



**TESTIMONY FROM NYS HARNESS HORSEMEN
REGARDING SPORTS BETTING IN NEW YORK**

Submitted to the NYS Senate Committee on Racing & Wagering
May 8, 2019

Thank you Chairman Addabbo and members of the Committee for the opportunity to present this testimony. My name is Joe Faraldo and I am President of the Standardbred Owners Association of New York (SOA), representing harness horsemen, owners, trainers and other racing and agriculture industry stakeholders across our state. We have fought tirelessly to grow racing and agriculture in New York and so I am grateful for the opportunity to discuss with you today how we believe sports betting could potentially play a role in this critically important fight for our future, but only – and this is a major but – but only if done correctly and with legislatively mandated contributions in support of racing purses from casinos with racing or from casinos that have a racetrack within their region.

GENERAL CONCERN: SPORTS BETTING CREATES COMPETITION FOR LIMITED WAGERING DOLLARS IN NYS

Pari-mutuel betting on NYS horse racing and VGM wagering at New York State's video lottery facilities generate significant economic benefits for New York's racing and agriculture industries, along with major funding for education across the state. Our state's racing and agriculture industries have experienced a renaissance as a result of the state's thoughtful VGM initiative, and are now responsible for more than 30,000 jobs and billions of dollars each year in economic activity in virtually every corner of New York.

The well-being of New York's racing and agriculture industries is directly linked to the revenue generated at the state's VGM facilities through legally mandated purse contributions. Accordingly, the SOA of NY cautions that sports betting in New York presents the risk of cannibalization for limited wagering dollars – again, not only with pari-mutuel wagering but also with VGMs. Greater gaming competition will lead to reduced VGM revenue, which can create a net loss for the state as VGMs have a higher margin and tax rate and so the lost revenue won't be replaced by a compensating revenue stream from sports betting. It also can result in smaller racing purses, less agricultural activity, lost revenue for education and lost jobs across the state. Once again, there are proven, multi-billion dollar benefits from New York State's thoughtful VGM initiative – from racing and agriculture to education and localities – and so we should be aware of this general concern with additional competition as this conversation moves forward.

SPECIFIC CONCERN: SPORTS BETTING AT CASINOS WITH RACING, OR WHICH HAVE AN IN-REGION RACETRACK, SHOULD CONTRIBUTE TO PURSES

Should NYS seek to approve sports betting, then it is clearly in the best economic interests of the state to ensure that such passage does not negatively impact the economy or education. Therefore, New York State must follow the lead of nearby states that compete with our racing industry and

require a percentage of the net gaming revenue from sports betting occurring at casinos that also have racing be directed to the racing industry to support purses. Additionally, any casino that has a racetrack located within the same region should make similar payments from sports betting to support purses at that in-region track.

Delaware has required such racing support payments since last June (and at a higher tax rate than most other jurisdictions) and New Jersey is considering legislation to require something similar to support racing and breeding in the state (but that is not the correct model). The New Jersey model ignores the vast amount of money the three permissible skins pay to the license holder. The New Jersey skins paid one operator \$20,000,000 dollars and the New Jersey law unwisely allows for the licensee to deduct all sorts of items before any industry payments are made.

PLEASE NOTE: I have attached a copy of the Delaware statute detailing purse payments from sports betting in Delaware, where sports betting is ONLY permitted at the tracks. As you will see, the basic structure is that the State receives 50% of net proceeds, the operator receives 40% and the remaining 10% goes to purses to grow and support racing and agriculture.

These proposed purse payments would currently impact one New York State casino with racing (Tioga), as well as others with in-region racinos (such as Empire Resorts Catskills/Monticello Raceway and Rivers Casino/Saratoga Harness). It is also anticipated that two additional downstate casino licenses could be awarded in the future to the existing racinos at Yonkers and Aqueduct. It would, therefore, be essential that purse payments be required from sports betting at these two facilities should they become casinos. And finally, while we understand that “affiliates” such as racinos and OTBs were recently taken out of the amended sports betting bill, this proposal also acknowledges the possibility that conversations about racing-based “affiliates” could return in the future as well.

CONCLUSION

Once again, sports betting in the state will create general additional competition for VGMs, as well as having more direct impacts on racing and agriculture at casinos with racing and those with in-region racetracks. It is simply too important to the economic well-being of our industry and our state to risk moving forward without a thoughtful, racing-support component. Therefore, the SOA of NY and our fellow horsemen urge that should sports betting move toward approval in NY, then it must provide contributions to racing and agriculture from those casinos with racing (as required in Delaware and New Jersey is currently considering) and those with in-region tracks. Thank you for your consideration.

CONTACT

Should you have any questions about the SOA’s positions or proposals, please call Joe Faraldo at 718-544-6800 or our lobbyist, Joni Yoswein, at 212-233-5700. We thank you in advance for your help in maintaining the economic vitality of a racing industry that is critical to the future of New York.

DELAWARE STATUTE – PURSE CONTRIBUTIONS FROM SPORTS BETTING

(c)(1) All proceeds, net of proceeds returned to players, from the operation of the sports lottery at video lottery agents shall be electronically transferred daily or weekly at the discretion of the Lottery Director into a designated state lottery account by the agent, and transferred to the State Lottery Fund by the lottery on a daily or weekly basis. Proceeds from the sports lottery at video lottery agents, less the amounts returned to winning players and vendor fees, shall be returned to the State at a rate of 50% of the total win so experienced. Purses shall be paid from the proceeds from the sports lottery conducted at video lottery agents, less amounts returned to winning players and vendor fees, at the rate of 10.2% for video lottery agents licensed only to conduct harness racing meets and at the rate of 9.6% for video lottery agents licensed only to conduct thoroughbred racing meets. The Director, by regulation shall adopt accounting procedures for the sports lottery in order to accommodate the differences between the sports lottery and the video lottery. Administrative costs and expenses incurred by the video lottery agent for the initiation of the sports lottery and the costs of the equipment shall be solely the responsibility of the video lottery agent. The provisions of subsection (b) of this section shall not apply to the proceeds from the operation of the sports lottery.

(2) All proceeds, net of proceeds returned to players, from the operation of the sports lottery at sports lottery agents other than video lottery agents shall be held by the State Lottery Fund and such sports lottery agents shall be compensated pursuant to rules adopted under § 4805(a) of this title. Purses shall be paid from the proceeds from the sports lottery conducted at such sports lottery agents, less amounts returned to winning players and fees for sports lottery agents and vendors, to video lottery agents as follows:

- a. For video lottery agents licensed only to conduct horse racing meets under Chapter 101 of Title 3 or Chapter 4 of Title 28, such agents shall be paid and shall pay additional purses at the rate of 9.6% of the proportion of all sports lottery proceeds in the prior fiscal year generated by video lottery agents that is generated by that video lottery agent.
- b. For video lottery agents licensed only to conduct harness racing meets under Chapter 100 of Title 3, such agents shall be paid and shall pay additional purses at the rate of 10.2% of the proportion of all sports lottery proceeds in the prior fiscal year generated by video lottery agents that is generated by that video lottery agent.
- c. For video lottery agents licensed to conduct both horse racing meets under Chapter 101 of Title 3 or Chapter 4 of Title 28 and Chapter 100 of Title 3, such agents shall be paid and shall pay additional purses at a rate between 9.6% and 10.2% determined by the Office to reflect the ratio of live horse racing days to live harness racing days.