some 40% of students are from out of state and come to Tech for the equine studies program.

Extension focuses on research-unbiased information. Agents are the link between farmers, university researchers, and the horse industry.

One of the major problems is that horse people do not know who/what Extension is. There is a good opportunity for agents to be the link between traditional farmers and the horse industry—and provide information horse people are looking for, e.g., with regard to sources of hay. Agents also face funding and time constraints. Regional agents should help in developing lists of equine producers as there are for other ag commodities. With more funding, Extension could become a driving force in the community.

Recommendation: The Task Force supports increased resources for Virginia Cooperative Extension equine activities and programs for the Virginia horse industry—including more research positions and funding for staff and programs—to strengthen the connection and communication with the Virginia horse industry. More money is needed for Cooperative Extension to provide educational services to the horse industry and to address the growing needs of Virginia’s equine industry. Resources are not keeping pace with the growth of the horse industry in the state. A tenure track faculty position which could support adult extension education and conduct needed research would greatly benefit the equine industry. Current state extension efforts are focused primarily on youth. This additional position would allow development of a similar high quality program focused on the adult horse owner.

The Task Force encourages Cooperative Extension to develop educational efforts to reach the horse industry. Expanded funding and staffing would promote this interaction with the horse industry community. Expanded funding and staffing would allow Cooperative Extension to increase the number of area equine agents across the state. This move would provide the equine community with more local expertise and a conduit to the other specialists on the main campus. Technical support of the equine 4-H program on the Blacksburg campus would allow current educational programs to be expanded and strengthened, better serving the state’s youth community.

In addition, the Task Force supports the growing 4-H Horse Program and recommends fully staffing the equine program including that a horse representative be appointed to the 4-H Advisory Council to better serve, educate, and develop the future leaders of the industry.

State Promotional and Educational Efforts. In addition to supporting economic studies and efforts by Cooperative Extension to expand services to the horse industry, on-going educational efforts need to reach the general public both in state and out of state and need to be coordinated with the Virginia Tourism Corporation as well.

Recommendation: The Task Force recommends funding for a position in the Virginia Department of Agriculture and Consumer Services Marketing Division for Agritourism promotion and support. The position would work with the Virginia Tourism Corporation to promote the horse industry as well as other segments of agritourism. This includes development of more public/private partnerships and providing education, information, and guidance in helping to make the industry and its facilities more accessible to equine enthusiasts and tourists and assist in promoting these facilities.

6. DISASTER PLAN {SJ 57 Suggested Study Area #9}

Realizing the need for horse owners throughout the Commonwealth to be prepared for a variety of natural disasters, the Task Force believes that horse owners should be represented on the State Disaster Animal and Care Control Committee and have input

into developing a statewide plan. Horse owners should also have access to statewide information and advice on handling their animals in the event of a natural disaster.

Recommendation: The Task Force recommends that the Virginia Horse Council appoint a representative to the Disaster Animal Care and Control Committee working with the Virginia Department of Emergency Management to keep the industry involved in the development of a statewide disaster plan. The Virginia Horse Council should be charged with developing a disaster plan in concert with Cooperative Extension and the plan should be posted on both the VHC and the Cooperative Extension websites.

7. LEGAL ISSUES

Virginia currently has a good Equine Liability Act in existence. The Act provides some level of protection for owners being used over the “natural acts” of horses. The Act does not protect horse owners from actions of negligence. However, there are other critical issues that may become major legal issues in the future for members of the horse industry.

On-going issues include sale agreements, taxation, and nuisance suits. These “nuisance neighbor” suits will continue to grow as the industry deals with the further development throughout all areas of the state. And, liability will continue to be an issue. The Task Force encourages horse associations to take major steps to educate members on liability and related legal issues as their occurrence most probably will increase with the growth of the industry. Further study needs to be done by the industry on this issue.

8. TAXATION {SJ 57 Suggested Study Areas #1, 2 & 3}

The Code of Virginia {Section 3.1-741.2} Horse Breeder Incentive Program states “It is the policy of the Commonwealth to encourage the growth of all segments of its agricultural industry. The General Assembly finds that the horse breeding industry has a significant impact on the Commonwealth’s economy and that it is to the Commonwealth’s benefit to encourage, expand, and develop horse breeding farms with programs providing financial incentives to breeders which will encourage and supplement private capital.”

As the 7th largest agricultural commodity in the Commonwealth, the equine industry has reported \$99.4 million in sales, \$505 million spent caring for equines, and an inventory value of \$1.46 billion according to the Virginia Agricultural Statistics Service (VASS) in 2001. Those numbers continue to grow as the industry grows and expands, and employment and support industry growth will further contribute to the economy of the Commonwealth.

Deterrents to Growth of the Industry: The Retail Sales and Use Tax Laws present a deterrent to the growth of the equine industry in Virginia when compared with other livestock species and the application of similar laws in other states.

Equines lose their exemption from sales tax implementation when raced or shown. However, breeding cattle do not lose exemption when shown. Llamas receive complete exemption from the sales tax implementation, while equines are exempt only when “used exclusively for breeding colts for sale.” The purpose in racing or showing breeding animals in all livestock species is to earn their reputation as quality livestock to increase their value and demand as breeding stock. Equine breeding stock that is shown or raced is usually returned to the breeding herd as soon as their worth is maximized. In some cases, equine breeding animals may be used for non-exempt purposes while “producing colts for market.” As soon as breeding horses are “used” in a non-exempt activity, the exemption is lost. The equine activities that create demand and growth in the economy of the industry and the Commonwealth are penalized by loss of their agricultural exemption. Other agricultural species do not suffer this penalty.

The Use Tax laws in the Commonwealth could significantly deter out of state residents from entering Virginia to compete in shows or racing. Also, horses sent to Virginia farms for training or rest and rehabilitation become subject to the Use Tax. Currently, tangible personal property (including equines) brought into the State for the non-resident’s personal use is exempt from use tax application. However, equines shown, raced, trained or rehabilitated in Virginia become subject to use tax application. This represents inconsistent treatment as compared to other states and a deterrent to participation in equine events in Virginia. The loss of quality competition would decrease the revenue derived from these events and support industries would also experience decreased revenues. Overall, the equine industry and the Commonwealth would ultimately lose significant revenue and industry growth would cease or decline. Other states exempt horses brought in temporarily by non-residents in conjunction with the presentation of sporting events, exhibits, shows, or other public performances.

The Task Force further notes that horses are defined as agricultural animals in the Code of Virginia (Sections 3.1-4 and 3.1-14).

A future study on taxation might be beneficial for the horse industry to determine how it affects Virginia’s competitiveness in the industry nationwide. The Task Force found that horses are not treated like other agricultural commodities when it comes to issues of taxation and recommends that they be treated as other agricultural livestock.

Tangible Personal Property Taxes are imposed on motor vehicles, trailers, vans, boats, aircraft, mobile homes, recreational vehicles, household property, manufacturing equipment, farm equipment, livestock, research and development property, and business tools, computer hardware, furniture and fixtures, and equipment. The assessment may be either based on fair market value from a recognized pricing guide, a percentage of original cost, or fixed value per head of livestock. All counties and most

independent cities in Virginia impose Tangible Personal Property Taxes (TPPTs) on motor vehicles, trailers, vans, mobile homes, and recreational vehicles.

- Only 2 localities impose TPPTs on household property.
- Some 35 localities impose TPPTs on farm equipment and
- 17 localities impose TPPTs on livestock.

The equine industry in Virginia pays TPPTs on motor vehicles, trailers, and vans in all localities, and on farm equipment and horses in the localities that impose those taxes. TPPTs are based on tax rates from \$.20 to \$7.50 per \$100 assessed value. Motor vehicles under 6,500 pounds used 50% or less for business qualify for a reduction in TPPTs at the local level. The State of Virginia reimburses the locality for the “car tax” rollback.

Notes:

- 1) Counties that impose TPPTs on **Farm Equipment**: Accomack, Alleghany, Augusta, Bland, Buchanan, Campbell, Caroline, Carroll, Charles City, Charlotte, Clarke, Essex, Gloucester, Grayson, Halifax, Henry, Highland, King & Queen, Lancaster, Lunenburg, Madison, Mathews, Middlesex, Northampton, Northumberland, Page, Prince William, Richmond, Rockbridge, Rockingham, Smyth, Southampton, Sussex, Washington, and Westmoreland
- 2) Counties that impose TPPTs on **Livestock**: Alleghany, Bland, Buchanan, Charles City, Essex, Gloucester, Henry, King & Queen, Lancaster, Mathews, Middlesex, Northumberland, Richmond, Southampton, Sussex, and Westmoreland.
- 3) Counties that impose **Merchants Capital Taxes**: Amherst, Appomattox, Bedford, Buchanan, Buckingham, Campbell, , Carroll, Charles City, Charlotte, Craig, Dickenson, Essex, Floyd, Franklin, Giles, Grayson, Hanover, Highland, King & Queen, Lancaster, Lee, Louisa, Lunenburg, Madison, Mecklenburg, Middlesex, Montgomery, Northampton, Northumberland, Orange, Pittsylvania, Prince Edward, Pulaski, Richmond, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Stafford, Sussex, Tazewell, Westmoreland, Wise, and Wythe.

Recommendation: Due to the complexity of the application of sales and use taxes on the equine industry in Virginia, the Task Force recommends that this issue should undergo further study on ways to level the playing field through changes to the regulations and/or legislative action to make the laws more compatible with existing laws for other livestock species and to remove any deterrents to non-residents coming to Virginia to engage in horse-related activities.

9. EXPORTATION OF HORSEMEAT {SJ 57 Suggested Study Area #7}

The Task Force, during its issues review, acknowledged that the slaughter of horses for human food and the exportation of horsemeat as human food have generated a wide range of opinions, concern, and controversy among horse clubs and organizations. The Task Force notes that Virginia currently does not have any plants that are slaughtering horses to produce horsemeat for export markets. The Task Force believes this is a national issue which concerned individuals and organizations may wish to pursue with the help of their Congressional representatives. Congress has made several attempts to deal with this over the past several years and those efforts are ongoing.

Recommendation: Due to the issue being considered by the U.S. Congress, the Task Force recommends that the slaughter of horses for human food and the exportation of horsemeat as human food need not be addressed any further by this Equine Study Task Force.

(Appendix A)

SENATE JOINT RESOLUTION NO. 57

Requesting the Department of Agriculture and Consumer Services to study ways to enhance the economic development of Virginia's horse industry. Report.

Agreed to by the Senate, February 17, 2004
Agreed to by the House of Delegates, March 9, 2004

WHEREAS, the 170,000 horses in Virginia represent a \$1.46 billion industry, which places Virginia as the fifth largest equine state in the nation; and

WHEREAS, horses rank as the seventh largest agricultural commodity in Virginia, with a sales value of \$99.4 million based on cash receipts; and

WHEREAS, nearly \$505 million is spent caring for horses in Virginia and horse owners spend an average of \$2,969 per horse on 29,000 equine operations throughout Virginia; and

WHEREAS, approximately 800,000 spectators and participants attend more than 700 equine events annually; and

WHEREAS, Virginia's horse industry creates more than \$800 million in business sales and nearly 20,000 jobs across all industries in Virginia, with wages and salaries totaling \$352.2 million; and

WHEREAS, current state financial and tax policies have affected the economic vitality of the industry; and

WHEREAS, the loss of funding for the Virginia Horse Breeder Incentive Program, and the Virginia Horse Center, which accounts for \$3.4 million annually in state and local tax revenues, will have a significant impact on the industry; and

WHEREAS, state government, by providing financial incentives and removing obstacles to economic development, can play a crucial role in unlocking the economic potential of the horse industry, thereby improving the economic health of the Commonwealth; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Agriculture and Consumer Services be requested to study ways to enhance the economic development of Virginia's horse industry. The Commissioner of Agriculture and Consumer Services shall create a task force to assist the Department in defining the scope of the study, conducting the study, and formulating its findings and recommendations. The task force shall include, but not be limited to, representatives of the following organizations: the Virginia Horse Council, the Virginia Horse Industry Board, the Virginia Harness Horse Association, Oak Ridge

Racing Associates, the Virginia Thoroughbred Association, the Virginia Horse Shows Association, the Virginia Quarter Horse Association, Southern States Cooperative, and Colonial Downs.

In conducting its study, the Department shall examine incentives to generate growth in the industry and evaluate obstacles that may hinder the economic development of the industry. The study may (i) examine the use tax, which deters many horse owners from Virginia and other states from bringing show and racehorses into the state; (ii) survey localities to determine which counties impose personal property taxes on horses, which are defined as agricultural animals by the state; (iii) examine the application of sales tax on horses sold within the Commonwealth to determine whether the breeding animal exemption should be expanded; (iv) evaluate zoning issues to determine if local zoning ordinances curtail the development of equine businesses in certain areas; (v) investigate how funds from the horseracing industry can be redirected back into the horse industry to enhance the development of the industry; (vi) examine land conservation practices, the preservation of green space, and other environmental issues as they relate to the growth of the horse industry; (vii) determine the extent to which horses or horsemeat are exported to foreign markets for purposes of human consumption and what laws or regulations govern such a practice; (viii) explore the impact of the loss of state funding on such important industry-related initiatives as the Virginia Horse Center and the Virginia Horse Breeder Incentive Program; and (ix) investigate the need for establishing a state natural disaster plan, and education and training to help horse owners prepare for disasters.

Technical assistance shall be provided to the Department of Agriculture and Consumer Services by Virginia Polytechnic Institute and State University. All agencies of the Commonwealth shall provide assistance to the Department of Agriculture and Consumer Services for this study, upon request.

The Department of Agriculture and Consumer Services shall submit an executive summary and interim report on the progress of the study to the Governor and the 2005 Session of the General Assembly for publication as a document. The Department shall complete its meetings by November 30, 2005, and shall submit to the Governor and the General Assembly an executive summary and final report of its findings and recommendations for publication as a document. Each executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the Regular Session of the General Assembly and shall be posted on the General Assembly's website.