



Subject: WITNESS RESPONSE INFORMATION: HEARING TO CONSIDER THE POTENTIAL FOR SPORTS BETTING IN NEW YORK STATE

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Testimony By: The New York Thoroughbred Horsemen's Association ("NYTHA")
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Mr. Chairman and Members of the Senate Racing, Gaming, and Wagering Committee:

The New York Thoroughbred Horsemen (NYTHA) are thrilled to be here today presenting our views on sports wagering in the State of New York. Our members have been sustained by various versions of sports wagering for over 150 years, so we believe our perspective is grounded in history and the experience of doing business in New York State.

NYTHA represents nearly 5,000 small businessmen and women in New York. Our members employ more than 3,000 backstretch workers at the New York Racing Association tracks. These are actual jobs, tax-paying working-class jobs, not theoretical jobs that may or may not appear in the future.

NYTHA strongly supports including NYRA and the existing wagering network throughout New York in a Sports Wagering framework. The legislation pending before this committee will exclude NYRA, OTBs and Racinos from offering sports wagering products directly to consumers. We urge the Committee to re-examine the bill and re-incorporate New York's existing wagering structure into the future sports wagering marketplace in a way that is fair and equitable to all. There are two good reasons for the Committee to take this action.

1. **Proven System** - The participants have long-standing business relationships and a history of working through the economics of wagering. They are well known to the State and are already licensed, regulated and audited. Furthermore, this system has already provided hundreds of millions of dollars in tax revenue to the State.
2. **Consumer Friendly** – It's in the best interest of the residents of New York State to have a system where bet-takers compete for their business. In granting exclusivity to a relative small number of operators, we will see poor customer service akin to that of your cable company – consumer choice should be paramount.

It is vitally important for the Committee to take the consumer's viewpoint and concerns into consideration. The racing industry has built in many strong consumer protection and problem gambling awareness initiatives into our industry and programs. We are concerned about who is looking out for the sports betting customers, the people of the State of New York.

Does New York State really want a bookmaker system, as the current legislation (S17A / A6113) would welcome? Even though back-end providers may seem like large companies, in the end they are really just bookmakers, more sophisticated but operating essentially the same system as the illicit ones that this law surely hopes to eradicate.

Let's look at New Jersey's example. In the past year, we have seen a rushed process leaving the bookmakers improperly supervised. Not surprisingly all the normal anti-consumer behaviors have emerged: failure to honor bets, opaque line setting, price gouging and placing unfair bet size limits on customers.

By comparison, the almost 100-year old pari-mutuel system is a model of transparency. The amount you will get paid is obvious, there are no limits on wager size, consumers get paid off in seconds and all parties (including the government) can determine how much money they are entitled to. It is easily audited.

New York can surely do better. We have a unique opportunity to establish a best in class wagering system. But New York has a choice to make: Do we want a modern wagering architecture designed to best serve the residents of New York, support jobs and deliver consistent revenue to the state government? Or do we want a monopolistic system benefiting a small group of foreign bookmakers that is sure to disappoint our citizen-customers as well as your budget projections?

To design a customer friendly wagering system for New York, we would suggest the following considerations.

1. **The Potential is Great, the Chance of Disappointment is Greater** - The Sports Wagering market can be vast, but it's a low margin business with little room for error. Consequently, a poorly designed (or fragmented) market will never meet its potential. I'd like to think the experiences of Fantasy Sports and the upstate casino proliferation can be instructive here. Much ado was made in the fight for rights and markets, but in the end both efforts have proven disappointing.
2. **Take Your Time** – Contrary to popular belief, there is no first-mover advantage in the sports wagering markets. It would behoove us all to take our time, think through all the issues clearly and design a system that can compete for consumer interest. The money will eventually flow to those States with better systems. The damage done by designing a system unfriendly to consumers will not be undone for generation.
3. **Take Advantage of New York's Unique Advantages** - New York has enough people and enough wealth to have a single integrated market - very few gaming states are in the same position. While smaller States are beholden to outside companies in order to create markets that are liquid enough to succeed, New York can have its own market, we don't need foreign bookmakers to succeed.

4. **Design with the Consumer in Mind** - New York should design a one-pool system, where all the stakeholder can participate as bet takers. Consumers care mostly about price, credit and the guarantee that they will be paid off on winning bets. Having a fractured multi-pool system in the State will lead to problems such as bookmaker lack of liquidity, consumers being denied choice and payment refusals by poorly capitalized market makers. A large single pool system is the best way to accumulate the necessary volume to make the low margins worthwhile for all commercial parties (bet takers, market maker, State).
5. **Allow for Flexibility** - Don't get locked into someone else's vision of the proper wagering architecture. The bookmaking system is archaic and while the pari-mutuel system improved upon it, more recent innovations like exchange based wagering and other flexible markets should be considered. While they may take more research to implement and regulate, these more modern systems will maximize revenue and create the necessary liquidity needed to have a successful market for both consumers, bet-takers and the State.

I'd like to conclude with one practical example of why a lot more thought needs to go into whatever system we produce.

Currently NYTHA's members and their employees operate within a restrictive licensing environment. Grooms, hot-walkers, trainers, exercise riders, jockeys, their agents and horse owners all must be licensed by the Gaming Commission. The long-held justification is that because we are a gambling business, we need to know who is interacting with our horses and our staff – all in the name of wagering integrity. Understandable.

Now that New York is willing to allow wagers on professional and collegiate sports, I am eager to hear about the licensing requirements that members of the Yankees, Knicks and Rangers will be subject to. More importantly, think about the all of the colleges throughout the State of New York that play Division I basketball. When there is suspicious wagering activity on a game between, let's say, Iona and Canisius, are we going to have a properly vetted list of participants to investigate?

While you may think I am being facetious, I would urge the committee to focus on the myriad possibilities for problems to arise in this new world of wagering. We for one are concerned with issues of equity and oversight.

Equity - Racing needs to modernize dramatically, and often the obstacles to doing so are not of our own doing. Why should we have to meet a greater regulatory burden than what is placed on other participants of other sports that are now the subject of wagering?

Oversight – Is New York prepared for the oversight burden necessary to police all the wagers, participants and teams that would fall under its jurisdiction? Where there is significant money at risk, system manipulation is sure to follow; the assembled bet-takers, Leagues and even the NCAA are unprepared for this eventuality. As they already work with the current bet-takers of New York State this is one burden that the State would not have to face.

To conclude, the Thoroughbred Horsemen of New York strongly support extending sports wagering to the existing bet-taking system with its well-known history, integrity and participants.

The thousands of NYTHA members and our employees would like to thank you for this opportunity to speak. We look forward to working with the Legislature and the Executive Branch on this topic.