

New York Racing By the Numbers in 2006

We don't want to dwell on this at length, but 2006 (per the recent annual report – with nice photographs and illustrations - of the New York State Racing and Wagering Board at http://www.racing.state.ny.us/pdf/Annual_Report2006.pdf) is another downer.

Total in-state racing handle at \$2.596 billion was down 1.8% from 2005. Factoring in the cost of living which rose by 3.2% in 2006, the de facto decline in pari-mutuel handle was 4.8%. Yet, we've seen far worse in New York. At least, it wasn't nearly as bad as 2005 where total handle was down by 2.7% and cost of living adjusted de facto handle down by 5.9%. There were considerably better numbers at Saratoga Raceway, and Monticello's total facility handle increased.

The \$2.596 handle number was the lowest in New York since 1977. (Again if you consider the cost of living, de facto handle in 1977 was more than three times the 2006 number.) On-track handle at \$539.6 million is the lowest figure since 1951. If you deal with the actual amount wagered on-track on live racing, the \$330 million figure is the lowest since 1943. (Again, if you factor into the cost of living, the live 1943 handle with almost no harness racing and significant bans on automobile use was nearly ten times the 2006 number for live on-track racing)

Part of the reason for the lower 2006 number could be the limited amount of racing at Yonkers Raceway. Yonkers conducted only 32 programs in 2006 compared to 105 in 2005. The total facility handle at Yonkers was \$38 million less than in 2005. That \$38 million number accounts for approximately 90% of the drop in total facility handle at New York racetracks.

However, it should be pointed out that on the whole there were more harness racing dates in 2006 than in 2005. While Yonkers raced 73 fewer programs, the new Tioga Park raced 51 programs, a reopened Vernon operated 30 programs, (Vernon was not open in 2005.) and Monticello raced 11 more times than in 2005. The total number of harness programs increased by 16 to 671.

While one might think that a day of racing at Tioga or Vernon would not be the equivalent of a day of racing at Yonkers in terms of handle and attendance, the facts are otherwise. Tioga's average attendance was 2,643 which is far more than we've seen for years at any New York harness track. Vernon's average attendance was 1,766 which is also quite high. Unfortunately, the per program live handle average at Tioga was only \$46, 565, (for a per capita bet of \$17.62) and the Vernon average live handle number was only 56,138. Nonetheless, these numbers on balance are approximately the same as the live program handle for the 32 Yonkers which was \$51,490.

The General Numbers

Total handle at New York's tracks decreased by 7.4% from 2005 to \$539.6 million. This was the 4th consecutive year of handle decreases at the tracks. By now, only 20.8% of New York wagering is conducted at the tracks. The handle on live races at the track decreased by 7.2%. The handle on simulcast races at the tracks declined by 7.8%.

OTB handle in New York also decreased. The decrease was a slight one of .2% to \$2.057 billion. This number is, however, the second highest in the history of the OTB's surpassed only by the \$2.061 number of 2005. In reality, however, the OTB handle number has remained stagnant for the past six years with the total handle in each of these years falling between \$2.010 billion and \$2.061 billion.

New York bettors are placing more and more money on races in other states. In 2006, 56.4% of the bets placed in New York were on out-of-state races, as compared to 55% of the bets in 2005. At the OTB's 63.2% of the bets were placed on out-of-state tracks as compared to 62.3% in 2005. Of all the bets placed in New York on out-of-state tracks, 88.9% were placed at OTB's. The amount of bets placed on out-of-state tracks at OTB's has increased each year over the past decade. In 1997, \$688.6 million was wagered on out-of-state races at OTB. By 2006, that number had reached \$1.3 billion

At the thoroughbred tracks, total facility handle decreased by 3.4%, and handle on the live races decreased by 7.3%. At the thoroughbred tracks, 67.6% of the bets were placed on live racing. Thoroughbred live handle is now 11.6% of total state handle.

At the harness tracks, total facility handle decreased by 22.8%. Handle on live racing decreased only by 6.1%, but simulcast handle decreased by 28.2%. At the harness tracks, 29.7% of the bets are places on live racing. Harness live handle is now 1.1% of total state handle. The \$27 million being wagered on live harness racing is the lowest number in New York since 1944 when \$23.8 million was wagered on live harness racing.

The decrease in the harness racing simulcast numbers can be attributed to the fact that Yonkers Raceway was shuttered for much of 2006. If Yonkers had handled the same simulcast handle that it did in 2005, the simulcast numbers for the harness tracks would have increased over 2005. With Yonkers open for a full year in 2007, it is likely that overall harness facility handle should increase significantly in New York.

VLT's

By now, all the operating racetracks in New York – except the NYRA tracks have video lottery terminals. It ought to be clear that VLT's do not increase any interest in wagering on horse racing.¹ For example in 2003, the last full year before VLT's began to be installed, live harness handle was \$50.349 million. In 2006, with all operating harness tracks equipped with VLT's, live harness handle had slipped to \$27.83 million.

¹ See "Slots Fail to Aid Horse Racing," [Associated Press](#), Annapolis Capital, June 25, 2007; Andrew A. Green, "Slots Fail to Keep Bettors at Track," [Baltimore Sun](#), June 24, 2007.

At Finger Lakes, total facility handle in 2003 was \$29.151 million. Finger Lakes was one of the earliest tracks in New York to have VLT's. VLT's started at Finger Lakes in February of 2004, and they have successful with per machine revenue averaging about \$214 per day with 1, 200 machines. Yet total facility handle is now \$28.05 million, and live handle has decreased by 11.3% since 2003. There simply is no relationship or synergy between VLT's and horse racing.

The Harness Tracks

Obviously, it's hard to make any comparative statements for Yonkers Raceway. Yonkers was only open for 32 programs in 2006. It was only open for 105 programs in 2005, and it last ran a full season of 207 programs in 2004. Total facility handle at Yonkers was down to \$7.3412 million in 2006. In 2004 it was \$99.5 million. Most of the betting at simulcasts at harness tracks has traditionally come from Yonkers. In 2004, close to 60% of the simulcast import handle at harness tracks was at Yonkers. It will be interesting to see how much simulcast import handle increases at Yonkers in 2007.

One not particularly good sign is that live per program handle at Yonkers was only \$51,490 in 2006. This number was \$87, 000 in 2004, \$120,000 in 2002, and \$170,000 in 2000. It is hard to place any kind of good spin on these numbers.

On a somewhat more positive note, out-of-state sites wagered an average of \$173,489 per program on Yonkers races. The OTB's in New York wagered an average of \$133,219 on Yonkers races. Both totals are better than any other New York harness track except for Monticello.

Batavia Downs ran basically the same schedule that it had raced in 2005. It ran one fewer program. Live handle was down by 18.9%, and total facility handle decreased by 12.6%. Live per program handle was \$35,116. Batavia averaged only \$60,197 in per program handle from the New York OTB's, down from \$64, 749 in 2005. It had virtually no out-of state handle averaging only \$7,709 per program in wagering from out-of-state sources. Nonetheless, this out-of-state figure was actually far better than the \$4,272 figure of 2005.

Buffalo Raceway ran the exact same number of programs that it did in 2005. Its numbers read like a somewhat more successful Batavia. On-track live handle was down 8 %. With simulcast handle up slightly, total facility handle only decreased by 1.7%. Live per program handle was \$36, 615. Buffalo averaged \$66, 709 in per program handle from the New York OTB's compared to \$42,486 in 2005. (New York City OTB took more of Buffalo's races.) It was slightly more successful than Batavia in obtaining wagers from out-of-state sources. In 2006, it averaged \$12,384 per program in wagering from out-of-state sources.

Monticello Raceway ran the most programs in the state at 246, up 11 from 2005. Live handle was down by 1%, but with an increase in simulcast import handle, total facility

handle increased by .4%. Live program handle was the lowest in the state at \$33,394., down from \$35,315 in 2005. With Yonkers not operating for most of the year, Monticello did far better than any of the other harness tracks at the OTB's and at out-of-state facilities. Monticello averaged \$197,416 in per program handle from the New York OTB's compared to \$184,170 in 2005. In 2006, it averaged \$286,169 per program in wagering from out-of-state sources. (That number was \$284,342 per program in 2005). Monticello accounted for about 3/4ths of the handle that New York harness tracks received from out-of-state sources in 2006. In fact, Monticello's total handle from out-of-state sources was higher than the out-of state number for Finger Lakes.

Saratoga Raceway had a far better year in 2006 than it did in 2005. Live handle increased by 6.7%, and total facility handle increased by 9.7%. Live program handle averaged \$51,646 up from \$47,850 in 2005. Saratoga also fared successfully at the OTB's averaging \$67,606 per card, up from \$57,762 in 2005. It also increased its out-of-state revenues averaging \$66,626 per program from out-of-state sources, up from \$35,129 in 2005. Saratoga was clearly assisted by taking NYRA's Saratoga signal, as Saratoga Raceway's handle on NYRA racing increased by 22.7% in 2006. It was also significantly aided by New York City OTB taking more programs from Saratoga as New York City OTB handle on Saratoga Raceway tripled to \$2.568 million. The all sources handle number on Saratoga races went from \$25 million in 2005 to \$32.5 million in 2006.

Tioga Downs was discussed in part in the opening section of this paper. Attendance figures for harness racing in New York have been questionable for over a decade, and many of the tracks have stopped charging and taking attendance numbers. Yet, the average attendance figure at Tioga of 2,643 would have been higher than the average attendance of any of the upstate harness tracks (except the Syracuse Mile) in 1986. At the same time, the per capita wagering number is also somewhat difficult to comprehend. The per capita handle at harness tracks in 1986 was \$153.33 as compared to the \$17.62 figure for Tioga in 2006. When Tioga Park ran as a quarter horse track in 1977, the per capita handle was \$43.88. Tioga averaged \$39,325 from the New York OTB's per program, (Catskill OTB did not take any wagers on Tioga racing.) and \$54,340 per program from out-of-state sources. Tioga appears to have converted slot players into non-betting spectators of harness racing.

Vernon Downs also was discussed in the opening section of this paper. Vernon's average live handle for its abbreviated 30 day meeting was \$56,138 which was the highest among harness tracks in the state. Total facility handle was \$4.601 million which is 44% of the facility handle in 2004 when Vernon was shuttered for approximately half the year. Vernon averaged \$29,798 per program in OTB handle which was by far the lowest average in the State. (Catskill, Nassau, and Suffolk did not take any wagers from Vernon.) Vernon also averaged \$22,060 in handle per program from out-of state sources.

The Thoroughbred Tracks

Finger Lakes saw drops in its basic numbers. Per diem live handle was \$75,572 down from \$81,217 in 2005 for a drop of 7%. Total facility handle dropped by 6.2%. At the OTB's, the Finger Lakes programs averaged \$353,580 in handle down from \$381,015 in 2005. On average Finger Lakes received \$373,313 per program from out-of-state sources up from \$339,293 in 2005. Live on-track handle represents 8.9% of total Finger Lakes handle. On an average Finger Lakes program, the total all sources handle was \$844,640 up slightly from \$838,779 in 2005.

NYRA also saw drops. Average on-track live handle was \$1,171,032 in 2006 down from \$1,232,383 in 2005, a drop of 5%. Total facility handle was down by 3.2%. At the OTB's, the NYRA signal averaged \$2.518 million in per diem handle. This was almost exactly the same figure as in 2005. Out-of-state per diem handle was \$6.501 million an increase from \$6.188 million in 2005. By now, 62.9% of NYRA handle is from out-of-state. Live on-track handle is now 11.3% of total NYTYRA handle. Total all sources handle on NYRA races decreased by .4%, but since NYRA raced six days fewer in 2006 than in 2005, average per diem all sources handle rose to \$10.339 million from \$10.130 million in 2005. Much of this increase can be attributed to NYRA taking commingled wagers from Canada starting in 2006.

NYRA's main decline was at Saratoga which saw a 16.8% decrease in total facility handle in 2006. Racing one fewer day than in 2005, average live Saratoga handle was \$2.892 million down from \$3.26 million in 2005 (an 11.3% decrease). Total facility handle was up at both Belmont and Aqueduct in 2006 with significant increases in simulcast import handle at both tracks. Belmont simulcast import handle was up 22.7%, and Aqueduct simulcast import handle was up 9.6%. By contrast, the Saratoga simulcast import numbers decreased by 40.2%.

Since legislation was passed in 2001 to decrease takeout at NYRA (and hopefully increase handle at NYRA), live handle on NYRA races is down by 22.7%. Taking into account cost of living increases, the "real" decrease in live NYRA handle since 2000 is 34%. Perhaps the decreased takeout reduced the losses of handle at NYRA; it certainly did not grow the handle.

The OTB's

I would point out that the initial numbers from the Racing Board on New York City OTB appear to be inaccurate. The corporate expenses for NYCOTB are far in excess of any previous costs, and so much of the financial data on whether or not NYCOTB made or lost money can be disregarded. As a general statement, NYCOTB handle increased by \$14 million to \$1.061 billion, again of 1.4%. (It may be that NYCOTB handle was assisted by the closure of Yonkers Raceway for much of the year.) NYCOTB posted the only handle gain of any of the OTB corporations. NYCOTB now accounts for 51.6% of all OTB handle, and 40.9% of all New York State handle. NYCOTB now pays 8.7% of its handle to racetracks. Viewed on a percentage of handle basis, NYCOTB now pays 17.5% of its NYRA handle back to NYRA. On the other hand, NYCOTB pays 2.1% of

its out-of-state thoroughbred handle to out-of-state thoroughbred tracks. NYCOTB also pays the same basic 2.1% rate to out-of-state harness tracks.

Capital OTB saw its handle drop slightly from \$213 million to \$209.9 million, a drop of 1.5%. Much of the lost handle at Capital involves a decrease in handle on out-of-state harness tracks. Capital's return – net of surcharge – was \$2.7 million or 1.3% of its handle. Counting in the surcharge return was \$6.9 million or 3.3% of handle. 7.8% of Capital's handle was returned to racetracks. Capital returned 11% of its NYRA handle back to NYRA.

Catskill OTB also saw a small decrease in handle from \$146.5 million to \$143 million, a 2.4% decrease. Catskill did not take any wagering on Tioga or Vernon, but much of the drop in handle at Catskill can be attributed to a drop in in-state thoroughbred handle. Catskill's return – net of surcharge – was \$5.24 million or 3.7% of its handle. Its rate of return was the highest in the state, although down from the 4.5% return of 2005. Counting in the surcharge, return was \$9.2 million or 6.4% of its handle. 8.5% of Catskill's handle was returned to racetracks. Capital returned 16.9% of its NYRA handle back to NYRA.

Nassau OTB also saw a small decrease in handle from \$311.1 million to \$307.7 million, a 1.1% decrease. Nassau's return – net of surcharge – was \$5.4 million or 1.8% of its handle. Its gross return of \$5.4 million was the highest among OTB's in the state. Counting in the surcharge, return was \$11.6 million or 3.8% of its handle. 7.7% of Nassau's handle was returned to racetracks. Nassau returned 13.8% of its NYRA handle back to NYRA.

Suffolk OTB also saw a small decrease in handle from \$199 million to \$195.2 million, a 1.9% decrease. Suffolk's return – net of surcharge – was a negative. The corporation lost \$59,000 a negative return of .03%. Counting in the surcharge, return was \$4.3 million or 2.2% of its handle. 7.7% of Suffolk's handle was returned to racetracks. Suffolk returned 13.8% of its NYRA handle back to NYRA.

Western OTB had its first positive financial year in a while. Nonetheless, Western's handle declined from \$145.4 million to \$140.2, a decrease of 3.6%. This was the highest percentage decrease in handle among the OTB's. Western's return – net of surcharge – was \$120,000, or .09% of its handle. Counting in the surcharge, return was \$3.5 million or 2.5% of its handle. Western's VLT revenues from Batavia Downs supplied the corporation with much more "miscellaneous income" than the corporation had received in recent years. 7.7% of Western's handle was returned to racetracks. Western returned 13.8% of its NYRA handle back to NYRA. Similarly determined as a percentage of handle on Finger Lakes, Western returned 16.7% of its handle back to Finger Lakes.

Viewed collectively, the OTB's paid 8.3% of their handle to racetracks. They paid 2.1% of their out-of-state thoroughbred handle to out-of-state thoroughbred tracks and the same basic 2.1% on out-of-state harness handle to out-of-state harness tracks. Total OTB payments to New York State tracks represented 18.6% of the OTB handle on these

tracks. Total OTB payments to NYRA represented 15.5% of total handle of NYRA at the OTB's. While perhaps not designed with that intent, New York's OTB system now provides a virtual source market fee² for the racetracks in New York State.

² See <http://www.oregonvos.net/~orc/minutes/99mn1216.htm> and <http://www.tvg.com/textonly/about/faq.asp> for information on the concept of a source market fee under which shares of wagering revenues are returned to racetracks and horsemen in the market where each wager originates.