



SENATE COMMITTEE on RACING, GAMING and WAGERING

HEARING TO CONSIDER THE FUTURE OF THE NEW YORK RACING ASSOCIATION (NYRA)

January 17, 2017

Jeff Cannizzo, Executive Director

New York Thoroughbred Breeders, Inc.

Who Are We?

New York Thoroughbred Breeders, Inc. (NYTB) is a membership organization founded in 1974. NYTB is the official authorized representative of the Thoroughbred breeding industry in New York State. NYTB was formed in order to provide those individuals involved in the New York breeding and racing industry with an organization dedicated to the advancement of Thoroughbred breeding and racing in New York State.

Why Are We Important?

\$4.2 Billion (GDP)

33,000 (FTE)

1.3M Farm Acres

\$187M in Taxes

62 Counties

BREAKING NEWS: Economic Impact generated by the New York Equine Industry reached \$4.2 billion in 2011, yielding roughly 33,000 full-time equivalent jobs.

FARM ACREAGE
1.3 Million Acres

TOTAL HORSE COUNT
157,500 Horses

IMPACT PER RACEHORSE
80 Jobs per 100 horses
\$92,100 Economic Impact

STATE & LOCAL TAXES
\$187 Million

ECONOMIC IMPACT

EQUINE DIVISION	DIRECT	INDIRECT	TOTAL
Total	\$1,747,578,933	\$2,450,044,153	\$4,197,623,086

JOBS IMPACT

EQUINE DIVISION	DIRECT	INDIRECT	TOTAL
Total	12,903	20,088	32,991

New York Equine Industry – a 62-County Story

- Thoroughbred Track**
 - 1 Finger Lakes Gaming & Raceway, Farmington
 - 2 Saratoga Race Course, Saratoga Springs
 - 3 Belmont Park, Elmont
 - 4 Aqueduct Racetrack, Jamaica, Queens
- Harness Track**
 - 1 Buffalo Raceway, Hamburg
 - 2 Batavia Downs, Batavia
 - 3 Tioga Downs, Nichols
 - 4 Vernon Downs, Vernon
 - 5 Monticello Raceway, Monticello
 - 6 Saratoga Gaming & Raceway, Saratoga Springs
 - 7 Yonkers Raceway, Yonkers
- Counties with Equine Activity**

- Major Shows***
 - 1 Hits on the Hudson (Staugerties)
 - 2 Lake Placid Horse Show
 - 3 Old Salem Horse Show
 - 4 Hampton Classic
 - 5 Saratoga Spring Horse Show
 - 6 Syracuse International
 - 7 Millbrook Horse Show
 - 8 Buffalo International
 - Museums**
 - 1 Harness Racing Museum (Goshen)
 - 2 National Museum of Racing (Saratoga Springs)
- *reflects only a small sample of major shows.



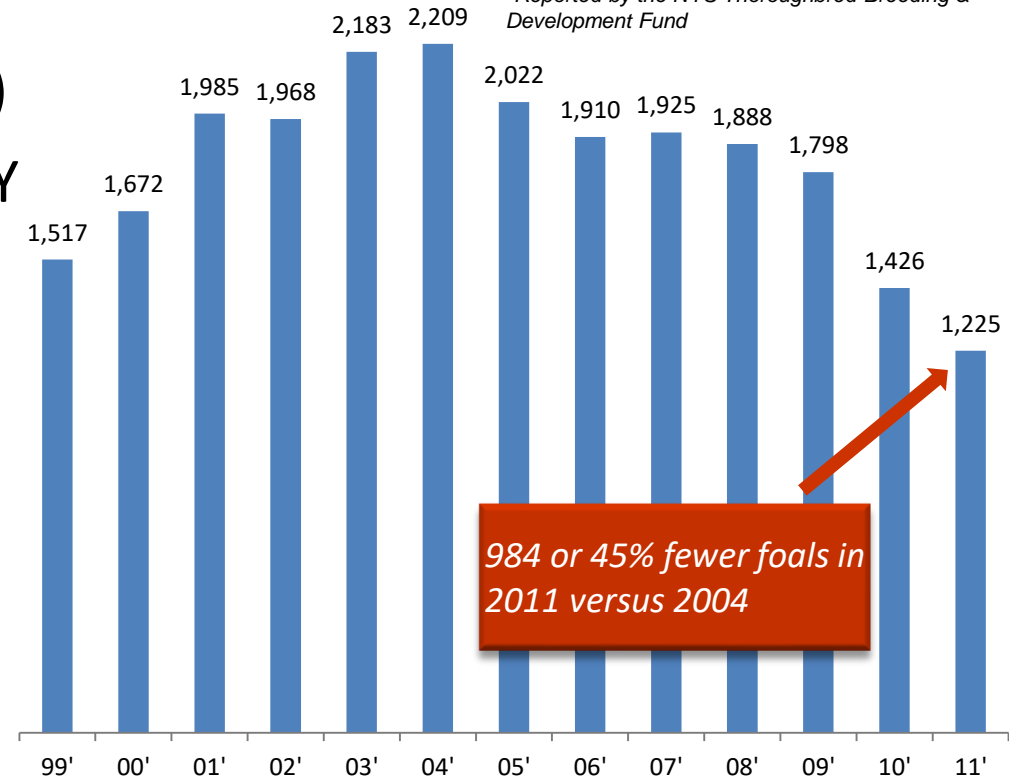
There is Equine Activity in every county in New York.

Thoroughbred Breeding Industry 2004 to 2011



NY-bred Foal Crop

**Reported by the NYS Thoroughbred Breeding & Development Fund*



25% of Farms Closed (100)

37% of Broodmares left NY

34% drop in NY's foal crop

57% drop in NY Stallions

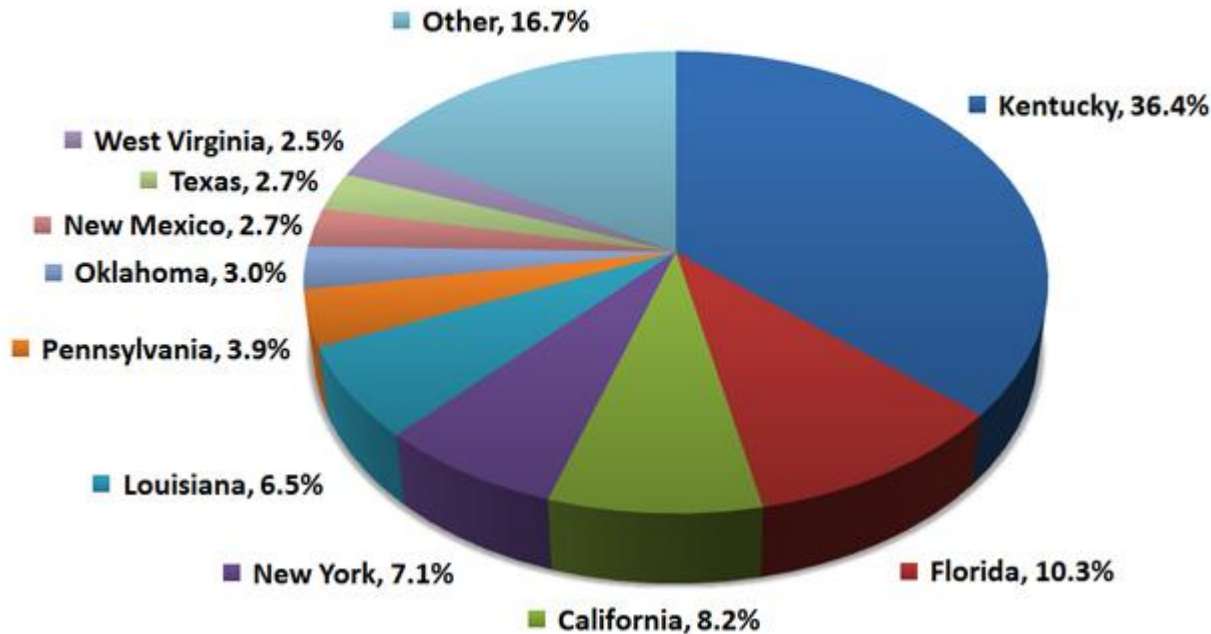
Over 4000 jobs left NY

New York's foal crop suffered a dramatic decrease over the last decade while waiting on alternative gaming to arrive at Aqueduct.

Thoroughbred Breeding Today in NY

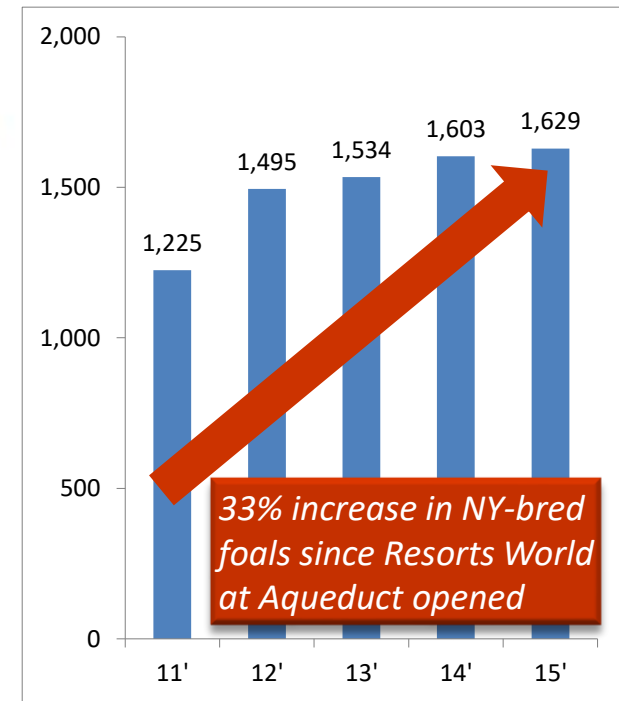
**Reported by The Jockey Club*

Percent of U.S. Foal Crop (2014)



NY-bred Foal Crop

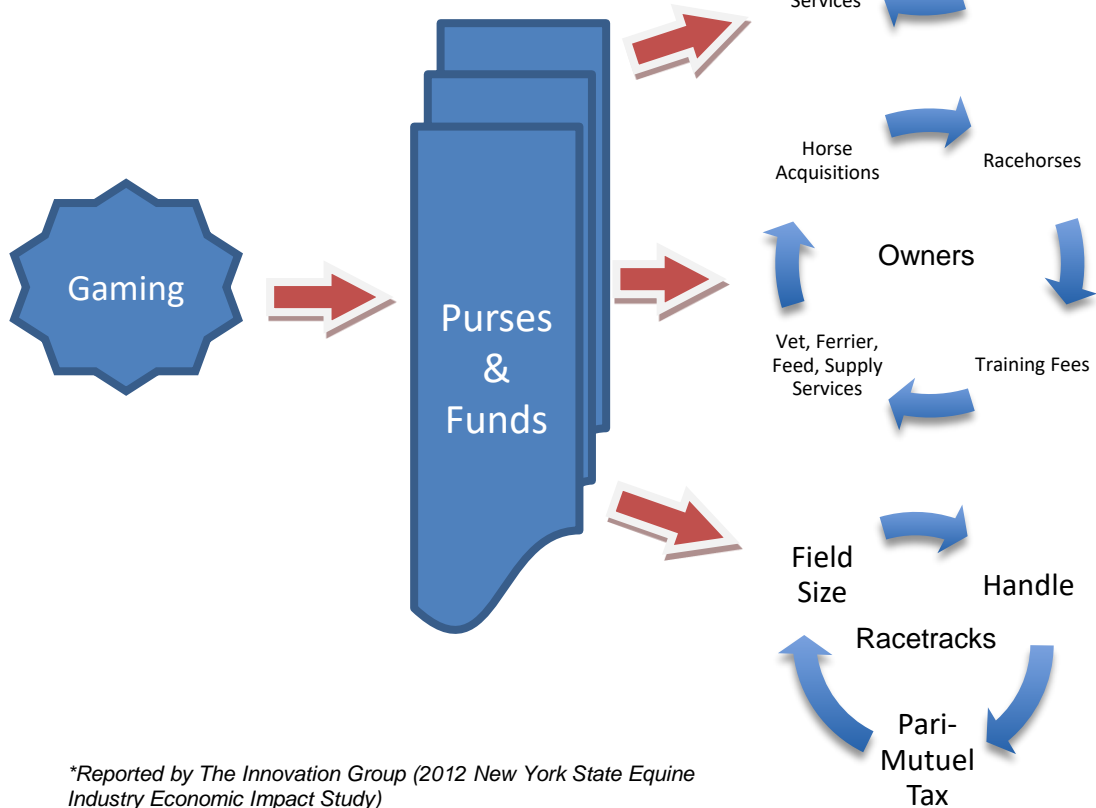
**Reported by the NYS Thoroughbred Breeding & Development Fund*



In the last 5 years NY-breds have achieved the highest accolades in racing:

- 17 Grade 1 victories
- 2 Breeders' Cup championships
- 5 Eclipse Award finalists

Relationship between Gaming and Racing: Economic Impact



Industry Economics

New York State Economic Impact

Total economic activity in equals **\$4.2 billion**

33,000 people employed by the equine industry with **80 jobs per every 100** racehorses

1.3 million acres of equine farmland spread across 62 different counties

New York State receives over **\$187 million** in Annual Taxes



Employment

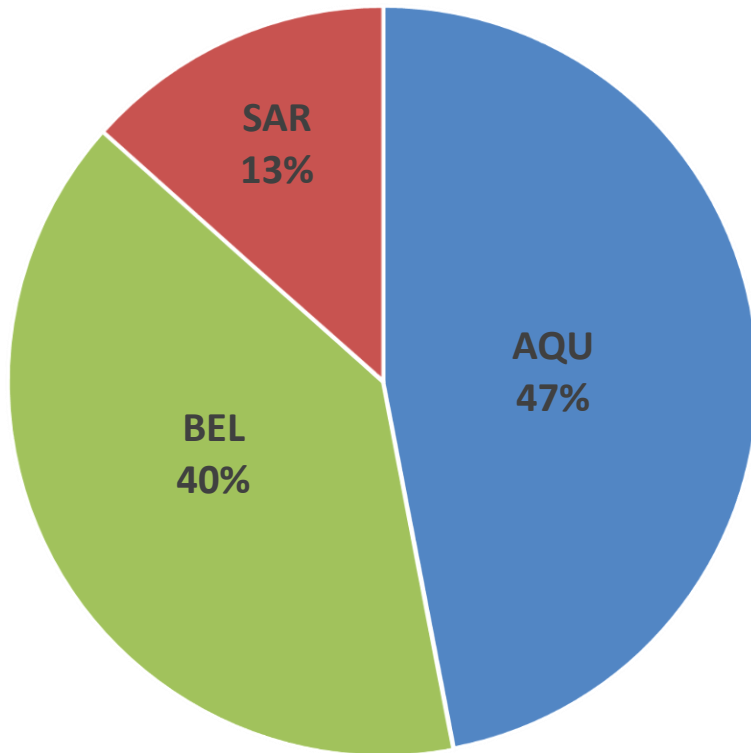


**Reported by The Innovation Group (2012 New York State Equine Industry Economic Impact Study)*

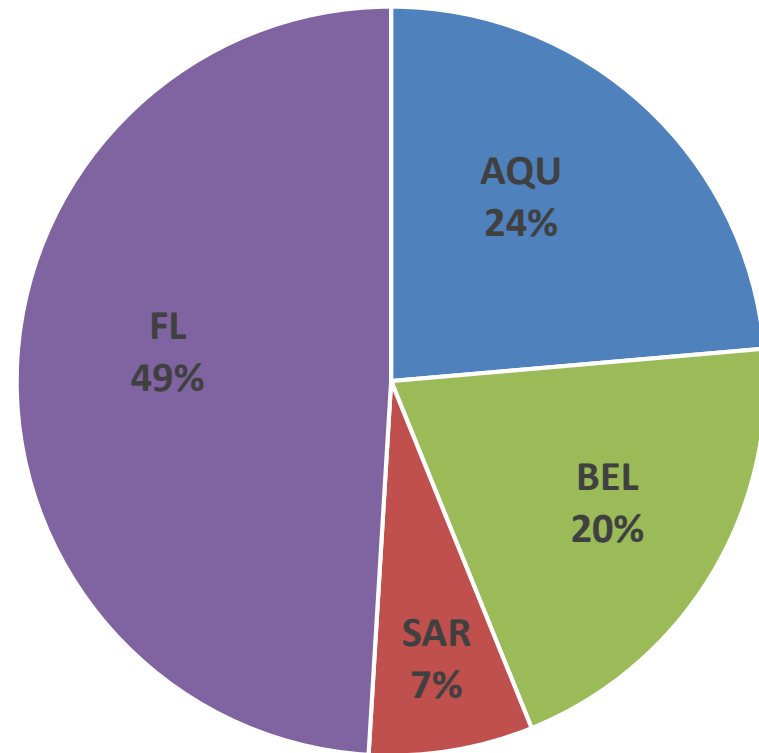


2015 Breeder Awards: by Track

of Awards at NYRA



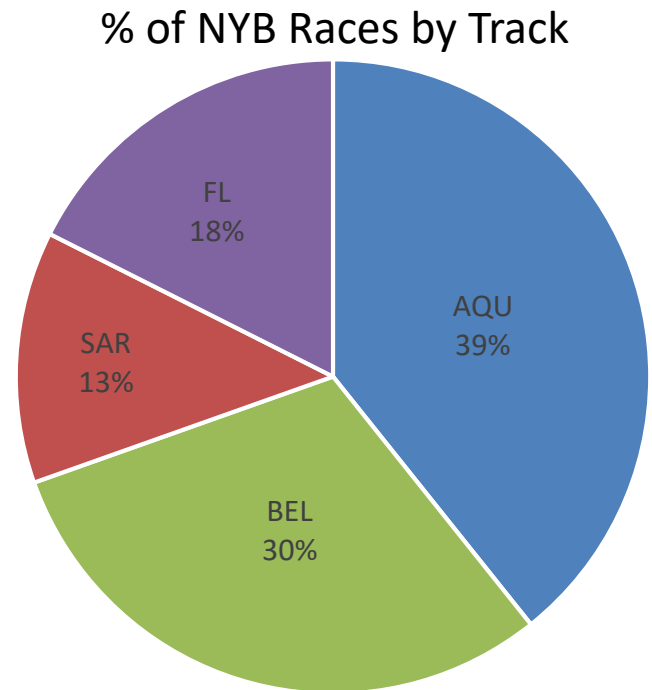
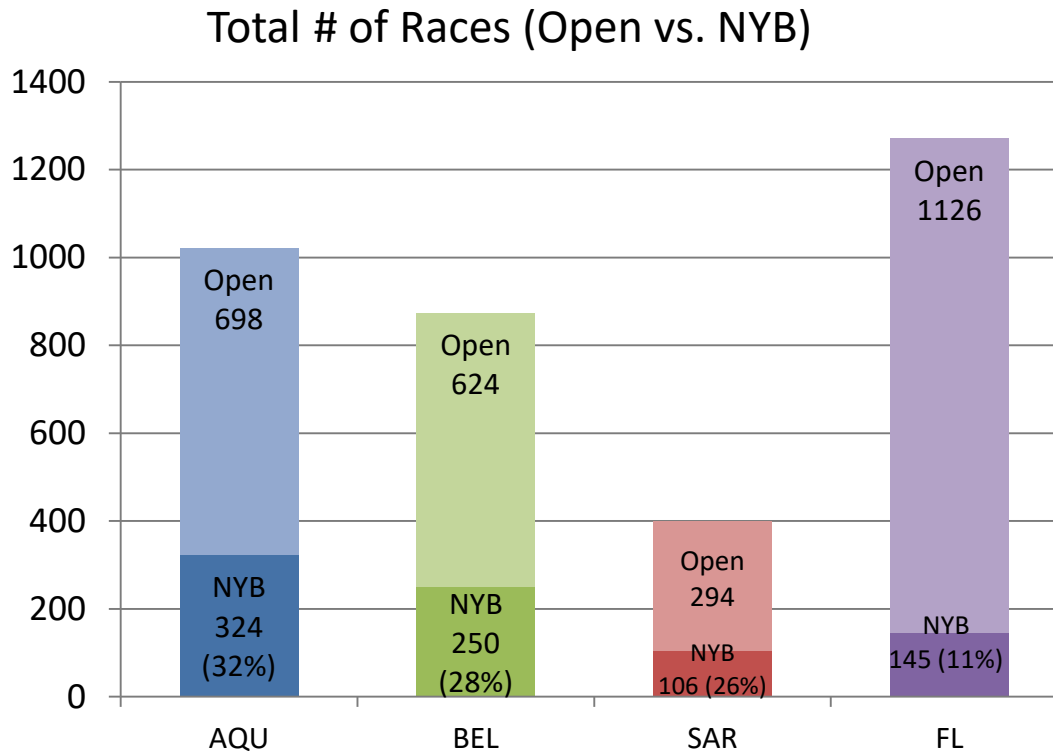
of Awards Total (NYRA & FL)



Winter racing at Aqueduct accounts for 47% of the total # of breeder awards distributed at NYRA.

2015 Races in New York by Track

**Data reported by The Jockey Club*

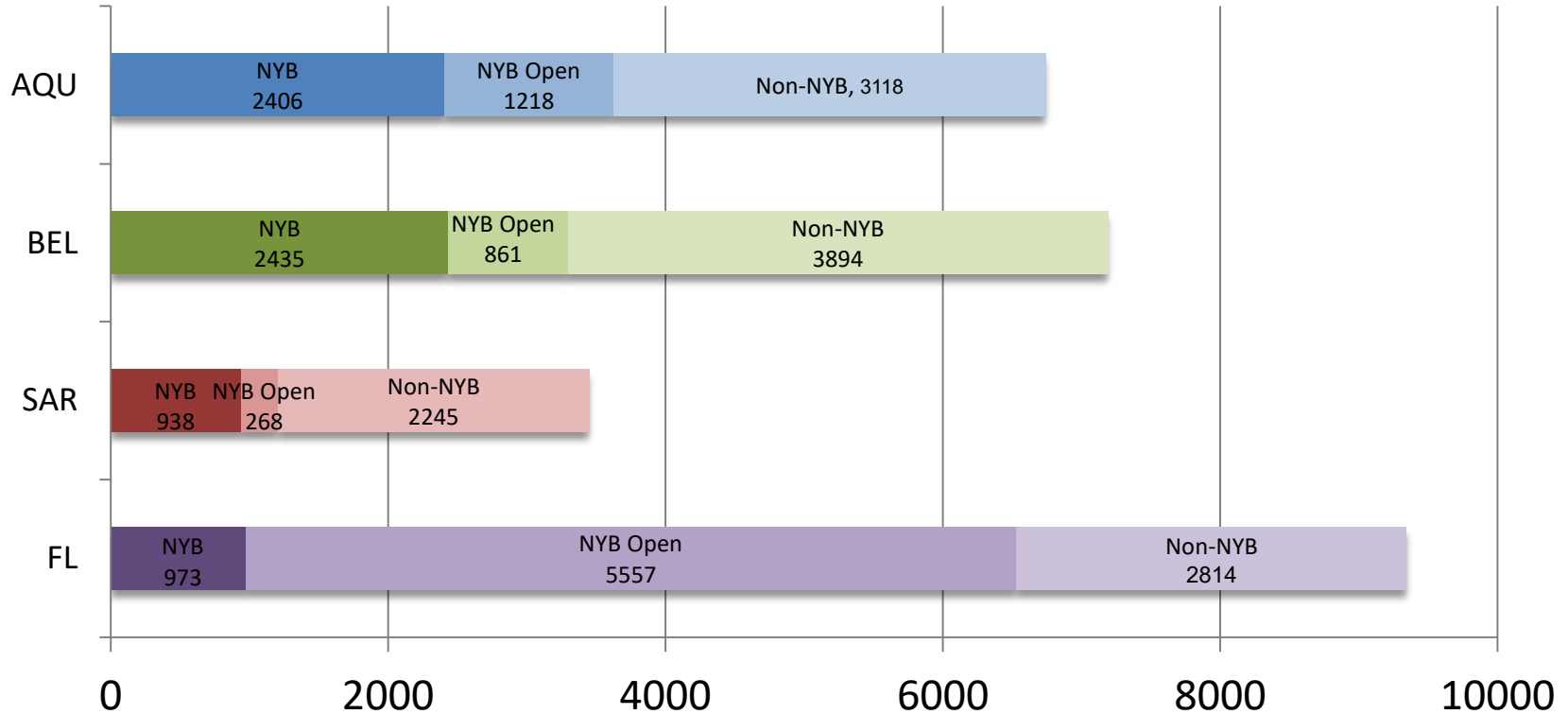


32% of Aqueduct's races are restricted to state-breds.
Aqueduct accounts for 39% of all state-bred races in New York.



2015 Starts by Track

**Data reported by The Jockey Club*



NY-breds account for 55% of all starts at New York State racetracks: 54% at Aqueduct, 46% at Belmont, 35% at Saratoga and 70% at Finger Lakes.

NYRA Reorganization – Participation

Why should we be involved?

- Our small businesses employ the majority of the workers and generate much of the economic activity for New York's equine industry, the state's second largest agri-business with 33,000 jobs and \$4.2 billion in economic impact.
- We have the most “skin in the game.” We risk our own capital, time and resources.
- As committed stakeholders, horsemen and breeders have the most years of accumulated experience in addressing the issues that are critical to the long-term health and growth of our industry.

It seems clear that breeders and horsemen should have significant representation on any committee tasked with re-development of the downstate properties.

NYRA Reorganization – The Time is Now!

We strongly advocate for a larger plan to re-organize NYRA as well as re-develop our downstate thoroughbred racing facilities.

- Due to the current status of the racing law, this an opportunity to reshape NYRA and the thoroughbred industry in New York for generations to come.
- The State of New York is the current landholder of the property under Belmont, Saratoga and Aqueduct. Through the Gaming Commission and the Franchise Oversight Board, it exerts tremendous control over NYRA, the OTBs and the principle stakeholders (horsemen and breeders).
- The State should support the reorganization effort through implementation of a Public/Private Partnership where New York's entire Thoroughbred Industry can showcase the vast potential of government accountability combined with the dynamism of private management.

NYRA Reorganization – Protect Racing and Breeding's Share of Gaming Revenue

1. Create a hard floor for the Purses and Breeding Fund share of revenue at 2015 levels.
2. Commit to this revenue stream for the length of the franchise.
3. Commit to this revenue stream, no matter the classification of the casino at Aqueduct.

Negative Impact of the Genting/Nassau OTB Deal on the Equine Sector

The new Genting/Nassau OTB deal has had an immediate multi-million-dollar negative impact on the Thoroughbred Breeding Fund, Purses and NYRA's operations and capital expenditure accounts.

1. The 2016-17 Budget authorized Resorts World Casino to place and operate 1,000 of Nassau County Off-Track Betting Corporation (OTB) video-lottery terminal (VLT) machines at Aqueduct Racetrack. The authorization took place late on the last night of budget process.
2. The New York State Gaming Commission approved a Memorandum of Understanding (MOU) between Genting New York, LLC, which operates Resorts World, and Nassau County OTB.
3. Contrary to legislative intent, no new Resorts World machines have been installed for Nassau OTB. Instead, Resorts World transferred over 460 existing (i.e. racing Industry) VLT machines to Nassau OTB.
4. Genting daily "cherry picks" the best 460 machines to be counted as "Nassau's." The Win Per Machine (WPM) rate for Nassau machines has skyrocketed to unheard of levels (as much as \$1000 a day).
5. "Cherry picking" has resulting in the remaining (i.e. racing industry) VLTs to drop to lowest WPM levels on record.
6. The racing industry only gets paid by the "Nassau" machines if VLT revenue for racing drops below the 2013 level, and the rate paid by "Nassau" is a fractional percentage of the other machines.
7. The arrangement is in Genting's interest: Genting gets paid 8% more (30% vs. 22%) by "Nassau" machines than the others. This Genting is projected to make an additional \$3+ million a year, and Nassau \$25 million a year directly at the expense of he racing industry.

PROJECTED LOSSES UNDER CURRENT GENTING/NASSAU COUNTY OTB AGREEMENT

2017	Avg Win/Per Machine	Avg Daily Machines	Net Win	NYRA Cap	NYRA Ops	Fund \$	Purse \$
Racing	\$361	5090	\$670,683,850	\$26,827,354	\$20,120,516	\$10,060,258	\$50,301,289
Nassau	\$739	460	\$124,078,100	\$1,116,703	\$1,613,015	\$620,391	\$2,853,796
Total			\$794,761,950	\$27,944,057	\$21,733,531	\$10,680,648	\$53,155,085
Loss from 460 Machines vs. 2015			\$(19,482,292)	\$(5,304,846)	\$(3,203,147)	\$(1,787,690)	\$(9,186,609)

NYRA Reorganization – Race Date Integrity

1. Year-round racing is critical and fundamentally important to a statewide thoroughbred racing business plan. Changes to the calendar will cause disruption for hundreds of small businessmen and women and their 33,000 employees, who live and work in New York year-round.
2. We seek to maintain the current minimum level of 600 NY-bred races per year. NY-bred races are the backbone of the winter racing calendar and integral to the breeding industry. Fewer opportunities to race will lead to horses leaving the state and job losses. Consider the 2015 statistics:
 - a) 32% of all NYRA purses earned by NY-breds were earned at Aqueduct.
 - b) 43% (297) of the 683 NYRA state-bred races were conducted at Aqueduct.
 - c) 45% (3624) of the 8126 starts made by NY-breds in 2015 were made at Aqueduct.
3. There should be consent by Horsemen and Breeders on race dates.
 - a) This would be similar to the collective bargaining agreements re negotiated by NBA, NFL and MLB.
 - b) Horseman and breeder consent is currently in force in 37 other racing states (and Finger Lakes) – only New York Racing Association tracks are exempt.
 - c) Consent is the best method of aligning the interests of all major stakeholders and encouraging cooperation and discussion between the track operator and the rest of the industry.
 - d) Consent allows the industry to resolve disagreements internally with less need for Government involvement.

NYRA Reorganization - Stakeholders

For the New York thoroughbred industry in to thrive, there must be cooperation and coordination between all stakeholders. NYRA needs to be a leader in this effort. The franchise holder must be accountable for the betterment of the entire industry.

How can NYRA be held accountable in the future to its stakeholders? Voting representation on the NYRA Board for breeders and horsemen.

- Prior to the establishment of the NYRA Reorganization Board, NYTB & NYTHA had voting privileges on the NYRA Board.
- Under the current NYRA Reorganization Board, NYTB and NYTHA seats are designated as ex-officio, non-voting members.

No one has more invested in the health of NYRA and New York racing than the men and women who are the primary stakeholders in the state's Thoroughbred industry. Thus, NYTB & NYTHA are requesting *voting* Board seats on the reconstituted NYRA Board.