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VLT'S IN NEW YORK IN 2003

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MY ROLE HERE IS TO EXPLAIN QUICKLY HOW VLT'S IN NEW YORK CAME TO THIS DAY AND THEN LET OUR SPEAKERS TELL YOU WHAT'S ACTUALLY HAPPENING TODAY.

MORE THAN TWO YEARS AGO – ONE MONTH AFTER 9/11 THE STATE OF NEW YORK PASSED LEGISLATION ALLOWING FOR A MULTI-STATE LOTTERY GAME, INCREASED INDIAN GAMING, AND VIDEO LOTTERY TERMINALS AT MOST RACETRACKS IN THE STATE. SINCE THEN, WE'VE SEEN THE STATE JOIN THE MEGA MILLIONS LOTTERY GAME. WE'VE SEEN THE SENECA NATION OPEN UP A CASINO IN NIAGARA FALLS, NEW YORK, BUT WE STILL ARE AWAITING THE FIRST VIDEO LOTTERY OR VLT OPERATION, ALTHOUGH MANY OF THE ENTRANTS IN THE VLT DERBY ARE APPROACHING THE STARTING GATE.

THE STATE OF NEW YORK DIDN'T DECIDE TO EXPAND GAMBLING BECAUSE IN THE WORDS OF HOMER SIMPSON "GAMBLING MAKES A GOOD THING EVEN BETTER." IT DECIDED TO EXPAND GAMBLING BECAUSE "GAMBLING MAKES GOOD REVENUE COLLECTION EVEN BETTER."

AND THE NEED FOR REVENUE COLLECTION COULD HARDLY BE OVERSTATED. THE STATE HAD AN \$11.5 BILLION DEFICIT LAST YEAR. EVEN WITH A STRONG STOCK MARKET, THE STATE IS FACING A \$6 BILLION DEFICIT FOR NEXT YEAR ACCOMPANIED BY A COURT OF APPEALS MANDATE THAT THE LEGISLATURE MUST PROVIDE APPROPRIATE FUNDING FOR PUBLIC SCHOOLS. THE LEGISLATURE PASSED SOME TAXES AND FEES EARLIER THIS YEAR, BUT BOTH ASSEMBLY SPEAKER SHELDON SILVER AND SENATE MAJORITY LEADER JOE BRUNO HAVE GONE ON THE RECORD IN OPPOSITION TO TAXES FOR NEXT YEAR'S SESSION. THUS, WE HAVE A NEAR PERFECT CLIMATE FOR EXPANDED GAMBLING TO COME IN AND SOLVE MUCH OF THE STATE'S REVENUE NEEDS. WE MAY BE NEARING A HOMER SIMPSONESQUE VISION OF GAMBLING MAKING A GOOD BUDGET EVEN BETTER.

THIS IS ALL A FAR CRY OF WHERE WE WERE BEFORE SEPTEMBER 11. IN THE SPRING OF 2001, THE HARNESS HORSEMEN STAGED A PROTEST. THEY MARCHED AROUND THE

STATE CAPITOL LOBBYING AND SHOUTING FOR VLT'S. I WORKED IN THE CAPITOL BACK THEN, AND ALL I HEARD ABOUT THE PROTEST FROM PEOPLE IN THE CAPITOL WAS EITHER: WHAT'S A VLT? OR, MORE FREQUENTLY, WHY DO THE HARNESS PEOPLE WANT BACON, LETTUCE, AND TOMATO SANDWICHES?

NOW MOST EVERYONE IN ALBANY KNOWS WHAT A VLT IS BUT THERE HAS BEEN A CONSTANT BATTLE OVER THE SHARES THAT WOULD GO TO THE RACING INDUSTRY. IN 2001, WE STARTED WITH 25% OF VLT REVENUE GOING TO THE INDUSTRY SPLIT BASICALLY EVENLY BETWEEN THE HORSEMEN AND THE TRACKS. NOBODY MOVED FORWARD. IN 2002, THE 25% INDUSTRY SHARE WASN'T CHANGED, BUT THE TRACKS SHARE WENT UP TO A MINIMUM OF 17.5% AGAIN NOBODY MOVED FORWARD.

IN 2003, THE LEGISLATURE, OVERRODE GOVERNOR PATAKI'S VETO, AND ALTERED THE REVENUE DISTRIBUTION FORMULA. NOW 29% WILL GO TO THE RACING INDUSTRY, 61% TO

EDUCATION, AND 10% TO THE LOTTERY DIVISION FOR ADMINISTRATIVE COSTS. THE SHARE GIVEN TO THE TRACKS HAS ALSO BEEN INCREASED SO THAT FOR THE FIRST FEW YEARS THE TRACKS WILL GET A MINIMUM IN EXCESS OF 20% OF REVENUE WITH SMALLER SHARES TO THE HORSEMEN AND THE BREEDERS. THIS ADDITIONAL REVENUE PLUS A FAVORABLE DECISION ON THE CONSTITUTIONALITY OF VLT'S BY THE STATE'S TRIAL LEVEL COURT IN JULY HAS GOTTEN THE TRACKS TO MOVE INTO THE STARTING GATE.

BUT THE PROCESS HAS BEEN SLOW AND PAINFUL. IT'S BEEN LIKE WATCHING A CHEAP TROTting RACE FOR TWO YEAR OLDS OR A BOARD GAME LIKE RISK OR MONOPOLY. THE PACE IS SLOW, AND THERE HAVE BEEN LOTS OF BREAKS. IN FACT, YOU MIGHT CALL THE PURSUIT OF VLT'S IN NEW YORK VLTOPOLY. NOBODY HAS BUILT ANY HOTELS OR EVEN HOMES. NOBODY HAS PASSED GO. NOBODY HAS COLLECTED \$200 OR ANYTHING. HOWEVER IN RECENT DAYS, SARATOGA HARNESS CLAIMS THAT IT HAS LANDED ON COMMUNITY CHEST AND HAS PULLED A GO DIRECTLY TO GO CARD AND WILL BE OPEN WITH

1,300 VLT TERMINALS BY MID-JANUARY. NYRA – BY MANY ACCOUNTS - HAS ALSO LANDED ON COMMUNITY CHEST AND PULLED A GET OUT OF JAIL FREE CARD. AND ALL THE PARTICIPANTS ARE HOPING THAT NOBODY LANDS ON THE CHANCE AND GETS THE CARD SAYING VLTS'S ARE UNCONSTITUTIONAL ESPECIALLY WITH A COURT CHALLENGE TO THE VLT LAW TO BE HEARD BY THE INTERMEDIATE APPELLATE COURT IN NEW YORK NEXT TUESDAY.

WITH THAT INTRO, LET ME INTRODUCE OUR FIRST SPEAKER.