



New York Thoroughbred Breeders, Inc.

57 Phila Street, 2nd Floor, Saratoga Springs, NY 12866

Office: (518) 587-0777

Fax: (518) 587-1551

info@nytbreeders.org

www.nybreeds.com

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Senate Committee on Racing, Gaming and Wagering WITNESS RESPONSE INFORMATION: HEARING TO CONSIDER THE POTENTIAL FOR SPORTS BETTING IN NEW YORK STATE

I am grateful for this opportunity to testify at the Senate Committee on Racing, Gaming and Wagering hearing regarding sports betting and the potential for operationalizing a New York program. I present this testimony in my capacity as Executive Director of the New York Thoroughbred Breeders, Inc. (NYTB), which is the sole authorized representative of the thoroughbred breeding industry in New York State and, in doing so, I speak on behalf of thousands of New York breeders.

The New York Breeding Industry

The New York Thoroughbred Racing and Breeding incentive program (“the Fund”) was established by statute in 1973 to promote the thoroughbred industry in the state and preserve greenspace. Over the decades, the program met these aims, but until relatively recently could be regarded, like most regional breeding and racing programs, as a poor cousin of Kentucky breeding and racing. Today, the New York breeding and racing program is a nationally-recognized powerhouse. Every day, New York-breds run for purses that are the envy of the nation. New York-breds are popular commodities at auctions throughout the calendar year. The state is producing horses that compete at the sport’s highest-levels across the country and are winning national championships.

Thoroughbred breeding is one of the most important economic engines of the New York’s equine industry, which is our second-largest agri-business. The industry has a \$4.2 billion economic impact on New York’s economy and contributes to the local economies of every one of its 62 counties by generating \$187 million in state and local taxes. The breeding and racing industries are responsible for the majority of the equine industry’s 33,000 full-time jobs, and play a large part in preserving 1.3 million acres of precious farmland.

As the Senate is well aware, the New York education budget and the breeding industry has benefited from the implementation of video lottery terminals (VLTs) at racetracks. Some VLTs result in significant direct supports for New York breeding and racing. At in least in part due to these supports, breeding in New York has been vibrant. Farms are reopening, new players have brought business to the State, and the quality of stock has improved. All of this has resulted in the best measure of breeder success: a boom market for New York-breds at thoroughbred auctions. From 2010-2016, the value of the average New York-bred yearling has increased by 120.9%. The value of 2-year-olds, whose sales have also been fueled by an enhanced 2-year-old stakes program at NYRA tracks, has increased by 121.3%.

Some of this progress was significantly hampered, however, in 2016, when Nassau County OTB was authorized to site VLTs at Aqueduct. First, machines that were previously designated as Aqueduct VLTs were re-designated as Nassau machines. Pursuant to pre-existing provisions of the Racing



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Law, these “Nassau” VLTs contribute substantially less to breeders (.50% vs. 1.5%), purses (2.3% vs. 7.5%) and NYRA (1.3% vs. 3.0% for operations and .90% vs. 4.0% for capital), and contribute only if total VLT revenue for the equine sector drops below 2013 levels. This put the racing industry at a significant disadvantage. Although the initial issue of the number of machines sited at Genting was recently remedied and the racino is now operating with all expected machines, but purses and the Fund continue to suffer due to the win per machine (WPM) ratios. The industry had been assured that once Genting replaced all of the missing machines, the revenue raised for both the Breeding Fund and purse supports would not just return to even but experience a major increase. In fact, however, early studies show that during 2016 to 2017 there was a loss to purses in the amount of \$4.5 million and a \$1.89 million loss to the Breeding Fund. This is exacerbated by the fact that the Nassau OTB VLTs at Genting have averaged a \$869 WPM rate since their inception 60 weeks ago, more than twice the \$372 WPM generated by the other machines, yet the racing industry does not benefit from those machines. Acknowledging this inequity, Senator Bonacic introduced S. 6405 which amends the Racing Law to remove the requirement that racing support payments are only made from the Nassau machines if the payments to these entities from video lottery gaming at Aqueduct drops below 2013 levels. The bill passed the Senate in 2017 and we look forward to similar outcome this year. The NYTB greatly appreciates the Committee’s efforts on this legislation.

Competition for Gaming Dollars

NYTB is proud of the racing product New York currently offers, and is open to encouraging opportunities for new gaming dollars in the state. However, historically, as new forms of gaming has been introduced in New York, there has been an increased competition for the gaming dollar -- whether spent on VLT Racinos; brand new commercial casinos; daily fantasy sports; potentially online poker; the topic of today’s hearing, sports wagering; or gaming opportunities in neighboring states or the Indian territories. For this reason, it is imperative, if the State were to find itself in a position to authorize sports wagering, that it keep the racing industry in mind and consider the importance of including those who have expertise in the horse wagering world and existing online betting platforms, as part of any new law.

Sports Betting in New York

All eyes are on the United States Supreme Court. It is currently unclear how the Court will rule in *Christie v. NCAA*. Even if the Court finds the Professional and Amateur Sports Protection Act (PASPA), which prohibits most States from authorizing sports wagering, unconstitutional, it is possible that the decision will apply only to New Jersey. Nonetheless, New York needs to be prepared. As part of the Upstate NY Gaming Economic Development Act of 2013, the State took the first steps to authorizing sports betting, should the courts find PASPA to be unconstitutional. The existing statute, however, only authorizes sports wagering in brick and mortar casinos. If the State remains committed to the success of the racing industry, it is important to find a way to allow sports betting at New York’s racetracks as well.

Having a broader base of potential players will benefit the State. Thoroughbred racing has been working to attract a larger, younger, and more diverse pool of betters for several years. Moreover,



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the racing community is used to working in this highly regulated field. It is a logical extension of the services already provided by the thoroughbred racing industry, to also afford their consumer the opportunity to participate in other sports wagering. Both NYRA and the OTBs have extensive experience in working within an electronic betting platform. The State would be remiss if it failed to build off of these experiences. In fact, there may be a real opportunity for sports betting to work off of the success NYRA has achieved through the NYRA Bets wagering system. In addition, NYRA Bets already has tens of thousands of active customers, and these individuals are also potential sports wagers. We commend the State to evaluate whether this yet to be implemented gaming opportunity would best benefit from being integrated into racinos, racetracks, OTBs, and the current NYRA Bets Online Platform. Using this system would drive the most revenue to all racing and wagering parties, and would position New York as a leader in the country for streamlined gaming opportunities.

Conclusion

NYTB appreciates the opportunity to submit this testimony, and looks forward to working with NYRA, the horsemen and owners, as well as our friends in the casino industry, and the State, to ensure that the most successful form of sports betting is made available in New York. Moreover, we believe that now is the time to begin the process of amending State law and, if necessary, the State Constitution, to be ahead of the rest of the country in the event that PAPSA is wholly struck down by the Court. We look forward to continuing to be a partner with the Senate in this effort.

Sincerely yours,

Jeff Cannizzo
Executive Director
New York Thoroughbred Breeders, Inc.