NEW YORK STATE HAS AMERICA’S LONGEST HISTORY WITH HORSE RACING. SOON AFTER THE ENGLISH DEFEATED THE DUTCH IN NEW AMSTERDAM, THE FIRST HORSE RACE IN AMERICA WAS RUN IN NEW YORK. THIS WAS IN 1665, ON THE HEMPSTEAD PLAIN IN WHAT IS NOW GARDEN CITY AND FOR THE LAST 340 YEARS, THE HISTORY OF HORSE RACING IN AMERICA HAS BEEN RUN THROUGH NEW YORK STATE.

IT'S NOT THAT NEW YORK STATE HAS ALWAYS BEEN THE EPICENTER OF AMERICAN RACING. VIRGINIA WAS THE CENTER OF AMERICAN RACING IN THE 18TH CENTURY, AND VIRGINIA TOGETHER WITH NEW ORLEANS WERE THE LEADERS IN THOROUGHBRED RACING DURING THE FIRST HALF OF THE 19TH CENTURY.

MANY SIGNIFICANT EVENTS, HOWEVER, WERE CONDUCTED IN QUEENS COUNTY IN THE FIRST HALF OF THE 19TH CENTURY. THE FAMOUS MATCH RACE OF 1823 BETWEEN THE NORTH’S AMERICAN ECLIPSE AND THE SOUTH’S HENRY TOOK PLACE AT THE UNION COURSE. AT A TIME BEFORE RAILROADS WHERE THE POPULATION OF BROOKLYN WAS SLIGHTLY MORE THAN 7,000, 60,000 PEOPLE ATTENDED THIS MATCH RACE THAT WAS WON BY AMERICAN ECLIPSE. LATER IN THE 1830’S AND 40’S SIMILARLY LARGE CROWDS FLOCKED
TO THE UNION COURSE TO WATCH THESE MATCH RACES BETWEEN THE NORTH AND THE SOUTH. BUT IN ACTUALITY, IN THE FIRST HALF OF THE 19TH CENTURY, HARNESS RACING PROBABLY SURPASSED THOROUGHBRED RACING IN POPULARITY IN THE METROPOLITAN NEW YORK AREA.


WITH THE SUCCESS OF JEROME PARK AND SARATOGA, MORE AND MORE THOROUGHBRED RACING DEVELOPED IN NEW YORK. THE 1870’S SAW THE ADDITION OF SHEEPSHEAD BAY, BRIGHTON BEACH, AND GRAVESEND IN BROOKLYN, AND A SEASON OF HORSE RACING DEVELOPED IN THE NEW YORK AREA. IN THE 1890’S AQUEDUCT WAS CONSTRUCTED, AND MORRIS PARK IN THE NORTHERN BRONX REPLACED JEROME
PARK WHICH HAD BEEN TAKEN BY THE CITY OF NEW YORK FOR A RESERVOIR. JAMAICA RACE TRACK OPENED TO THE PUBLIC IN 1903, AND BELMONT PARK REPLACED MORRIS PARK IN 1905. EMPIRE CITY WHICH IS THE SITE OF THE CURRENT YONKERS RACE TRACK OPENED FOR THOROUGHBRED RACING IN 1907.

BY THE TURN OF THE CENTURY, THOROUGHBRED RACING HAD BECOME ESPECIALLY POPULAR THROUGHOUT THE ENTIRE NATION. STATISTICS SHOWED THAT THERE WERE 314 RACETRACKS IN OPERATION IN THE UNITED STATES IN 1897. BUT WITH HORSE RACING – BEING DIRECTLY CONNECTED TO GAMBLING OPERATIONS – THE SUCCESS OF HORSE RACING DEPENDED ON POLITICAL ACTIONS INVOLVING THE LEGALITY OF GAMBLING. THIS WAS ESPECIALLY THE CASE IN NEW YORK WHERE THERE SEEMED TO BE A YIN AND A YANG BETWEEN LAWS ALTERNATELY ALLOWING AND RESTRICTING GAMBLING AT RACETRACKS. CERTAIN LAWS – THE IVES POOL LAW AND THE PERCY-GRAY LAW MADE GAMBLING A CRIME EVERYWHERE EXCEPT THAT GAMBLING WAS NOT CRIMINAL WHEN IT OCCURRED AT A LICENSED RACETRACK. THE STATE CONSTITUTION WAS AMENDED IN 1894 TO MAKE ALL GAMBLING ILLEGAL. BUT MOST SIGNIFICANTLY, AT THE TURN OF THE 20TH CENTURY, THE PROGRESSIVE MOVEMENT REACHED POWER, AND ONE OF ITS GOALS WAS TO BAN GAMBLING ON HORSE RACING THROUGHOUT THE NATION.

HOWEVER, CERTAIN BETTORS CHALLENGED THE NEW LAW, AND THE COURTS EVENTUALLY HELD THAT UNDER THE LAW, ORAL MAN-TO-MAN FRIENDLY PRIVATE BETTING WAS STILL NOT A CRIME. RACING RESUMED IN NEW YORK IN 1913 UNDER THIS ORAL SYSTEM. YOU HAD BOOKMAKERS, BUT THEY COULD NOT RECORD THEIR BETS. SOME TRACKS NEVER EMERGED FROM THIS PROHIBITION. ALL THE BROOKLYN TRACKS WENT BY THE WAYSIDE, AND THE STATE WAS LEFT WITH SARATOGA, JAMAICA, AQUEDUCT, EMPIRE CITY, AND BELMONT. — ALL OF WHICH WERE SEPARATE SMALL CORPORATIONS RUNNING SHORT MEETS.

RACING SURVIVED FOR YEARS UNDER THIS ORAL ARRANGEMENT, BUT WITH THE DEPRESSION, TRACKS TRULY
UNDERWENT SEVERE HARDSHIP. BY 1933, AVERAGE PURSE DISTRIBUTION PER RACE IN AMERICA WAS $672. ACROSS THE COUNTRY, STATES NEEDED REVENUE, AND THEY TURNED TO HORSE RACING. WHILE MANY STATE LEGALIZED PARI-MUTUELS, NEW YORK INITIALLY DID NOT. IN 1934, UNDER THE DUNNIGAN-CRAWFORD BILL, NEW YORK WENT BACK TO THE 1890’S AND AUTHORIZED A SYSTEM OF QUASI-LEGAL BOOKMAKERS. BOOKMAKING AT THE TRACK WAS NO LONGER A CRIME, AND RACETRACK BOOKMAKERS COULD OPERATE USING WRITINGS. THIS SYSTEM IMPROVED NEW YORK RACING CONSIDERABLY, BUT WITH THE REST OF THE NATION MOVING SUCCESSFULLY TO PARI-MUTUELS – AND SIGNIFICANT REVENUE COMING IN TO THE STATES – NEW YORK OPTED FOR PARI-MUTUEL RACING. IN 1939, THE STATE’S VOTERS BY MORE THAN A 2 –1 MARGIN VOTED FOR PARI-MUTUELS.

ONCE PARI-MUTUELS STARTED IN 1940, THEY WERE AN INSTANT SUCCESS. THEY WERE SO SUCCESSFUL THAT EMPIRE CITY NO LONGER COULD ACCOMMODATE THE CROWDS AND WAS CLOSED DOWN AFTER 1942. IN THE WAR-SHORTENED RACING YEAR OF 1945, WHERE THE RACING SEASON WAS LESS THAN SIX MONTHS, $450 MILLION WAS BET AT NEW YORK’S THOROUGHBRED TRACKS. WHEN YOU ADJUST FOR INFLATION, THOROUGHBRED ON-TRACK HANDLE IN 1945 WAS $4.95 BILLION IN TODAY’S MONEY. THAT’S 83% MORE THAN ALL THE BETTING ON RACING IN NEW YORK STATE IN 2004 AND TEN

BUT THIS HANDLE INCREASE DID NOT LAST. THE CITIES OF NEW YORK AND SARATOGA SPRINGS IMPOSED A 5% TAX ON HANDLE AFTER THE 1945 SEASON THEREBY RAISING THE TAKEOUT ON THOROUGHBRED RACING BY 50% TO 15%. THOROUGHBRED RACING HANDLE IN NEW YORK COLLAPSED. BY 1949, HANDLE HAD DECREASED BY 33%.

ADDITIONALLY, THE THOROUGHBRED TRACKS FACED COMPETITION FROM THE BURGEONING SPORT OF HARNESS RACING. FROM 1945 –1949 HARNESS RACING HANDLE IN NEW YORK NEARLY TRIPLED, AND THERE WAS COMPETITION FROM NEWER THOROUGHBRED TRACKS IN NEW JERSEY. THE SMALL RACING ASSOCIATIONS ALL WITH LIMITED RACE MEETINGS – ALL OPERATING EXTREMELY OLD FACILITIES ( THE NEWEST OF WHICH WAS BELMONT PARK WHICH OPENED IN 1905) SIMPLY DID NOT HAVE THE RESOURCES TO DEAL WITH BOTH THEIR COMPETITION AND THEIR CAPITAL CONSTRUCTION NEEDS.

THE LEGISLATURE HELD HEARING THOROUGH THE WICKS COMMITTEE IN THE EARLY 1950’S TO FOCUS ON RACING’S PROBLEMS, AND THE JOCKEY CLUB WHICH HAD BEEN THE QUASI-OFFICIAL REGULATORY BODY FOR THOROUGHBRED RACING DEVELOPED A PLAN. THIS PLAN CALLED FOR THOROUGHBRED RACING TO BE RUN BY A NON-PROFIT
ORGANIZATION DEVOTED TO THE BEST INTEREST OF IMPROVING RACING. THIS NON-PROFIT GROUP WOULD OPERATE ALL THE TRACKS UNDER A STATE FRANCHISE UNDER WHICH ALL THE PROFITS WOULD GO TO THE STATE. THIS PLAN WHICH WAS DECRIED BY ITS OPPONENTS AS SOCIALISM WAS APPROVED BY THE LEGISLATURE IN 1955 AND SIGNED BY GOVERNOR HARRIMAN – WHO ALONG WITH HIS PARTNER GEORGE HERBERT WALKER HAD BEEN PARTNERS IN A MAJOR THOROUGHBRED RACING STABLE IN THE 1920’S.


THE RESULTS AT AQUEDUCT WERE PHENOMENAL. IN 1964, AFTER BELMONT WAS CONDEMNED IN 1963, ALL DOWNSTATE
RACING WAS CONDUCTED AT AQUEDUCT. AQUEDUCT RACED FOR 210 DAYS RACING FROM MID-MARCH TO MID-DECEMBER WITH AN AVERAGE ATTENDANCE IN EXCESS OF 30,000. BY CONTRAST, THE NEW YORK YANKEES WHO LEAD THE AMERICAN LEAGUE IN ATTENDANCE THAT YEAR AVERAGED LESS THAN 16,000 FANS PER GAME.

YET 1964 WAS THE PEAK YEAR. ON-TRACK THOROUGHBRED RACING HAS BEEN FALLING IN POPULARITY SINCE THEN - NOT JUST IN NEW YORK BUT THROUGHOUT THE NATION. AND THAT DIMINUTION IN POPULARITY WAS ONLY HEIGHTENED BY THE CREATION OF NEW YORK CITY OTB IN 1970 AND THE REGIONAL OTB’S IN THE MID 1970’S.

THAT HAS LEFT NYRA IN AN ALMOST PERPETUAL DIFFICULT POSITION. THE TRUTH IS THAT FINANCIALLY NYRA HAS NEVER WORKED WELL. EVEN FROM THE BEGINNING, WHEN THE TAX RATE WAS SET AT 11% FOR 1956, THERE WERE PROBLEMS. THE NUMBER OF RACING DATES WAS EXTENDED. THE NUMBER OF DAILY RACES WAS EXTENDED. THE STATE TAX WAS REDUCED SOON AFTER NYRA WENT INTO EXISTENCE. TAKEOUT AND BREAKAGE WERE INCREASED, AND ADDITIONAL EXOTIC WAGERS WERE AUTHORIZED WITH CONSIDERABLY HIGHER TAKEOUTS.

NYRA’S PROBLEMS CAME TO A HEAD IN THE EARLY 1980’S WHEN THE FRANCHISE WAS CONCLUDING, ASSEMBLY SPEAKER FINK WAS TAKING THE POSITION THAT THE TRACKS
BELONGED TO THE STATE IN EQUITY, AND INTEREST RATES WERE IN THE DOUBLE DIGITS. THERE WAS NO WAY FOR NYRA TO BORROW AND NO WAY FOR NYRA TO FINANCE CAPITAL IMPROVEMENTS. WHEN NYRA’S FRANCHISE WAS REAUTHORIZED IN 1983, THE LEGISLATURE ESTABLISHED A CAPITAL INVESTMENT FUND WHICH WOULD WORK LIKE A REVOLVING LOAN FUND TO PROVIDE LOW-COST FINANCING TO NYRA CAPITAL PROJECTS. THIS SYSTEM WORKED ACCEPTABLY UNTIL ABOUT 1993 WHEN DECREASES IN NYRA ON-TRACK BUSINESS PUT NYRA IN A DEFICIT SITUATION. PROBLEMS APPEARED TO BE REMEDIED IN THE MID-1990’S AS TAKEOUT RATES WERE RAISED, AND THE RISE OF INTERSTATE COMMINGLED SIMULCASTING ENABLED NYRA TO SELL ITS SIGNAL TO OUT-OF-STATE VENDORS. HOWEVER, EVEN IN THE LATE 1990’S WHEN NYRA CLAIMED TO BE MAKING A PROFIT, IT HAD STOPPED MAKING PAYMENTS TO THE CAPITAL INVESTMENT FUND. NYRA’S PROFITABILITY HAD ENABLED IT TO EARN A TEN YEAR EXTENSION OF ITS FRANCHISE IN 1997, BUT IN THE MOST RECENT YEARS, NYRA’S STRUGGLING NON-SARATOGA ON-TRACK BUSINESS, ITS LIMITED GROWTH IN ITS SIMULCAST BUSINESS, PLUS ITS WELL-PUBLICIZED INTERNAL GOVERNANCE ISSUES HAVE PUT THE CORPORATION IN A CRISIS MODE – WITH THE STATE OBLIGATING ITSELF AT THE END OF 2005 TO AUTHORIZE NYRA TO BORROW $30 MILLION IN ORDER TO KEEP THE ASSOCIATION OUT OF BANKRUPTCY.
TO TOUCH BRIEFLY ON THE OTHER ISSUES RAISED IN YOUR REQUEST: 1. I’M ATTACHING THE RELEVANT PORTION OF MY PROPOSED MODEL STATUTE DEVELOPED FOR THE FRIENDS OF NEW YORK RACING WHICH SPECIFIES THE CONSIDERATIONS THAT SHOULD GO INTO YOUR CONSIDERATION OF A FRANCHISE AWARD. BASICALLY THESE FACTORS ARE WHAT RACE TRACK HANDICAPPERS CALL MOTO – MASTERS OF THE OBVIOUS BUT HOPEFULLY, THE COULD PROVIDE A MINIMUM BASIS FOR YOUR CONSIDERATION.

YOUR SECOND CALL WAS TO DETERMINE WHETHER TO CONSIDER SEPARATE APPLICATIONS FOR THE INDIVIDUAL TRACKS. IN SHORT, COULD SOMEONE BID ON AQUEDUCT OR SARATOGA ALONE? I THINK YOU OUGHT TO ENCOURAGE AS MUCH BIDDER INTEREST ON THE PROPERTIES AS POSSIBLE. YOU’RE SUPPOSED TO DETERMINE WHAT’S BEST FOR THE STATE’S FINANCES, THE STATE’S RACING FANS, AND THE PARTICIPANTS IN RACING. CONSIDERING EVERY POSSIBILITY IS CLEARLY BENEFICIAL FOR ALL OF YOUR CONSTITUENTS.

BUT MY OPINION IS THAT BELMONT AND AQUEDUCT NEED TO BE TREATED TOGETHER. AQUEDUCT NEEDS THE STALLS PROVIDED BY BELMONT, AND BELMONT NEEDS THE VLT MONEY FROM AQUEDUCT. IF BELMONT STANDS ALONE, ITS ONLY VALUE WILL BE ITS RESIDUE REAL ESTATE VALUE – FOR AS A RACETRACK WITHOUT VLT’S, IT STRICTLY A SUCKER’S BET.

I CAN CERTAINLY UNDERSTAND WHY PEOPLE WOULD CONSIDER SARATOGA APART FROM THE OTHER TRACKS. IT’S
BOOMED; BELMONT AND AQUEDUCT HAVE FADED. AND IT’S WORTHWHILE TO SEE WHAT A SEPARATE SARATOGA OFFER WOULD BRING, AND IF YOU COULD EVER CREATE A COMMUNITY OWNED SARATOGA – HORSE RACING’S VERSION OF THE GREEN BAY PACKERS – YOU WOULD HAVE A COMPELLING RACING STORY THAT WOULD MORE THAN EQUAL THAT OF SEABISCUIT.

BUT SEPARATING SARATOGA FROM THE OTHER TRACKS WOULD POSE SOME RISKS: YOU WOULD NEED TO MAINTAIN NOT JUST THE 4 WEEK SARATOGA GUARANTEE OF EXCLUSIVITY. YOU WOULD NEED SIX WEEKS. AQUEDUCT WITH VLT’S COULD OFFER PURSES THAT WOULD POTENTIALLY DWARF SARATOGAS. SECONDLY, AS GREAT AS SARATOGA IS, IT HAS SOME LIABILITIES THAT THE OTHER BOUTIQUE RACING MEETS LIKE DEL MAR AND KEENELAND DON’T HAVE. BOTH KEENELAND AND DEL MAR HAVE PURSES THAT ARE SUPPORTED BY A FULL YEAR AS GUEST SIMULCASTING SITES. SARATOGA HAS NO OFF SEASON GUEST SIMULCASTING. PURSE MONEY EARNED AT BELMONT AND AQUEDUCT WILL NO LONGER FLOW TO SARATOGA. SARATOGA WON’T HAVE VLT’S. SARATOGA HAS NO SIDE BUSINESS. KEENELAND HAS A PROFITABLE SALES BUSINESS. THERE ARE SIDE ACTIVITIES AT DEL MAR – AND MORE IMPORTANTLY DEL MAR IS OWNED BY THE STATE. SO THE TRACK – WHILE IT PAYS A POSSESSORY INTEREST TAX - DOESN’T PAY REAL PROPERTY TAXES. IT’S CERTAINLY WORTH EXPLORING, BUT A SUCCESSFUL SEPARATE SARATOGA IS NO CERTAINTY.
AND MAYBE THAT’S MY CENTRAL MESSAGE TODAY – THE STATE CAN’T CREATE OR GUARANTEE A SUCCESSFUL RACING ENVIRONMENT. THAT’S DECIDED BY THE FANS WHO ARE THE ULTIMATE CONSUMERS OF RACING. BUT YOU CAN GUARANTEE AN UNSUCCESSFUL ONE. THE ENTIRE RELATIONSHIP BETWEEN GOVERNMENT AND HORSE RACING IN NEW YORK IS PROOF THAT GOVERNMENT NEEDS TO ACT RESPONSIBLY. THERE IS ONE MORTAL LOCK IN HORSE RACING. BAD LAWS EQUAL A BAD MARKET FOR RACING.

AND PLEASE CONSIDER IN YOU WORK, THE WORDS OF HERBERT BAYARD SWOPE WHO WAS A LONG TIME CHAIRMAN OF THE STATE RACING COMMISSION. SWOPE SAID, “I CAN'T GIVE YOU A SURE-FIRE FORMULA FOR SUCCESS, BUT I CAN GIVE YOU A FORMULA FOR FAILURE: TRY TO PLEASE EVERYBODY ALL THE TIME. IN SHORT, YOU’VE GOT A DIFFICULT JOB TO DO IN UNCHARTERED WATERS – WITH AN ESPECIALLY SCEPTICAL PUBLIC. ONLY IF YOU MAKE SOME ENEMIES IN YOUR JOB, WILL YOU BE DOING YOUR JOB WELL.

THANK YOU.
§ 216 Factors for Selecting the Enfranchised Association.

The factors that the special ad hoc committee shall consider in making a recommendation on the award of the franchise shall include the following:

1. the financial ability of the applicant to operate the franchise including the current financial condition of the applicant;

2. the prior experience of the applicant in establishing and maintaining a top quality racing product and in providing services to fans of racing;

3. the commitment of the applicant to maintain and improve the quality of the racing facilities and the conditions of the backstretch;

4. the commitment of the applicant to preserve and maintain the historic quality, character, and traditions of New York’s racetracks;

5. the integrity of the applicant as measured by
   (a) its criminal record;
   (b) involvement in litigation over business practices;
   (c) involvement in disciplinary actions over a business license or permit or refusal to renew a license or permit;
   (d) involvement in proceedings in which unfair labor practices, discrimination or government regulation of horse racing or gambling was an issue;
   (e) involvement in bankruptcy proceedings;
   (f) failure to satisfy judgments, orders or decrees;
   (g) delinquency in filing of tax reports or remitting taxes;

6. the relationship between the applicant and other stakeholders in New York racing, including the commitment of the applicant to encouraging the raising and breeding of thoroughbred horses in New York state;

7. the management ability of the applicant;

8. the quality of the applicant’s marketing, promotion and advertising plans;

9. the commitment of the applicant to educate the public with respect to horse racing and pari-mutuel wagering and to improve access and availability to the public of handicapping information;

10. the feasibility of the applicant’s financial plans;

11. the environmental record and the environmental impact of the plans of the applicant;

12. the record of service to the horse racing industry of the applicant;
13. the commitment of the applicant to the long-term viability of thoroughbred racing in New York state;

14. the commitment of the applicant to produce reasonable revenue for the support of government;

15. the support that the applicant has from the local communities where the racetracks of the enfranchised association are located;

16. the public interest and the best interest of honest horse racing; and

17. any other factors which the committee deems crucial to decision making as long as the same factors are considered with regard to all applicants.