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# **NEW YORK RACING BY THE 2002 NUMBERS**

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## New York Racing by the 2002 Numbers

Second Verse Same as the First

The New York State Racing and Wagering Board has recently placed its 2002 annual report online at <http://www.racing.state.ny.us/about/annual.htm>. This is the only place where you are going to be able to view the report. Due to budget constraints, New York State government agencies are not printing hard copies of their reports this year. The Racing Board report does a fine job of presenting the general data. This report is designed to take a short, closer look at some of that data.

With the growth in the Internet, and the increases in world-wide wagering, we need to increasingly question the significance of the data in the report. While the data that is presented in the report is certainly accurate, it may not accurately reflect the overall amount of pari-mutuel wagering engaged in by New Yorkers. Years ago, the data could be questioned based on the fact that it did not and could not possibly account for wagers placed with illegal bookmakers. Today, the data does not account for wagering with account providers located outside New York State. It is certainly likely that many New Yorkers are betting with out-of-state account wagering operators or off-shore betting operations, many of which could offer New Yorkers sizeable rebates on their wagers. Total pari-mutuel wagering by New Yorkers may be far higher than reflected in the report. Nonetheless, the report is helpful as a guide to the relative performance of the racetracks and the OTB's in New York.

The main conclusion to be drawn from the report is that little changed in New York racing in 2002. Total handle in the state increased by 1.3% to a total of \$2,827,427, 262. While in New York racing any non-negative news is certainly worthwhile, the fact is that the consumer price index rose by 1.6% during that period of time, so "real" handle declined in New York in 2002. (There will be no reference to the consumer price index in the main text of the rest of this document.) This greater percentage increase at the OTB's means that 72.2% of all pari-mutuel wagering in New York is now handled by the OTB's.

Much of the 1.3% increase in 2002 occurred at the OTB's where handle increased by 1.6%. Handle at racetrack facilities increased by .6%, and this was actually led by the harness tracks where handle increased by 2.3%. By contrast, total handle at thoroughbred facilities decreased by .1%. It is probably best not to read too much into the harness numbers. The new Batavia Downs came into existence in 2002 which added some dates to the harness calendar, (Harness programs increased from 811 to 831.) and handle at Batavia Downs, which would have been counted as OTB handle in 2001, became harness facility handle in 2002.

The trend towards betting on out-of-state races continued in 2002. OTB handle on out-of-state races increased by 2.6%. 53.5% of OTB handle is now on out-of-state races. 34.6% of OTB wagering is on NYRA races. OTB handle on in-state racing only increased by .5%.

Betting on simulcasts at the racetracks also increased significantly in 2002. Betting on simulcasts at all racetracks increased by 6.1%. This was fueled by an 8.7% increase in betting on simulcasts at thoroughbred tracks. Betting on simulcasts at harness tracks increased by 3.4%. By contrast, betting on live racing at New York racetracks decreased in 2002. The decrease was .5% at harness tracks and 3.8% at thoroughbred tracks. Currently, only 15.6% of all wagers in New York are made on-track on live racing.

NYRA totals were much the same in 2002 as in 2001. There was no change in total NYRA handle. Handle on NYRA races at NYRA decreased by 2.8%, but handle on simulcasts at NYRA increased by 6.8%.

### Thoroughbred Tracks

New this year to the Racing Board's report are total pari-mutuel handle figures throughout the world for races conducted at New York tracks. The statistics demonstrate just how much of a change inter-track, inter-state wagering has made on racetracks. NYRA now has an average per diem handle of \$11,159,649. (That per diem figure is more than Buffalo Raceway handled for its entire meet.) Of this per diem figure, 59.6% is wagered at out-of-state locations. Ten years ago, out-of-state handle was a negligible factor in NYRA racing, with only Connecticut and a few other racing sites betting into NYRA. By contrast, in-state New York sources (on-track, inter-track and OTB) bet a total of \$2,199,777,036 (unadjusted for inflation) on NYRA in 1992. In 2002, that number was reduced to \$1,158,585. Only 12.7% (\$1.42 million per program) of NYRA handle was derived from on-track wagers in 2002; in 1992 I would estimate that 34% of NYRA wagers were placed on-track.

OTB's reliance on NYRA (and vice versa) has also been significantly reduced. Ten years ago, 69.5% of all OTB wagers were on NYRA races. That figure in 2002 was reduced to 34.6%. Similarly, in 1992, I would estimate that OTB handle accounted for 53% of NYRA handle. In 2002, New York State OTB's were 24.7% of NYRA handle.

It was widely predicted that the spread of pari-mutuel betting throughout the world would be a potential bonanza for the big tracks. It's working out that way in New York State. 92.1% of all wagers made outside New York State on races run at New York State tracks were placed on NYRA races.

The only other New York track with sizeable out-of-state betting was Finger Lakes. An average of \$276,853 was bet on Finger Lakes at out-of-state locations which contributed to an average daily pari-mutuel pool at Finger Lakes of \$934,428.

### The Harness Tracks

Some harness tracks received little wagering from out-of-state sources. Less than \$1 million was bet from outside New York State on each of Vernon Downs, Buffalo Raceway and Batavia Downs. At Vernon 7.1% of the pools came from out-of-state sources. At Batavia, 7.3% of the pools were from out-of-state. The figures were far worse at Buffalo where only \$121,779 during the entire meet was bet by out of-state sources on Buffalo Raceway. Only 1.2% of Buffalo's handle came from out-of-state. The average pools at these tracks were also quite small. Buffalo was the lowest at \$143,379, followed by Batavia at \$157,798, and Vernon at \$166,609.

By contrast, Monticello Raceway received a significant amount of its handle from out-of-state. \$200,809 was per program from out-of-state on Monticello racing. Since Monticello's daily pools averaged \$462,750 in 2002, 43.4% of Monticello wagers came from out-of-state. In 1992, the average pool at Monticello was approximately \$320,000, so pools at Monticello have increased significantly over the past decade. At the same time, per program on-track attendance at Monticello reached a new record low of 284. Monticello's average handle on-track was a state low of \$42,321. Given the lack of people at the track at Monticello, it is not surprising that only 9.1% of Monticello wagers were made on-track. The people at Monticello did bet fairly heavily. The per diem wager on-track on Monticello races was approximately \$149 which is not that much different than the NYRA average of \$156 per person on track on NYRA races. Monticello basically ran the same number of programs as the combination of Vernon, Batavia, and Buffalo, but the total handle on Monticello racing was nearly triple the combined handle of the other three tracks.

Yonkers also received a decent share of its handle from out-of-state. 30.9% of its handle (an average of \$199,067 per program) came from out-of-state. Yonkers had the largest pools in harness racing in the state at \$646,072 per program. Attendance at Yonkers was down to 612 per program, but the per capita wagering on Yonkers racing was by far the highest in the state at \$195.

The per capita wagering at Yonkers and Monticello stands in sharp contrast to Buffalo, Vernon and Batavia. Batavia had the highest attendance among the harness tracks at 1,446 per day, but the per capita handle on Batavia racing was \$34. The per capita betting at Buffalo was \$72, and the per capita at Vernon was \$55.

Saratoga Harness did not charge for attendance, and therefore, it is impossible to determine the per capita at that track. Saratoga's average pool was \$218,857. 14.3% of Saratoga Harness' handle came from out-of-state. Saratoga's total facility handle has increased every year since 1999, and 2002 total facility handle is 13.5% higher than it was in 1999. Per diem handle at the track on Saratoga's own live racing product also increased by 10.4% in 2002 to \$50,711.

The OTB's

2002 was also a status quo year for the OTB's. Overall handle, at the OTB's rose slightly by 1.6% which was equal to the rise in the consumer price index. Despite the rise in handle, overall profitability suffered at the OTB's in 2002.

Much of the increase in OTB handle occurred at Suffolk OTB where handle increased by 9.8% to \$205.25 million. There was a 2.7% handle increase at Nassau OTB. Catskill and New York City had minimal handle increases. Handle was down at Capital OTB (down 1.8%) and Western OTB (down 2.5%).

Handle increased at OTB in most categories. NYRA handle (which increased by 2.5% perhaps due to the NYRA takeout reduction enacted in the middle of 2001), handle on NYS harness tracks, handle on out-of-state thoroughbred tracks, handle on out-of-state harness tracks, Kentucky Derby handle, and Preakness handle all increased. The major loser was OTB handle on Finger Lakes which fell by 15.6%. There was also a 3.6% decline in OTB handle on the Breeders Cup which can largely be attributed to the fact that the 2001 Breeders Cup - unlike the Breeders Cup in 2002 - was held at Belmont Park.

The OTB's redistributed 7.82% of their total handle back to the racetracks. This is actually a decrease from the 7.92% return to racetracks in 2001. While OTB's return to tracks has increased significantly since OTB was created, it is still worth noting that the 7.82% percent back to the racetracks is far less than the 14% share that the NTRA, at the recent Jockey Club Roundtable, claimed that the Television Games Network gives to the racetracks.

The major problem for the OTB's in 2002 was a significant slippage in their bottom lines. Net revenues from operations for the combined six OTB's - which don't include surcharge payments, were only \$28.5 million. That was a 21.8% reduction from the 2001 numbers. Western OTB actually lost nearly \$650,000. This loss is likely attributable to Western's reopening of Batavia Downs. While a loss at OTB is never good, if Batavia Downs' VLT operation becomes a success, this Batavia -related loss may actually provide dividends to Western in the future.

More troubling may be New York City's OTB operations. Net revenue was down to \$558 million from \$3.3 billion in 2001. Only Suffolk OTB increased its profitability, and net revenues at Suffolk OTB rose by 1.9%. Profits at Nassau were also lower, but the fact remains that Nassau accounts for 44% of the net revenues of all the OTB's in the state. As a percentage of handle, Nassau's profitability is 4.7%. The only other OTB that beats this rate of return is Catskill at 5.3%. Together, Nassau and Catskill account for 70.9% of OTB net revenue. The rates of return at the other OTB's (excepting Western) are Capital 2.1%, New York City .1%, and Suffolk 1.8%.

The OTB total return which includes OTB surcharge revenues increases the total OTB amount available for distribution to localities and capital acquisitions to \$80.4 million. This still represents a decrease of 9.8% from 2001. Total available revenue was down at every OTB except for Suffolk which posted a 1.1% gain. The percentage

decreases at the other OTB's were as follows: Capital 10.7%, Catskill 5%, Nassau 8.4%, New York City 10%, and Western 32.6%.

The likelihood is that the OTB's will have a better year in 2003. Since the legislature authorized unlimited out-of-state simulcasting in the budget, thereby increasing significantly the amount of wagering product available to OTB's, OTB handle ought to rise somewhat in 2003. The big test for the OTB's should come in 2004 with the likely advent of VLT wagering at the racetracks. If combined Indian gaming and VLT wagering affect OTB handle, we could expect potential financial problems at the OTB's (except Western which will have VLT's at Batavia Downs) in 2004. So 2002 may have been a quiet status quo year for New York racing, but future years will likely be quite different for New York racing.