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NUMBERS**

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NEW YORK WAGERING BY THE 2003 NUMBERS

**Bennett Liebman, Esq.
Coordinator/Staff Attorney
Racing and Gaming Law Program**

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New York Racing by the 2003 Numbers

It was not a very good year.

Calendar year in 2003 was not a pretty year for New York racing. Not only was it a near disastrous year for the New York Racing Association, which received a major fine and narrowly avoided an active felony prosecution, but it was not a good year for most any of the racetracks and OTB's in New York State. If there was a silver lining for the tracks, it may be that 2003 showed that the racetracks in New York will need outside intervention – arguably in the form of video lottery terminals – if they are to survive. It was that bad a year. Total handle inside New York State was down by 2.8%. At the tracks, the decline was 9.25%. At the OTB's the decline was 1%. OTB handle is now 73.6% of all wagering in New York State compared to 72.2% in 2002.

This seemingly minimal decline at the OTB's will provide minimal succor to the OTB's. Legislation effective in mid-May of 2004 brought unlimited out-of-state simulcasting to New York. This was supposed to serve as a bonanza for the OTB's which could now run thoroughbred racing throughout the clock. No longer would there be abbreviated race cards from the West Coast which ran from NYRA's closing time until 7:30 PM. Now there would be full cards from everywhere plus the thoroughbreds at night from Lone Star, Mountaineer, Turfway, the Meadowlands, Hoosier Park and even Evangeline Downs. But instead of a windfall, OTB handle fell – a result which nobody anticipated.

OTB handle increasingly is from out-of-state sources (58.8% of OTB handle), but the addition of these multiple sources did not help OTB overall. The chief beneficiaries of the simulcasting expansion seem to be those out-of-state thoroughbred tracks which race at night. Meadowlands saw handle at its fall meet increase by 18.7%.¹ Turfway similarly saw an 19.8% increase in its winter 2004 meet,² and Hoosier's handle was up 17.5% for its fall meeting.³

Since OTB handle declined and since a regulatory fee to support the Racing and Wagering Board was passed which impacted the OTB's, two of the OTB's were forced into a deficit situation. Not taking into account surcharge, Western OTB lost \$3.9 million, and New York City OTB lost \$580 thousand.

- 1.) The Harness Tracks – Could it get worse than this? Total live handle (betting on the live races at the tracks) at the State's six harness tracks was \$50.3 million which is down 15% from 2002. To give some perspective on how low this number is, even without factoring in inflation, the \$50 million live handle figure is basically the equivalent of what Batavia Down handled in 1973 with 154 programs. In that year, Batavia, sharing a circuit with Buffalo and open for racing for only six months, had a live handle of \$49.2 million. Total facility handle fell

¹ Jerry Bossert, "The Day at the Races," New York Daily News, November 12, 2003.

² "Turfway Sees Increase In Wagering," Lexington Herald Leader, April 6, 2004.

³ Bill Hodtwalker, "Hoosier's Offtrack Handle Jumps," Daily Racing Form, December 8, 2003.

by 9.3% to \$202 million. Yonkers' handle of \$317 million in 1973 was more than 50% higher than the total handle of New York harness facility handle for 2003, and Yonkers in 1973 only raced half of the year.

The simulcast numbers for the harness tracks are also poor. New York OTB handle on NY harness racing fell by 23% from 2002. That was somewhat expected given the added competition from out-of-state racetracks. What was not expected was that there would be no gain in the handle on New York harness tracks at out-of-state entities. With the growth of simulcasting and in-home wagering in other states, (and the low base of most New York harness tracks) it might be expected that there would be an increase in betting on exported New York harness races. There was no such increase, and betting on New York harness racing outside New York was virtually unchanged from 2002. The one winner in this group was, however, Saratoga Harness, which increased out-of-state betting on its races by about 50% to \$5.6 million.

In fact, Saratoga Harness was the only winner from this entire group of tracks. While on-track live handle decreased slightly in 2003, Saratoga's in-house handle on simulcasts increased by 4.9%. As a result, total facility handle at Saratoga Harness increased by 3.8%. Additionally, Saratoga Harness was the only track which increased its handle at the New York OTB's, and as said previously, it was the only harness track which significantly increased its handle at out-of-state locations. Total handle on Saratoga Harness races increased by 10% from 2002. It was the only track in New York State which showed an increase in total handle on its races.

The major harness losers were Buffalo, Vernon, and Batavia. Batavia's total handle fell by 25%. Buffalo's total handle declined by 31.3%, and Buffalo's handle at the OTB's fell by 34.1%. Buffalo's total facility handle decreased by 21.4% which was the largest percentage decrease in the state. Vernon's total handle declined by 32.8%. Vernon actually increased its on-track handle slightly, but its OTB handle fell by 51.6%. Vernon Downs continues to be hurt by the revenue distribution formula in New York State. No racetrack receives less in regional commissions than Vernon Downs.

In the middle, were Monticello and Yonkers. Monticello's total handle was down 12.4%. Monticello actually maintained its significant (\$45.6 million) out-of-state handle, but it too was hurt by a 24.1% decrease at the OTB's. Yonkers' total handle was down 14.6% also with a 22.9% decrease at the OTB's.

2) NYRA – 2003 wasn't a good year for NYRA On-track handle on live racing was down 7.7%. Total facility handle was down 6.4%. The entire loss is attributable to racing at Aqueduct since the meetings at Belmont and Saratoga were up both up slightly. Total Aqueduct facility handle fell in 2003 by 15.4%. The racino at Aqueduct can't come quickly enough. The fact that on-track handle at Belmont and Saratoga has not declined also should be seen as a good sign since it seems to suggest that whatever losses NYRA has sustained from the defection of its major bettors to rebate shops may have been lessened.

At the OTB's, NYRA racing NYRA handle fell by 9%.⁴ This may not appear to be a good figure, but it is far better than the other New York tracks. State harness track handle at the OTB's in 2003 fell by more than 22%. Finger Lakes' OTB handle decreased by 21.3%. It may be that takeout reductions at NYRA cushioned that track somewhat against some of the more significant drops at OTB. The other sign that lowered takeout at NYRA affects bettors should be seen in the way that players bet at each racetrack facility. At NYRA, which has a takeout of only 14% on win, place, and show wagers [WPS], 37.8% of the wagering is on WPS bets. At the combined other tracks with a WPS takeout of 18%, 28.4% of the betting is on WPS.⁵

What was not good for NYRA in 2003 was its handle at out-of-state entities. This figure dropped by 1.4%. Again with expanded out-of-State simulcasting and account wagering opportunities, this number should not be decreasing. There is some evidence thus far in 2004 that NYRA's out-of-state business is, in fact, increasing again.⁶ Nonetheless, with NYRA's business declining in 2003 on-track, at the OTB's, and at out-of-state sites, total NYRA handle declined by 4.4% in 2003.

3.) Finger Lakes – Finger Lakes found itself somewhat between NYRA and the harness tracks. Total handle on Finger Lakes declined by 9.4%. Finger Lakes was helped by a significant increase in betting on Finger Lakes entities by out-of-state entities. Out-of-state betting on Finger Lakes increased by 28.7% to \$57.38 million. On the other hand, Finger Lakes on-track betting on its own races decreased by 14.9%, and OTB betting on Finger Lakes decreased by 21.3%.⁷ Total facility handle at Finger Lakes fell by 12.6% which actually is a greater percentage decrease than most of the harness tracks. Only Aqueduct, Buffalo, and Monticello had greater percentage decreases in their total facility handle.

4.) The OTB's – Total handle decreased at every OTB except Suffolk which had an increase of 3% in handle. At four of the remaining five OTB's, the handle decrease was minimal. However, at Western OTB, the decrease was 7%. Western's decrease helped fuel Western's overall loss of \$3.9 million. The \$3.9 million loss was the second largest loss in the history of OTB. Only New York City in 2004 which lost \$4.3 million has ever had a larger loss.

New York City OTB also ran at a deficit of \$580 thousand. This is the first deficit at New York City OTB since 1994 and only the third deficit in the history of NYCOTB. Besides Western and New York City, profits at all the other OTB's decreased in 2004. The OTB's would likely believe that their limited profitability was due to New York's imposition of a regulatory fee on handle in 2003. This fee

⁴ Only 31.8% of the betting at OTB's is now on NYRA racing.

⁵ The difficulty with these numbers is that they apply to total facility betting and not just the live racing product, but the numbers do seem to indicate clearly that bettors at NYRA are attracted to the low WPS takeout. For example in 1993, before there was any significant betting at NYRA on out-of-state races, the WPS percentage at NYRA was at 26.9%.

⁶ Joel Stashenko, "NYRA Says It's Proving Worthiness To Keep Running Tracks," AP June 28, 2004.

⁷ The off-track decline at Finger Lakes is similar too the off-track decline at Yonkers and Monticello.

amounted to \$5 million in 2003. Without this fee, New York City OTB (which paid more than half of the regulatory fee) would have run at a profit, and, in fact, its profit would have been significantly greater than its \$528 thousand profit for 2002.

Each OTB provided less benefits to its own municipalities than it provided in 2002. Even with surcharge added in, Western OTB ran at a deficit of \$815.5 thousand, and this may be the first time that an OTB provided no benefits to its participating municipalities.

Total distributions to localities and for capital acquisition decreased at every OTB in 2003. The percentage decline were as follows: Capital 20.6%, Catskill 9.2%, Nassau .2%, New York City 9.1%, Suffolk, 9.1%, and Western 82.7%. Statewide the return from the OTB's was down 12.5%.

As a percentage of handle, (and not accounting for surcharge) the profitability of the OTB's was as follows: Capital 1.4%, Catskill 4.8%, Nassau 3.5%, New York City -.6%, Suffolk 1.4%, and Western -2.4%. Overall, again not accounting for surcharge, the profitability statewide for the OTB's as a percentage of money wagered was .9%. Total net operating revenue for all the State OTB's was \$17.8 million, and Nassau OTB, with operating net revenue of \$9.2 million, accounted for more than half of the entire profits of the State's OTB's.

All in all, 2003 was not a very good year for New York racing.