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80 New Scotland Avenue  
Albany, NY 12208  
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# **RACING BY THE NUMBERS IN NEW YORK IN 2004**

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

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## **Racing by the Numbers in New York in 2004**

The release of the New York State Racing and Wagering Board's annual report always provides a source of significant statistical information. The year 2004 is no exception, and the July report can provide hours of enjoyment to those people whose lives are consumed by racing stats. To those people whose lives are not consumed by racing states, this paper should provide a quick summary.

If you thought that the introduction of VLT's into New York racetracks in 2004 would revolutionize racing, you were wrong. With four racetracks with VLT's in 2004 (Saratoga Gaming, Buffalo, Monticello, and Finger Lakes) wagering on horse races in New York decreased by 1.1% to \$2.718 billion. With inflation averaging 2.7% in 2004, this was not a particularly strong performance for New York.

Nonetheless, there were some winners in 2004 (including Saratoga Gaming on-track and Nassau OTB), and it was a far better year than 2003 when any winners were hard to find. At least on-track, most of the VLT tracks out performed the non-VLT tracks. Batavia Downs, lacking VLT's, ran only 2 programs in 2004. Nonetheless, none of the VLT tracks performed very well at the OTB's in 2004.

It has become an off-track world in New York. Given his 30 plus years in OTB, it's time we should perhaps acknowledge that it's Don Groth's (of Catskill OTB) world, and we just bet in it. The racetracks of New York are not where it's at for pari-mutuels. Betting at tracks on live racing now accounts for 14% of total handle in the State.

75.3% of the New York betting dollar is now wagered at the State's OTB's. Live harness racing – with three tracks utilizing VLT's in 2004 – now accounts for 1.5% of total handle in New York. Live thoroughbred handle is 12.5% of total handle. In 2004, wagering at OTB's increased by 1%. While wagers made at tracks decreased by 7.3%. Total thoroughbred facility handle was down 6.3%, and total harness facility handle was down by 10%.

Additionally, fewer people in New York are betting on the in-state product. At the OTB's, 60.8% of the bets are now on out-of-state racing up from 58.8% in 2003 and 49.6% in 2000. 53.6% of all wagers in New York are on out-of-state races.

1. NYRA - Overall, handle at NYRA was little changed from 2003. NYRA's loss was on live handle which was down by 3.7% in 2004. In fact, NYRA's live handle is now down 12.2%,

since 2000, the full year before takeout was reduced on NYRA racing. NYRA's total facility handle declined by 6.9% in 2004.

While Saratoga remained unchanged with a daily average attendance of 28,907, the major NYRA drop was at Aqueduct. Attendance at Aqueduct was down by 16.7%. The average attendance at Aqueduct is now 3,750 which is basically what the average attendance was at Roosevelt and Yonkers in 1987. Total facility handle at Aqueduct was down 11.2%, and the live handle declined by 6.3%.

Belmont's average attendance was 7, 208 aided greatly by the record 120,000 attendance on Belmont Stakes day. Without the Belmont, average attendance falls to 5, 981. Total facility handle at Belmont fell by 7.2%, and the live handle at Belmont was down by 6.3%.

NYRA did far better at the OTB's in 2004 than it did in 2003. NYRA handle at the OTB's had fallen by 9% in 2003. In 2004, NYRA handle at the OTB's was up by 1.2%. There were small drops in NYRA handle at five of the six OTB's, but at Nassau OTB, handle on NYRA races increased by 14.9%. The problem here is that the increase at Nassau (occasioned by a modern teletheater) may have come at the expense of live handle at NYRA. (Some of the Nassau increase may also have come at the expense of Suffolk OTB.)

While NYRA handle increased at the OTB's, Finger Lakes' handle at the OTB's decreased by 9.2%, and New York harness handle at the OTB's decreased by more than 22%.

Handle on NYRA races from out-of-state sources was up by 1.6% spurring an overall growth of .7% in all sources handle on NYRA races. It is likely that this number would have been higher were it not for a boycott of the NYRA signal in the fall of 2004 by a consortium of simulcast sites in the Mideastern states. By now, out-of-state simulcast sites account for 62% of total NYRA handle.

While many of NYRA's simulcast vendors complain about NYRA's low takeout, the Racing Board's figures show that the blended takeout rate for on-track patrons at NYRA in 2004 worked out to 18.9%. This may be higher than at other New York tracks, (Finger Lakes was 21.4%, Yonkers was 20.5%, and Saratoga Gaming was 20.3%.) but in a historical context it is not low for NYRA. For example in 1987, NYRA's blended takeout rate was 18.2%. Even in 2004, the year before takeout was raised at NYRA, the blended rate was 18.7%. The increase in the blended takeout is due to the fact that handle on exotic wagers (bets on three or more horses) has a takeout of 25%. While in the past, exotic wagers represented a small part of NYRA handle, they now represent 26.6% of NYRA's on-track handle.

NYRA at 14% has America's lowest takeout on regular win, place, and show wagers.

Before the time that takeout on these regular bets was lowered in 1995 from 17% (as part of an overall increase in NYRA takeout) regular bets represented 27.2% of NYRA's on-track handle. Now with a lower takeout on regular bets, these bets now account for 37.7% of NYRA's on-track handle.

2.Finger Lakes - Finger Lakes had VLT's for almost all of 2004. Finger Lakes raced three more programs in 2004 than in 2003, and it did well on-track. Total attendance increased by 24%. Total purses increased by 54.3%. Finger Lakes' total facility handle was up by 3.6%, and its total live handle increased by 6.2%. Even with this increase in handle on-track, Finger Lakes live handle is down 39% since 2000.

Finger Lakes did poorly at the OTB's. OTB handle fell by 9.2%. Handle on Finger Lakes races from out-of-state sources increased slightly. Total all source handle on Finger Lakes races by 1.1%, and on a per program basis, all source handle on Finger Lakes fell by 3%.

3. Harness Tracks - The harness tracks were a mixed bag. Two tracks (Saratoga and Buffalo) had VLT's for most of the year. Monticello had VLT's for about half the year.

Licensing and financial issues closed Vernon Downs halfway through its season. Batavia's financial problems caused it to run only two programs. Buffalo did run a number of additional programs to make up for the loss of Batavia.

Total purses at Saratoga increased by 130%. Total purses on a per program basis increased by 79.5% to \$55.3 thousand per day.

At Buffalo, total purses increased by 90%, and on a per program basis, the increase was 44% to \$36.3 thousand per day. Monticello's total purses increased by 52.3%, and per program purses increased by 42% to \$33.1 thousand per card.

Putting aside Vernon, Batavia, and the two day meet at the Syracuse mile, you find interesting results at the harness tracks.

Buffalo's total facility handle was up by 1.2% in 2004, but Buffalo ran 21 more programs (32% more than in 2003). Total on-track handle on live racing increased by 31.3%, but since Buffalo ran 32% more programs, its average handle per program decreased by .4% in 2004.

Buffalo's total OTB handle was up 15%, but on a per program basis, OTB handle on Buffalo races was down by 12.6%. Buffalo had minimal out-of-state handle in 2004. As a result, Buffalo's total all source handle increased by 22.9%, but all source per program handle on Buffalo's races fell by 6.8%.

Monticello probably fared the worst of the VLT tracks. Its total on-track facility handle fell by 6.3%. Its total live handle fell by 13.2%, and since Monticello races 26 more dates in 2004 than in 2003, per program live handle of \$27.3 thousand was down by 21.8%.

Total all-source handle on Monticello racing increased by 3.7%. However, on a per program basis, Monticello's average daily source handle decreased by 7.5%. Monticello's total handle from OTB's fell by 7.3%, but its handle from out-of-state sources increased by 15.6% to \$52.7 million. At the \$52.7 million level, Monticello's out-of-state handle is higher than the out-of-state handle of all the other New York harness tracks combined. In fact, the \$52.7 million figure is relatively close to Finger Lakes' \$59 million handle from out-of-state sources.

Saratoga Gaming's numbers might be the most interesting of all the harness tracks. In pre-VLT years, Saratoga had emphasized a strategy that was aimed at attracting OTB audiences rather than on-track attendance. So its programs were scheduled where there were few significant competing simulcast signals to take advantage of slow times at the OTB's, especially at NYCOTB. With VLT's, Saratoga went back to old times and tried to appeal to an on-track audience. The result for 2004 was that the on-track audience increased dramatically, and the OTB audience for Saratoga races shrank

First, for the good news, total facility handle at Saratoga Gaming increased by 23.5%. With the number of race says expanding by 27.9%, total live handle increased by 40.4%. The average live handle increased by 12.3% to \$53.5 thousand.

On the down side, total all source handle on Saratoga Gaming, decreased by 4.9%. While out-of-state handle increased, OTB handle on Saratoga races decreased by 32.7%. At NYCOTB, Saratoga handle fell by 68%. On a per program basis, Saratoga all source handle fell by 25.7%. Saratoga handle from OTB on a per program basis decreased by 47.4%. In 2003, handle from OTB constituted 54.9% of Saratoga's full pools. In 2004, 38.9% of Saratoga's pools came from OTB.

Without VLT's, Yonkers Raceway suffered through a dismal 2004. Total facility handle fell by 11.4%. Total live handle was down by 30.7%. Even with Yonkers running 28 fewer programs, (down to 207 in 2004), average live handle decreased by 21.4% to \$87.2 thousand. Again to put things in comparison, total facility handle in 2004 was \$99.5 million. In 1994, that number was \$204.6 million.

4. The OTB's – Wagering at New York State's OTB's increased by 1.1% in 2004. Nonetheless, almost the entire increase in handle was centered at Nassau OTB which increased handle by 14.3%. NYCOTB was the only other OTB to increase its handle in 2004, and it had a

1% increase. The other four OTB's had handle declines. Western was down by 6.5%, Capital 3.9%, Suffolk 2.9%, and Catskill 1.1%. Currently NYCOTB accounts for 50.7% of OTB handle followed by Nassau at 14.6%, Capital at 10.4%, Suffolk at 10%, Western at 7.3%, and Catskill at 7%.

In terms of profitability, not accounting for surcharge income, Western and NYCOTB ran deficits in 2004. Not accounting for surcharge, Capital's profitability per dollar of handle was .9%, Catskill 3.6%, Suffolk .7%, and Nassau 2.3%. NYCOTB lost 1% per dollar of handle and Western lost 1.4%. (Western's loss was 2.4% in 2003.) All told, New York State's TB profitability per dollar of handle is .6%.

When you add in all the surcharge to the profit (the traditional surcharge plus the added surcharge for capital acquisition) the total amount of revenue for the OTB's 2.31% of handle, or \$47.3 million. On a per handle basis, the top OTB performers in terms of profitability were Catskill (6.5%), Nassau (4.1%), Capital (3.1%), Suffolk (2.2%), NYCOTB (1.3%), and Western (.9%).

In terms of revenue to localities (adding profit to the regular surcharge of Section 532 of the Racing Law) a total of approximately \$43 million was returned to the State's localities. This represents 2.1% of total OTB handle. Again, in terms of benefits to localities, the most efficient OTB's were in order: Catskill (5.9%), Nassau (4.3%), Capital (3.2%), Suffolk (1.9%), Western (1.1%) and NYCOTB (.9%). To put this in perspective, in 1994 total benefits to localities from OTB's were \$57 million or 3.53% of total OTB handle.

The OTB's have complained about the financial effects of the regulatory fee - imposed on all pari-mutuel entities in New York in order to fund the Racing Board. In 2004, this regulatory fee cost the OTB's \$8 million. Without the regulatory fee, both Western and NYCOTB would still not have had positive net revenues, but their losses would have been paired considerably. NYCOTB's loss would only have been \$6 million, and Western's loss would have been \$1.6 million.

Total State taxes and the regulatory fee amounted to 1.2% of OTB handle for 2004.

The Racing and Wagering Board report can be accessed at <http://www.racing.state.ny.us/pdf/2004%20Annual%20Report.web.pdf>