



**Saratoga Harness
Horseperson's Association, Inc.**

PO Box 171 | Saratoga Springs, NY 12866-0171 | (518) 775-0975

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February 23, 2021

RE: Taxes Hearing

Testimony of Joseph Battaglia, CPA, Secretary/Treasurer of the Saratoga Harness Horseperson's Association, (SHHA)

Good morning. Thank you for the opportunity to testify at today's hearing.

I am Joe Battaglia, the Secretary/Treasurer of SHHA. I've been on the board for 7 years and manage the Association's finances. As a horse owner, I have been involved in the harness industry for 15 years.

The Governor's budget proposal includes language that will be devastating to the workers and owners of the harness racing industry, as well as the many NYS small businesses supported by purse support payments. Part LL of Article VII of the budget bill entitled "Temporarily Suspend Certain Racing Support Payments" cuts purse support payments that are statutorily mandated from Capital Region Gaming, LLC (CRG) the Chicago-based, billion-dollar corporation that operates Rivers Casino, to the horsemen. These purse support payments are not a matter of whether SHHA or its members make more or less profit, like it is to CRG. It's a matter of whether there is sufficient funding for our members to make a living in the equine industry.

However, Rivers hasn't paid one penny of their statutory obligations for 2020, while all other casinos in NYS have been making theirs, including Saratoga Casino Hotel for their share of ours. The proposed Part LL of Article VII excuses and forgives payments from March 1, 2020

until an uncertain time when all restrictions related to Covid-19 are lifted for at least six full and consecutive calendar months. However, Rivers hasn't paid its purse support payments since 4th quarter 2019. This is simply not fair to us.

Without these purse support payments income, local small businesses that provided needed products and services to Saratoga's equine industry will also be hurt. If we can't pay our people, if we can't pay our vendors, if we can't create new opportunities, there will definitely be a devastating impact on our regional economy.

SHHA has approximately 679 members, the overwhelming majority of which are NYS small businesses. Many members are drivers, grooms, trainers and owners. For most of our members, harness racing is a chosen career, not an expensive hobby.

In harness racing, we race to earn money that is referred to as "purse" money. Purse money is used to fund the costs of racing and comes from a variety of sources, including, monies from bets placed at the race track, off-track betting, as well as revenue from the video lottery terminal (VLT) machines.

The revenue stream of GGR—gross gaming revenue--from VLT has been an integral piece of our industry since NYS's first Racino opened at Saratoga Raceway in 2004. When the state authorized the citing of four destination resort casinos in upstate New York in 2013, it also protected the harness racing industry through the legal establishments of purse support payments (Racing, Pari-Mutual Wagering and Breeding Law § 1355). Since their inception, these payments have offset the real decline suffered by the equine industry because of VLT gaming being shifted away from the original Racino locations.

Since Rivers Casino was cited a mere twenty-two miles from the existing Saratoga Casino Hotel and does not have a race track associated with it, it is the only casino that pays a portion of purse support payments under 1355 and not one-hundred percent under 1355.

State law requires CRG to make racing support payments to maintain the horsemen's purse account. To be clear, these payments do not benefit Saratoga Casino Hotel. They are CRG's share of what brings the total Saratoga horsemen's purse levels to what they were in 2013 before the casinos opened.

This "support" is necessary for our survival. In 2019, CRG's portion of the Association's purse support payments (\$3,921,721.00) totaled twenty-six (26) percent of the over \$15 million (\$15,213,812.82) distributed through our purse account.

The total distribution from our purse account to cover the cost of doing business in 2019 was \$16,643,860.80. These funds paid for, among other costs, mandatory state racing fees, payment toward the removal of manure from the back stretch, a minimum driver stipend paid per race to every driver, a required program reimbursement fee for each live race card, as well as payment of \$31,451.18 per month (or \$377,414 annually) toward the health insurance plans of our members.

After the direct costs of the association are paid, the remaining purse account money is what we race for. That's how our members get paid. They get paid based on their racing performance. The lower the purse account, the less money there is to earn.

Behind every race are the costs each owner and trainer incur at their respective training centers and farms for the breeding and care of their horses. This includes money paid for feed, grain, hay suppliers, veterinarians and blacksmiths—payments that go to our local small businesses. On average the annual cost of maintaining a horse at Saratoga is \$25,000.00 (exclusive of the cost of acquiring the horse).

Even if we lose revenue, these expenses continue to accrue. During the pandemic, our industry has rightfully been deemed as "essential" because at the core of what we do is care for

our animals. These types of expenses can't be cut back, laid off or otherwise shortchanged regardless of the revenue situation.

As I said at the outset, Rivers has failed to pay any of its purse obligation since 4th quarter 2019. Saratoga Casino Hotel maintains theirs. If the budget proposal goes through, Rivers will only be required to make prior purse support payments for the time period of January 1, 2020 to February 28, 2020. And, when it comes to future payments, Rivers will only be held responsible for purse support payments the first month after Rivers has been continuously operating without any restrictions related to Covid-19 for at least six full and consecutive months. The proposal even allows Rivers to make interest free payments of \$106,407 per month over a six-month period.

Mysteriously, the period of March 1, 2020 to March 16, 2020, when Rivers was still open, is inexplicably dropped from Part LL and from inclusion in the above liability payment calculation. Purse support from this time period would equal approximately \$150,000 in additional contributions to the horsemen. Furthermore, Part LL fails to consider that Rivers has been open for business and operating at approximately seventy percent (68%) since September 9, 2020 while it allows complete relief of their statutory purse support contributions. Consequently, the harness horsemen and breeders will suffer the devastating impact of the favoritism being awarded to Rivers and it's out of state corporate owners, Capital Region Gaming, LLC. Don't be fooled by the name.

The loss of these payments is devastating to the equine industry. It's not about profit, like it is for the billion-dollar CRG, it is about survival—plain and simple. Our expenses will remain the same while our purse account continues to be depleted. This means our members have less and less opportunity to make ends meet.

While our organization and Saratoga Casino Hotel have contemplated a reduced 2021 racing schedule, we will be racing for smaller amounts while having to manage the same level of expenses.

Right now, we are surviving through this pandemic period with industry support from our feed suppliers and depleting our financial reserves. Thankfully, there are horse owners who are financially supporting us at higher levels because, like us, they share both a passion for the sport and possess a sense of responsibility for the safety and caretaking of the horses.

SHHA's grave concern is simple--without Rivers' making any purse support payments it may not be economically feasible for the harness equine industry to remain in business. We certainly appreciate that Rivers was closed for a portion of the year--just as were we. However, Part LL results in an unfair windfall for Rivers while undermining the small businesses the purse payments currently support.

The state's finances are fragile enough—why would we want to destabilize a local economy that would then become dependent upon the state for future support? Instead, Rivers should act and operate like every other casino in the state—pay their purse support obligation at a rate comparable to their current earnings. Do we really want to see a local economy as well the third oldest harness racing venue in the United States lost because Rivers' corporate owners do not want to pay their fair share?

Negative Financial Impact of Letting Rivers' Off the Hook for Purse Support Payments

