Again, it wasn’t a very good year for New York racing. In a year where the cost of living increased by 3.38%, overall new York State handle fell by 2.7% to $2.644 billion. Even without taking inflation into account, this $2.644 figures is the lowest handle in New York State since 1996. Before 1996, you have to go back to 1977 to find a handle number below that of 2005.

It gets tiresome to comment on the declining interest in New York horse racing, but the fact is now that handle in New York for racing – when you adjust for inflation is 28.6% of where it was in 1975. In 1975, apart from New York City and the city of Schenectady, OTB was in its infancy. There was almost no betting on out-of-state racing. There was no simulcasting. NYRA did not race in the winter. There was no broadcasting of races. In fact, there were no live calls of races at OTB’s. Exotic betting consisted of one trifecta per day per track. Pari-mutuel taxes were extremely high.

There are a few excuses for the low 2005 numbers. Vernon Downs didn’t race or conduct wagering at all in 2005. More significantly, Yonkers Raceway closed down for much of 2005. Yonkers raced on only 105 dates in 2005 compared to 207 in 2004. The total facility handle at Yonkers fell by more than 54% to $45.8 million. On the plus side Batavia Downs raced 58 programs in 2005 compared to 2 in 2004. Nonetheless, a full season of racing at Batavia Downs did not even make up for the loss of handle at the shuttered Vernon Downs.

The General Numbers

Handle at New York’s tracks decreased from $672,532,334 to $ 582,951,231, a decrease of 13.3%. A considerable portion of this drop was due to the closing of Yonkers which accounted for approximately 3/5ths of the decrease. If you subtract Yonkers from the mix, total facility handle at New York’s tracks was down by 6%.

Handle at the OTB’s increased from 2,045,633,235 to 2,061,572.061, an increase of .8%. OTB now accounts for 78% of all bets placed in New York State. Handle at Capital, Catskill, Nassau, and New York City all increased slightly. The handle at Western and Suffolk decreased slightly. The biggest winner was Nassau which was up 3.9%. The biggest loser was Suffolk which was down 3%.

More and more wagers placed in New York are being bet on out-of-state races. 55% of all wagering is now on out-of-state races as compared with 53.45% in 2004. 62.3% of all bets at OTB are on out-of-state tracks up from 60.8% in 2004.
Total facility handle at New York’s thoroughbred tracks decreased by 5.9%, and handle on the live races at these tracks decreased by 3.8%. At the state’s thoroughbred tracks, 66.5% of the bets were placed on the track’s live product.

At the harness tracks, total facility handle decreased by 33.4%, and handle on live harness racing decreased by 25.1%. At the harness tracks, only 24.5% of the bets were placed on the track’s live product. 4.6% of all bets in New York were placed at harness tracks. By now, only 1.1% of all the bets placed in New York were placed at a harness track on that track’s live racing. With Yonkers in operation throughout 2004, 1.5% of bets in New York were placed on-track on live harness racing.

Some of these low harness numbers reflect the cessation of racing at Yonkers. If you take Yonkers out of the mix, live handle at harness tracks actually increased by 7.8%. Total facility handle, however, decreased by 8.6%.

The VLT Tracks

By 2005, all the tracks in New York – other than Yonkers and the NYRA tracks – had video lottery terminals. A review of the VLT tracks, however, shows no discernible increase in betting on horse racing.

The main benefit to racing from VLT’s is a clear one: far higher purses. Horsemen – especially harness horsemen - are definitely benefiting significantly from VLT’s. Moreover, a favorable change in the law in 2005\(^1\) increasing the percentage of machine revenue to track owners has increased the desirability of VLT’s to tracks and also may be responsible for increased levels of public wagering on video lottery terminals in 2005.

Nonetheless, any increase in public interest in horse racing due to VLT’s seems hard to find. In 2005, five tracks had VLT’s. These were Saratoga Harness, Finger Lakes, Monticello, Buffalo, and Batavia. The first four tracks also had VLT’s running in 2004. Batavia did not have VLT’s operation in 2004, and it raced only two programs in 2004.

Saratoga Harness has managed the most successful VLT operation in the State. But Saratoga’s live handle decreased by 6.2% in 2005 despite the fact that Saratoga ran 8 additional programs in 2005. Total facility handle decreased by 5.2%. Total handle from all sources on Saratoga racing was down 10.4%. If the racing has improved – and you would be hard pressed to find someone who did not think the racing was better - due to better purses and better horses, why is the wagering decreasing?

Finger Lakes operates the State’s second most successful VLT program. Yet Finger Lakes live handle was down 7.9% in 2005. Finger Lakes raced three more

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\(^1\) The law change is attributed to harness racing/ real estate investor Jeff Gural who lobbied extensively for the change. See Laws 2005, Ch. 61 Part CC.
programs in 2005 than in 2004. Total facility handle at Finger Lakes was also down 1%. Total handle from all sources on Finger Lakes races also declined by 4.5%.  

The one major increase in handle at a VLT track came at Monticello. Here, the on-track live handle increased significantly by 32.3%. (Monticello was helped here by the absence of any racing at Yonkers.) Total facility handle increased by 9.6%. Handle on simulcasts at Monticello decreased by 7%. Additionally, total all sources handle on Monticello increased by 28.9%.

Monticello handle increased significantly in every OTB region and at every in-State guest simulcasting track that was in operation for the full year in 2005. In fact, 56.3% of the NY OTB handle on in-state harness racing was on Monticello. Monticello also has the one harness product that is significantly wagered on at facilities outside New York State. Wagering by out-of-state guest sites on Monticello increased by 26.8% to $66.8 million. This $66.8 million figure is Monticello is 23% higher than Finger Lakes’ out-of-state simulcasting handle. More than 3/4ths of the money wagered on New York State harness racing at out-of-state guest sites was wagered on Monticello.

But the question remains whether much of this Monticello increase was due to the absence of Yonkers rather than the presence of VLT’s at Monticello. In 2004 with the advent of VLT’s, the on-track live handle at Monticello fell by 13.2%, even with Monticello running 26 additional programs. A bigger question will be whether Monticello can compete with Yonkers once Yonkers has 5,000 or more VLT’s up and running in America’s largest market.

At Buffalo, the only other track with VLT’s in both 2003 and 2004, the on-track numbers fell by 8.8%, the total facility handle fell by 4.4%, and all sources handle decreased by 3.9%. Additionally, for the 2006 season, the Buffalo News has reported that on track live handle at Buffalo decreased by approximately 7% for the 2006 racing season.  

Batavia doesn’t count since it did not basically race in 2004. Nonetheless, if you compare the 2003 pre-VLT numbers to the 2005 numbers, there was far less interest in the harness racing product in 2005. The on-track live numbers at Batavia were down 27.8% from 2003. Batavia ran 10 fewer programs in 2005, but this 14.7% decrease in programs would not by itself account for the 27.8% decrease in handle.

On balance, it does not appear that the VLT’s have, thus far, increased or revived any public interest in horse racing.

NYRA

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2 This reduction may be due to the Racing and Wagering Board taking action preventing certain account wagering firms offering rebates from doing business in New York State.
2005 was not a good year. On-track handle on live racing fell by 3.6%. Handle on simulcasts dropped by 12.2% leading to a drop of 6.2% in total facility handle. All sources handle on NYRA’s live racing decreased by 6.8%. (Part of this decrease would likely be due to NYRA’s decision not to accept wagers from selected firms rebating bets to their patrons since NYRA’s handle from outside New York State decreased by 8.3%).

The handle trends at NYRA have not been good. In 2001, legislation was passed that lowered NYRA’s takeout rate. It was hoped and expected that NYRA handle would significantly increase due to its lowered takeout. This has not happened. By now, total facility handle is down 15.1% since 2000 (the year before increased takeout) and by 18.3% since 2001 (when decreased takeout was in effect for five months of the year).

Live NYRA handle (which according to conventional theory should certainly have increased significantly due to lower takeout) has similarly decreased. It is down 15.4% since 2000 and 16.7% since 2001, and 14.2% since 2002. Using inflation adjusted numbers, NYRA’s real handle for on-track live racing has fallen 25.4% since 2000.

The truly scary number is the total all sources handle on NYRA racing. In 2002, this number reached $2.868 billion. By 2005 this number was $2.573 billion. It has decreased by 10.3% since 2002. Total source NYRA handle is actually now down from the time of higher NYRA takeout in 2000. In inflation adjusted terms, total source NYRA handle is now down 17.4% since 2002.

NYRA’s 2005 on-track problems were at Aqueduct where total facility handle was down by 16.7% in 2005 from 2004. Handle on live racing at Aqueduct also decreased by 17.1%, and attendance decreased by 19.6%. By contrast live and total facility handle increased at Belmont. (This might be due in part to Belmont being the site of the Breeders’ Cup in 2005, but, on the other hand, the Belmont Stakes in 2005 was down from Smarty Jones year of 2004.) Total facility handle was up 1.2% at Belmont, and Belmont live handle increased by 2.6%. Saratoga was largely unchanged from 2004 levels. Total facility handle was down by 1.3%, and handle on live racing increased by 1.4%.

The OTB’s

Catskill OTB, traditionally the smallest of the OTB’s, was the most profitable – when you do not factor in revenues from the surcharge imposed on most OTB wagers. Catskill’s profit was $6.5 million. Its return per dollar of handle was 4.5%. Catskill was followed by Nassau at $6.2 million (2% return), Capital at $2.8 million (1.3% return), and Suffolk $.4 million (.2% return). The OTB’s that lost money were New York City at $5.5 million a return of -.5% and Western which lost $1.4 million (-.9% return).

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5 In 2005, Catskill handled $1 million more than Western. It is probably the first time that Catskill climbed out of last place in the OTB handle standings.
Viewed as one entity, the OTB’s had a collective profit of $9.1 million which amounted to a return on handle of .4%. Every OTB other than Nassau had a better year financially in 2005 than in 2004 except for Nassau whose profit decreased by 11.7%. Even New York City and Western reduced their losses considerably. New York City’s loss was reduced by 48%, and Western’s loss was reduced by 36.4%. In Western’s case, it appears that the introduction of VLT’s at its Batavia Downs facility reduced some of the losses it has experienced in operating Batavia.

With surcharge revenues included, the returns per OTB were as follows: New York City $18.1 million (1.7% return), Nassau $11.1 (3.6% return), Catskill (7.2% return), Capital $7.3 million (3.4% return), Suffolk $4.4 million (2.2% return), and Western $2.3 million (1.6% return). As a whole, including surcharge, the OTB’s returned $54 million to localities or 2.6% of handle.

While the OTB’s paid $54 million to localities, they did pay $166.6 million to racetracks. All told, the OTB’s paid 8.1% of their handle to racetracks. New York City OTB pays 8.5% of its handle to racetracks.

Counting regional payments, the New York thoroughbred tracks receive 15.6% of the handle that is wagered on them at the OTB’s. The state’s harness tracks receive 36.7% of the handle that is wagered on them at the OTB’s. The OTB’s pays 17.7% of their in-state handle to New York tracks. Again, New York City OTB appears to be paying the most. New York City OTB pays 17.5% of its in-state thoroughbred handle to the thoroughbred tracks. It pays 46.5% of its in-state harness handle to New York harness tracks, and 19.9% of its total in-state handle to tracks in New York.

By contrast, the OTB’s paid relatively little in commissions to out-of-state tracks. In 2005, apart from the Triple Crown races and the Breeders’ Cup, the OTB’s paid 2.15% of their out-of-state handle to out-of-state tracks.

While New York City OTB handle increased by 1% or $10 million, it did not in any way begin to make up for the $54 million loss of wagering handle at Yonkers in 2005. You might posit that people who would ordinarily bet at Yonkers might bet at nearby OTB branches in the Bronx. That apparently did not happen. Even accounting for possible increases at Catskill OTB (a 2.3% increase of $3.4 million) and Monticello (a 9.6% increase in total facility handle of $1.4 million), $40 million seemed to disappear from the New York wagering pools as a result of Yonkers racing for only half a season.

Again, on balance, 20005 was not a good year for New York racing. The OTB’s as a group did slightly better than in 2004, but the racetracks, with the exception of Monticello, all had years that were best forgotten.

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6 The Breeders’ Cup was held at Belmont in 2005.