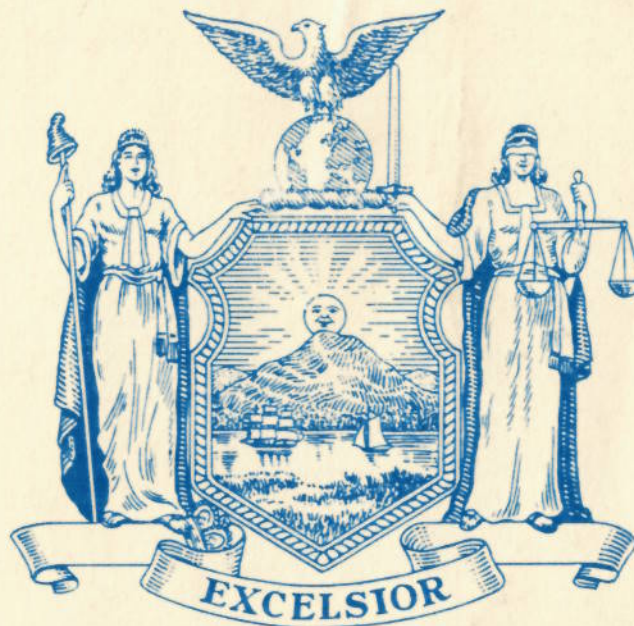


**STATE OF NEW YORK  
SIMULCAST REPORT  
FOR THE CALENDAR YEAR 1990  
(ISSUED MARCH 31, 1991)**



**NEW YORK STATE  
RACING & WAGERING BOARD**

**MARIO M. CUOMO**  
Governor

**RICHARD F. CORBISIERO, JR.**  
Chairman

**BENNETT LIEBMAN**  
Member

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Member



STATE OF NEW YORK  
NEW YORK STATE RACING AND WAGERING BOARD

400 Broome Street  
New York, N. Y. 10013  
(212) 219-4230

MEMBERS

Richard F. Corbisiero, Jr.  
Chairman

Bennett Liebman  
Joseph P. Neglia

March 31, 1991

To the Honorable Mario M. Cuomo:

In accordance with the provisions of Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law, I am pleased to submit to you the seventh annual Simulcast Report of the Racing and Wagering Board.

Nineteen hundred and ninety saw New York State continue to lead the nation in total dollars wagered on horse races. Combined handle, both on and off-track, totalled over \$3.3 billion. The Board has identified simulcasting as a significant factor in the maintenance of New York's position. Simulcasting, an integral part of the state's racing and wagering scheme, was permanently authorized by Chapter 346 of the Laws of 1990. Simulcast activities during 1990 and its results are described in detail in this report.

The racing and wagering industry continues to be an important component of the Empire State's economy. It generates substantial revenue for state and local governments and employs tens of thousands of New Yorkers. The Board believes that 1990's 1% decrease in handle levels from 1989 is attributable to the recession which affected all segments of our state's economy. In addition, the industry is plagued by significant differences among its various components.

The acrimony which characterizes many of the relationships within the racing and wagering community inhibits its continued well being. The Board is forced to devote considerable time and effort to mediate these disputes. We hope that the revised legislative framework will ameliorate this situation.

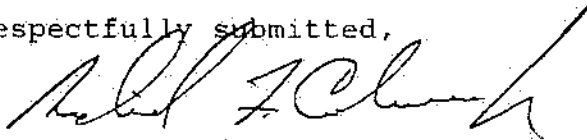


The Board strongly believes that there must be a cooperative partnership among all elements of the industry if New York is to maintain its preeminence in the racing world. Together, we must continue to promote and enhance this unique and exciting sport.

In this report, the Board recommends that some modifications to the simulcast law be enacted, while giving the Board the necessary authority to insure its proper and lawful conduct. As we enter the last decade of this century, the New York State racing, wagering and breeding industries should be encouraged to move towards the goals of expanding the economy of and interest in racing, insuring the public's confidence in the sport, and achieving true industry-wide cooperation.

The Board's staff, particularly Steven H. Richman, Eileen M. Clarke-Brady, Arthur Schechter and John M. Dailey, are commended for their extraordinary efforts in the preparation of this report.

Respectfully submitted,



Richard F. Corbisiero, Jr.  
Chairman



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## EDITOR'S NOTE

The New York State Racing and Wagering Board's 1990 Simulcast Report is somewhat different than its six prior editions. In addition to reporting on simulcast activities by New York State's race tracks and off-track betting corporations for the calendar year 1990, we have sought to summarize the results of the experiment which officially concluded on June 30, 1990.

Following the introductory sections, we have added several new sections. The first, an "Overview" of the entire simulcast experiment (1984 to date) briefly summarizes New York's experiences during the last six years as well as highlight significant trends.

Much of the information has been gleaned from prior simulcast reports, as well as the collective knowledge of the writers and researchers for this report. Each OTB Operations Analyst is intimately familiar with his or her OTB region. The Chief of Racing Operations and the Board's auditing staff are in daily contact with the State's race tracks. This accumulated wisdom hopefully offers some insight into simulcasting. In addition, the multi-year charts are a handy reference tool in showing where New York State is and how it got there.

We then include two new interrelated segments, "A Summary of the Provisions of the Racing Law Governing Simulcasting" and a "Summary of Chapter 346 of the Laws of 1990." The first addition outlines the basic statutory framework which governs the conduct of simulcasting in New York. It incorporates the modifications set forth in Chapter 346 of the Laws of 1990, which among other things, made simulcasting permanent. It is followed by a detailed analysis of this significant legislation.

Following these new sections, we return to the traditional format of earlier reports. The report describes Board practices and procedures used in effectuating the statute. It goes on to detail the significant activities, accomplishments and problems encountered by each participant in simulcasting during 1990. It also explains the techniques involved in both the interfacing of wagers and the transmission of the simulcast signal. Finally, the report seeks to analyze what additional betting dollars have been generated by simulcasting.

We then present the Board's recommendations for statutory changes as well as its conclusion. The appendices provide detailed financial schedules relating to simulcasting and the State's race tracks and OTB corporations.

We join Chairman Corbisiero and the Board in commending the extraordinary work of the members of the 1990 Simulcast Report staff. Their dedication to this effort and to serving the people of this Empire State are in the best tradition of public service.



## INTRODUCTION

Nineteen hundred and ninety was the sixth full calendar year in which comprehensive statewide simulcasting of horse races within New York State occurred. The first six months of 1990 constituted the end of the five-year experiment. On July 2, 1990, the Governor signed into law an omnibus racing bill which, among other things, permanently authorized simulcasting. "Simulcasting" is the display of live televised horse races on which pari-mutuel betting is permitted at a site other than the track where the race is held.

It was authorized by Governor Cuomo and the Legislature in July 1984, on a one-year experimental basis. The purpose of the 1984-85 experiment was to determine if simulcasting could promote the overall growth of the racing, pari-mutuel wagering and breeding industries, resulting in additional revenues for the support of racing associations and corporations, purses, breeders, off-track betting corporations, labor and state and local government. The one-year experimental scheme for simulcasting ran from July 1, 1984 to June 30, 1985, pursuant to Chapter 363 of the Laws of 1984.

After careful study and analysis of that experiment during 1985, including this Board's 1984 Simulcast Report and recommendations to the Governor and Legislature (dated March 27, 1985), the Legislature then passed and Governor Cuomo approved, Chapters 286 and 287 of the Laws of 1985.

The 1985 laws amended the provisions of Article X of the Racing, Pari-Mutuel Wagering and Breeding Law and authorized comprehensive statewide simulcasting for five years through June 30, 1990.

Amendments relating to simulcasting were enacted during the 1986, 1988, and 1989 legislative sessions. These amendments expanded the type of services and amenities off-track betting corporations could offer in designated simulcast facilities, limiting the occasions when track consents are required for simulcasting, and expanded wagering and simulcasting opportunities on two major series of races, the Breeders' Cup (thoroughbred) and the Breeders' Crown (harness).

Throughout the first six months of 1990, extensive consultations and negotiations were held between the Executive Chamber, the leadership and staff of both houses of the Legislature as well as all segments of the industry. The process was designed to create a framework for extending the authorization of simulcasting as well as addressing other racing issues. After long and arduous discussions, an omnibus racing bill was considered by the Legislature in the last days of June. However, the legislation was not enacted before the prior experiment expired on June 30, 1990. Therefore, on July 1, 1990, all simulcasting within New York State ceased. On July 1 and 2, 1990, the Legislature considered the omnibus bill. It was passed by the Legislature in the early morning hours of July 2, 1990 and

signed into law by the Governor early that afternoon as Chapter 346 of the Laws of 1990. Immediately upon the Governor's signing, simulcasting resumed that afternoon and evening. The specific provisions of Chapter 346 are discussed later in this report.

In making the provisions of Article X permanent, the Legislature continued to find that the racing, breeding and pari-mutuel wagering industry is an important sector of the economy of this State, providing substantial revenues to state and local governments, and employing thousands of State residents. The Legislature determined that simulcasting has the potential for strengthening and furthering these economic contributions, and that it is in the best interest of the State to continue to encourage simulcasting.

The Legislature continued general supervisory and regulatory jurisdiction for all simulcasting in the New York State Racing and Wagering Board (Board) in accordance with basic guidelines established by the Legislature in Article X. In exercising its regulatory authority, the Board was directed (by the Legislature) not to authorize any simulcasts which would jeopardize present racing or employment opportunities or which would infringe on the current operations or markets of the race tracks and the regional off-track betting corporations which generate significant revenues for local governments in the State.

Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law (hereinafter Racing Law) requires the Board to submit annually a report on March thirty-first following each year in which simulcasting is conducted, to the Governor and the Legislature. This report on simulcasting is to evaluate its compatibility with the well-being of the horse racing, breeding and pari-mutuel wagering industries in the State, and the Board is to make any recommendations deemed appropriate. In accordance with the statutory mandate, the Board respectfully submits this, its sixth report, for the year ending December 31, 1990.

#### DEFINITIONS

In order to better understand this report on simulcasting, several specialized technical terms must be defined.

A SIMULCAST is the display of live audio and visual signals of thoroughbred, harness or quarterhorse races conducted at a track in the State for the purposes of pari-mutuel wagering at a site away from the track.

A SENDING TRACK is the race track holding the races from which simulcasts originate.

There are three types of SIMULCAST RECEIVING FACILITIES - an OTB SIMULCAST BRANCH (including an OTB telebranch and an OTB enhanced telebranch), a RECEIVING TRACK or a SIMULCAST THEATER (including demonstration projects).

An OTB branch is the ordinary operating component of an OTB corporation, which is authorized to accept wagers. When simulcasting is permitted, it is then licensed as an OTB SIMULCAST BRANCH. This type of facility only offers the audiovisual signal of the races.

During 1985, a special type of OTB branch was developed, called a TELEBRANCH. A telebranch is a licensed OTB branch with additional amenities for patrons, including larger screens, food and non-alcoholic beverage service.

Chapter 919 of the Laws of 1986 as amended by Chapter 467 of the Laws of 1989 created a third category of OTB branches which offers simulcasting. The Board has classified this category as an ENHANCED TELEBRANCH. An enhanced telebranch has all the amenities of a telebranch. In addition, an enhanced telebranch serves alcoholic beverages with the approval of the Board and issuance of appropriate licenses by the New York State Liquor Authority. The statute authorizes 15 enhanced telebranches in New York City and no more than three (3) such facilities per county for all other regions. The statute sets forth the minimum seating requirements in a restaurant setting for this new type of facility and authorizes the use of credit cards for the purchase of food and beverages. In such telebranches and enhanced telebranches, OTB corporations have the option to charge an admission fee. Such fee is subject to the approval of the Board, and subject to state and local admission taxes.

A RECEIVING TRACK is a licensed pari-mutuel race track where simulcasts, which originate from another licensed pari-mutuel track, are displayed.

A SIMULCAST THEATER is defined as a public entertainment and wagering facility. It has such amenities as a large projection screen, a display system for odds, pools, and payout prices, areas for viewing and seating, food, alcoholic and non-alcoholic beverage service. An admission fee is charged, and winning wagers on simulcast races are not subject to the 5% OTB surcharge.

In the July 1985 legislation, special types of simulcast theaters called SPECIAL DEMONSTRATION PROJECTS were created for purposes of stimulating economic development, employment opportunities and state and local revenues. These special demonstration projects were authorized only in privately owned hotels in Sullivan and Ulster Counties for the exclusive use of guests of the hotel. Hotels in Greene County were made eligible by a 1986 statutory amendment. Additionally, one such special demonstration project was authorized within the City of New York. These facilities were authorized to be operated (a) by an OTB corporation or (b) jointly by an OTB corporation and a track. In either case, an outside or third party may participate in the operation of these facilities. Only one such facility, in Greene County, is in operation.

Simulcasting uses the existing PARI-MUTUEL SYSTEM of betting (the only legalized form within the State of New

York). In that system, all monies bet on a given race go into a pool. Odds on each horse or combination of horses are based upon the amount of money bet on each horse or combination in relation to the amount of the pool. Neither the track at which the races are run nor OTB contributes any funds to the pool from which winning bets are paid.

During the first year of the experiment (1984-85), minimum compensation to tracks simulcasting to OTB branches was calculated on the basis of incremental handle.

INCREMENTAL HANDLE was defined as the amount by which total monies bet at designated OTB facilities during the simulcast experiment exceeded the total amount wagered in those facilities during a previous non-simulcast time period. That time period was defined by statutory formula. Simply stated, it was the difference in a simulcast branch's handle before and after simulcasting.

Currently, compensation to the sending tracks by off-track betting corporations and receiving tracks is by agreement and, while some of the agreements still calculate on the basis of incremental handle, the computation of incremental handle differs substantially from the former statutory formula. In calculating simulcast handle, several of the agreements allowed for what has been called cannibalization.

CANNIBALIZATION is the reallocation of bettors and their dollars to a simulcast facility from nearby OTB branches which do not have simulcasting. Again, simply put,



simulcast branches tend to draw customers from non-simulcast branches.

The July 1985 amendments to the simulcast statute deleted the incremental handle standard and its statutory formulation, and left compensation as a matter to be agreed upon by the tracks and the OTB corporations.

However, a new formula defining simulcast handle was written. The new definition does not apply to compensation to be paid by an OTB corporation for simulcasting. It serves as the basis for computing tax credits now granted by the State to the tracks (except the New York Racing Association) as an incentive to encourage the tracks to simulcast their races to OTB branches. For this purpose, SIMULCAST HANDLE is defined as the entire handle of an OTB simulcast branch on the races of the track being simulcast.

OVERVIEW: THE SIMULCAST EXPERIMENT - 1984 to 1990

With the statutory conclusion of the simulcast experiment (July 1, 1984 - June 30, 1990), the Board seeks to assess the experiment.

While the Board's Annual Simulcast Reports have detailed specific activities for each calendar year, we have not attempted an overall summary until this time. In addition to the narrative, the Board's audit staff has prepared comprehensive summary schedules covering the ten-year period 1981 to 1990 describing on and off-track betting handles, distribution of revenues from on and off-track betting and OTB net earnings and surcharge available for localities. The final chart in this section summarizes OTB total handle by corporation since the inception of off-track betting.

During Governor Cuomo's tenure, statewide pari-mutuel handle both on and off-track increased by over \$350 million to \$3.3 billion. This is in large part due to the introduction of simulcasting in 1984, principally off-track. The results on-track are not as promising.

On-track thoroughbred racing showed some decline during the period from 1983 to 1990. Total attendance dropped by over 600,000 persons, while handle declined from \$968 million to \$830 million, a decrease of over \$138 million. In accordance with the drop in handle, revenue to state and local governments from thoroughbred racing on-track also declined slightly. The thoroughbred industry has

successfully utilized simulcasting (particularly track to track simulcasting) to recoup some of its losses. In 1990, the New York Racing Association and Finger Lakes Race Track's in-state track to track simulcasts generated handle of over \$124 million. When included in the on-track thoroughbred handle, 1990's total rose by some \$74 million compared to 1983.

The State's harness industry has not shown the ability to maintain its financial position, despite the innovative concept of simulcasting or the additional tax relief legislation which has been in place during most of this period. The State saw one harness track, Roosevelt Raceway, close its doors in 1988, while the other tracks continue in steep decline. Despite an increase of more than 40 racing programs in 1990 (over 1983), attendance fell by over two and a quarter million people, while handle dropped over \$250 million. In this sector, the decline in other indicators, such as State revenue, is clear. For example, in 1983, New York State received over \$34 million in pari-mutuel tax revenues from the harness tracks; last year the State received only \$5.7 million from the pari-mutuel tax on harness racing. This reflects both a decline in harness handle, as well as a reduction in the pari-mutuel tax rates. The Board does not foresee any indication that business may increase in the future.

Off-track betting conducted by six public benefit corporations, saw significant benefits as a result of

simulcasting, begun in 1984. In comparing the year 1983 (pre-simulcasting) with 1990, one can see the results: handle increased by more than \$340 million so that in 1990 off-track's total handle of \$1.9 billion exceeded the combined statewide on-track handle for all tracks by over \$518 million. In addition, off-track betting provides significant sources of revenue for the local governments (\$101 million), the race tracks (\$108.3 million), the State (\$28.9 million) and the breeding funds (\$11.5 million). With over 260 branches, more than half of which simulcast races and some of which are enhanced facilities offering additional amenities and services, OTB's handle has continued to rise.

Despite its problems, the horse racing and breeding industry remains a significant component in the State's economic scheme. The industry provides tens of thousands of jobs statewide.

It ranges from veterinarians to grooms on-track, clerks and technicians off-track, managers and farm help at the breeding sheds, as well as many outside vendors and suppliers. In addition, it has been and continues to be an essential part of each area's local economy, often providing a key element in maintaining the vitality of communities.

#### ASSESSMENT OF RESULTS

During the experimental simulcasting period (1984-1990), there has been no real growth. While annual total handle has risen \$174 million to \$3.3 billion, that is an

increase of only 5.5%, well below the rate of inflation and represents a substantial loss in "real dollars".

As was to be expected, on-track handles declined over the period by \$298 million to \$1.274 billion (only partially offset by track to track handle increases of \$128 million) with harness tracks' handle falling an alarming 42%.

Off-track betting, which would have been expected to benefit substantially from simulcasting, did rise \$341 million to \$1.924 billion for the period, but its rate of rise (21%) over the six years was also a loss in "real dollars" for the period.

What trends, if any, emerged during the six years indicated a shift of night harness racing handle to daytime simulcast thoroughbred handle and, to a lesser extent, to harness handle at OTB facilities. On-track harness handle declined \$209 million during the six-year period. Track to track thoroughbred simulcasting at harness tracks, however, grew by \$90 million, and off-track betting on harness races increased only \$12 million.

Yonkers/Roosevelt Raceways' total on-track handle in 1984 was \$162 million greater than the now sole Yonkers' operation in 1990, while NYRA simulcasts at Yonkers attracted \$56 million in a curtailed 1990 and off-track betting actually declined by \$1 million.

Saratoga Raceway lost \$18 million in on-track harness handle during the period, but gained \$20 million in NYRA

track to track simulcast handle and only held even in OTB handle.

One other notable event was the dramatic growth in the Finger Lakes thoroughbred off-track handle from the simulcasting of its races to a statewide OTB audience on Tuesdays and to regions outside New York City and Nassau County on other days. For the period, Finger Lakes off-track handle increased \$77 million (an increase of 1/9%). On dark days, Finger Lakes competed not only with out-of-state thoroughbred tracks, but also against metropolitan harness tracks which conducted afternoon racing.

The Finger Lakes results seem to have been the only statistics which met the optimistic predictions for simulcasting.

While simulcasting as a growth generator was disappointing, it still may have stemmed substantial erosion of the pari-mutuel betting dollar. For the five years before simulcasting, total handle grew only \$49 million (1.5%), on-track handle declining \$72 million (4.4%) and off-track only increasing \$120 million (8.2%). During the simulcasting experiment (1984-1990), total handle increased \$174 million (5.5%), declining \$169 million (11%) on-track and increasing \$334 million (21%) off-track.

#### SIMULCASTING BEFORE 1984

Prior to the commencement of the experimental scheme in July 1984, several limited simulcast programs were authorized.

Within the State, the Legislature authorized the New York City Off-Track Betting Corporation to display in two existing OTB facilities on Staten Island, the telecast of live audio-visual signals of harness racing. This experiment began in October 1981, at the Grant City and Richmond Avenue branches. A similar program was undertaken in Suffolk County by that county's regional off-track betting corporation in March 1982, at its Sun Vet and Shirley branches. The authority for this simulcasting expired on June 30, 1985 (pursuant to Section 521(8) of the Racing Law, as amended). Continued simulcasts to these locations were treated as regular simulcasts, under the provisions of Article X.

Subsequent developments during the past seven years (1983-1989) are briefly summarized in the following narratives for off-track betting corporations and race tracks in New York State.

#### WESTERN REGIONAL OTB

Simulcasting at Western Regional Off-Track Betting Corporation began to expand dramatically in 1986. Western grew from three simulcast branches in 1984 and 1985 to 30 in 1986. From 1980 to 1985, thoroughbred racing showed modest gains overall. The handle rose from \$95.6 million in 1980 to \$102 million in 1985, a 7.3% increase. In 1982 and 1985, there was actually a drop in handle from the previous year. The harness handle was much worse. From 1980 to 1985, the handle declined from \$50.9 million to \$40.7 million, a



decrease of 20%. This occurred during a steady expansion of the general economy.

Coincidental with the expansion of simulcasting in 1986, was a large increase in the thoroughbred handle. The handle increased to \$120.2 million or 17.1% over 1985. This was followed by increases of 14.8% to \$138 million in 1987, 3.6% to \$143 million in 1988 and 1.4% to \$145 million in 1989. By 1990, Western had simulcasting in 45 of 47 branches. The saturation effect can be seen in 1988 and 1989. The dramatic handle increases of 1986 and 1987 began to diminish with the continuing presence of simulcasting in most of Western's branches.

A certain amount of handle was undoubtedly cannibalized from non-simulcast branches. However, such large gains in 1986 and 1987 broke the early 1980's pattern of slow and erratic growth. Much of the early gains must be considered wagers by new fans or increased wagers from old ones.

Harness racing saw steady, if unspectacular growth with the advent of simulcasting. The handle increased in 1986 to \$47 million or 15.5%. In the following years, handle increased much slower. In 1987, the handle increased to \$49.5 million or 5.3%, \$50.2 million or 1.4% in 1988 and \$51.9 million or 3.3% in 1989. Although growth has remained small, simulcasting reversed a trend of erratic, overall decline in total handle from 1980 to 1985. The increase in total handle generated by simulcasting has benefited all

those who participate in racing and base their revenues directly on a percentage of handle.

Local governments' revenues are determined by several other factors. Surcharge is a function of the amount of winning wagers placed in a region. It is also affected by the 1985 statutory amendment which allows an OTB corporation to retain as operating revenues 90% of a corporation's share of surcharge on wagers placed outside a special betting district while the track in the special betting district is simulcasting. Surcharge revenues grew dramatically from 1985 to 1987, rising approximately \$1 million per year. Since that time, total surcharge generated has remained constant at approximately \$8 million per year.

The net benefits to localities are paid only after all operating costs of the corporations are deducted. Therefore, the net benefits to localities are a function of the spending policies of the corporation. Net benefits to localities have remained constant since 1986 in Western at approximately \$4 million per year. One factor contributing to this is Western's ambitious capital construction policy which may eventually produce steady, long-term profitability. However, both surcharge and net benefits to localities are up considerably over the pre-simulcast period.

#### CAPITAL REGIONAL OTB

Simulcasting began at Capital OTB in 1984 and has expanded to nearly every branch. Capital has accomplished

this by converting an average of five or six branches to simulcast branches each year. Since Capital has achieved near total simulcasting, it is focusing more attention on converting simulcast branches to telebranches and enhanced telebranches.

Capital OTB's handle has grown an average of 9.3% per year from 1984 to 1989 (over 54% from 1984 to 1989). This growth is well above the rate of inflation for this period, which averaged approximately 3.7% per year. Along with the increase in total handle came an increase in simulcast handle. After the initial cannibalization with the introduction of simulcasting, Capital's simulcast handle increased at a slightly higher rate than total handle (little cannibalization). In recent years, with the stabilization of total handle and the continuing climb in simulcast handle, it appears cannibalization is increasing.

The increased handle may be attributed in part to Capital OTB's aggressive capital improvement plan. From 1985 to 1989, Capital has expended approximately \$13.2 million on improving branches. Most of this money was spent on the simulcast theater and to upgrade branches to telebranches and enhanced telebranches. The return on portions of this investment has been minimal.

Financing for these projects has been obtained through bank borrowing. The method of financing as well as the amount may be the reason for Capital's low return to its participating counties. In 1984, Capital returned \$2.7

million to its participating counties representing 1.9% of its handle. This return has decreased to \$783,000 or 0.34% of handle in 1989. The total return for the period 1984 to 1989 was \$10 million or 0.9% of handle. Western OTB, which is very similar to Capital OTB in size and handle, returned \$22.1 million or 2.1% of handle for the same period. Included in these returns was a \$1 million a year guarantee to the City of Schenectady for the years 1976 through 1987. While the expiration of this guarantee did not change the total amount of benefits to participating counties, it did change how the monies were distributed.

Capital OTB has attempted to increase handle with frequent and inventive promotions. While Capital has expended large amounts of the corporation's money on these promotions, few of them have shown measurable results.

#### CATSKILL REGIONAL OTB

The first of Catskill OTB's simulcast experiments began in August of 1984. In total, 14 simulcast experiments at eight branches were conducted. All eight branches displayed races from the New York Racing Association (NYRA) while six of those same eight branches simulcast harness races from Roosevelt Raceway. These eight branches immediately increased their net handle over the previous year by 25%.

In 1985, three additional existing regular branches were made into simulcast branches, bringing Catskill to a total of 11 simulcast branches. Besides NYRA and Roosevelt, Yonkers Raceway and Finger Lakes Race Track simulcast

signals were added. Because of the simulcast statute which provides that regional tracks could veto simulcasting of races to any branch within 31 miles of its location, Monticello blocked Catskill from receiving simulcast signals from any harness track at a Catskill branch in Middletown, New York. During this year, simulcast expenses of Catskill approached \$1.5 million. Included in these expenses were wages, additional computer costs, satellite system fees, simulcasting compensation to the tracks, administrative and promotional costs. Also during 1985, legislative authorization for "special demonstration projects" for simulcasting into privately owned hotels in Sullivan and Ulster counties for registered guests only was given. This idea remained dormant for the rest of the decade because of Catskill OTB's inability to secure the necessary permission of participating parties headed by Monticello Raceway.

In 1986, Catskill simulcast branches increased by four to 15 simulcast facilities. In addition, Catskill OTB took advantage of 1985 amendments to the Racing Law and added restrooms and vending machines to four of its facilities. These facilities proved to be a convenience for the customer, but did not appreciably add to the betting handle of the corporation.

In 1987, Catskill simulcast branches remained at 15. However, Monticello Raceway for the first time permitted simulcasting of harness races into Middletown. This was a change in its traditional position as its on-track patronage

and volume of business continued to decline, and it began to look for new sources of revenue. Two more simulcast facilities added restrooms and vending machines. Simulcasting expenses continued to spiral upward.

In 1988, Catskill OTB opened its most modern simulcast facility in Nanuet. It met with opposition from Yonkers Raceway management which prevented Catskill OTB from having both the simulcast and the live call of any harness racing at Nanuet. In effect, this closed the Nanuet facility at 6 p.m. This facility is strategically located at the head of the Garden State Parkway where it joins with the New York State Thruway. It was built specifically to draw customers from New Jersey to New York State and away from the Meadowlands located in northeastern New Jersey.

In 1989, Catskill OTB continued with 16 simulcast facilities which displayed thoroughbred racing, but Nanuet was again stopped by Yonkers Raceway from simulcasting any harness racing whatsoever. One of the main Catskill OTB facilities was relocated. A crowded and uncomfortable Suffern simulcast branch was relocated to downtown Suffern at the site of a closed supermarket. In November, a new facility was opened with comforts not before known to Suffern patrons. It was immediately met with approval by Rockland County OTB customers who flocked to the new branch.

Throughout the more than five years of simulcast experiments, Yonkers Raceway has been consistently losing harness customers to OTB in New York City and Catskill as

well as to the Meadowlands. Yonkers also wanted to get the dollars bet directly at its track rather than at OTB. Additionally, Catskill OTB felt it was losing its daytime customers to Yonkers Raceway which had a track to track afternoon simulcast from the operating NYRA track.

Catskill OTB maintained that it was losing many customers from its Rockland and Orange County facilities to Yonkers. The average large bettor would go to the Yonkers simulcast because there was no surcharge on winning wagers at Yonkers, while there was a surcharge at all Catskill facilities as required by law. For example, a winning bettor bets \$50 to win on a NYRA race and the winning horse pays \$10 at the NYRA track. The winning bettor both at NYRA and at Yonkers receives a total of \$250 back. The winning bettor at Catskill OTB (because of the surcharge) receives not \$250 but \$235. Naturally, patrons who wager larger sums of money are going to patronize the facility where the payoffs are the greatest. The logical answer to this dilemma was for Catskill OTB to build a simulcast theater in Rockland County. This facility would charge an admission fee and pay track prices. Catskill OTB determined that this was not feasible because upon construction of such a facility, Catskill OTB would not be assured of having any simulcast signal from the race tracks for its customers as happened in Nanuet.

As the decade of the 1990's arrived, Catskill OTB found its simulcast contracts with NYRA, Yonkers and Finger Lakes



all had expired. Catskill OTB continued to accept wagers without simulcasting. Many Catskill OTB customers were content to place their bets and then listen to the live call from NYRA at the former simulcast branches. They could also call a "900" telephone number operated by an outside firm and pay to listen to the track announcer's stretch call of the race or watch the NYRA sponsored and produced evening television replay on their local cable system.

#### SUFFOLK REGIONAL OTB

The first simulcasting in New York State took place at two branches in New York City and started on March 3, 1982 at two branches in Suffolk County. The experiment was very well received. Harness handle at the two branches increased from \$10,000 per day to \$40,000 per day, but the high cost of delivering the picture (\$49,000 per month) ate up most of the profit.

In February 1984, the corporation switched from microwave to satellite for the simulcast picture and reduced the cost to \$17,000 per month.

The experimental branches offered no patron facilities; by law they were not permitted to do so. However, new legislation which took effect on July 1, 1984, extended the experiment for one year, and enlarged it to encompass the whole State. The legislation permitted restrooms and seating, authorized simulcast theaters, and included simulcasting from the rest of New York State's tracks.

In August 1984, Suffolk simulcast the NYRA/Saratoga meet, and NYRA simulcast handle immediately outpaced that of harness simulcasts.

Suffolk moved quickly in 1985 when the current law took effect, to streamline its operations and upgrade its branches. Eight branches have been closed since 1985, reducing the number of outlets from 27 in that year to 19 in 1989, including one simulcast theater. Suffolk has relocated four simulcast branches. A fifth branch, Hauppauge, became the newest simulcast branch. These new facilities are attractively appointed, with comfortable seats, vending machines and simulcast viewing areas. In addition, restrooms have been added to all the branches (except one) and most branches have been refurbished.

Suffolk is now looking at the remaining non-simulcast branches, hoping to combine some of them, reducing the number of locations by three. However, it may be hampered by some landlords refusal to rent to OTB.

Suffolk's simulcast theater, "Tel-A-Race", was established in 1986. It was enlarged in 1989 from 7,000 to 14,000 square feet. The additional space allowed the corporation to increase the size of the restaurant area, and add four additional betting windows for a total of 14 windows. There is a new theater area, and 33 additional television sets. This larger space will permit Suffolk to do more promotions and special events. It has contacted

civic and professional groups seeking customers for a "Night at the Races" and similar events.

The simulcast theater has been very successful. Its handle has risen from an average of \$60,000 a day in 1986 to \$103,000 per day in 1989.

Suffolk Regional Off-Track Betting Corporation has enjoyed a very successful six years. Handle increased from \$141 million in 1985 to \$207 million in 1989. Profit, expressed as a percentage of handle, has risen from \$2.8 million, or 1.98% to \$5.4 million or 2.6%. The racing industry, the State, and the County of Surroik have all been beneficiaries of this increase.

In addition, surcharge income has risen from \$3.2 million in 1984 to \$3.8 million in 1989.

#### NASSAU REGIONAL OTB

Nassau Regional Off-Track Betting Corporation conducted three simulcast experiments in 1984 and grew to a high of 36 simulcast operations in 1989. These simulcast operations were all conducted at only ten of their 21 branches.

In 1984, Nassau OTB claimed a loss of \$23,000 as a direct result of simulcasting. In the years 1985 and 1986, the corporation considered that simulcasting was not a losing proposition, although no profits directly related to simulcasting were ever recorded. In 1987, Nassau OTB became involved in the area of improvements and capital investments, and in 1988, established a restructuring program which included the opening, closing and relocation

of various branches. These changes in 1987 and 1988 were made in response to simulcasting.

In 1984, Nassau OTB simulcast the NYRA/Saratoga meet into two branches. It also simulcast Roosevelt Raceway races into one branch.

In 1985, in addition to simulcasting NYRA and Roosevelt, Nassau OTB added Finger Lakes and Yonkers.

Nassau OTB's early efforts to increase simulcasting were marred somewhat by Yonkers constantly changing approval of various sites. This caused confusion among its customers and employees. In addition, Nassau OTB was never able to obtain a long-term contractual agreement with Yonkers. This resulted in frequent changes in the level of compensation paid to Yonkers. Nassau OTB's relationship with Yonkers in requesting and/or receiving permission for expansion has improved.

In 1986, Suffolk Meadows Race Track (quarterhorse) and Monticello Raceway were added to Nassau's list of simulcast tracks. It should be noted that Roosevelt Raceway was not part of Nassau OTB's simulcast handle in 1986.

In 1986, as in the previous two years, simulcast operations at Nassau OTB were limited because of the statutory track consent requirements, the close proximity of Nassau OTB's branches to local tracks (Belmont, Roosevelt) and self-serving interests. At times, negotiations became disputes that gave rise to open hostility among the parties that were aired publicly. This was the year Nassau OTB

introduced Self-Automated Machines (SAMs) into 11 branches. These color-coded, touch-activated, teller-less betting machines were exclusively used by Nassau OTB. Restroom facilities were installed in some simulcast branches.

In 1987 and 1988, Nassau OTB reduced its simulcast tracks to NYRA, Yonkers and Monticello (one day). Two additional satellite receivers were purchased, bringing its total to nine. The relationship with its regional harness track worsened. Roosevelt Raceway refused to simulcast into Nassau branches during any part of 1987 or 1988. Nassau OTB, in turn, denied Roosevelt Raceway consent to conduct track to track wagering on NYRA. With the closing of Roosevelt Raceway in 1988, this persistent problem for Nassau OTB became moot.

In the area of improvements and capital investments, Nassau OTB spent a quarter of a million dollars renovating and relocating its Green Acres branch in 1988 only to be denied simulcast from NYRA.

In 1987, a new concept to increase handle was suggested by corporate management. Nassau wanted to install a combined telephone and video display screen unit, a Direct Line System in various locations. It remained under review until the latter part of 1989 when a one-year limited experiment was authorized. To date, this system has not been activated.

In 1988, Nassau OTB simulcast races from NYRA, Yonkers and Monticello. Nassau's commitment to SAMs continued to

progress at a steady pace. The number of SAMs increased to 150 as compared to 115 in 1987.

In 1988, Nassau OTB established a restructuring program which included the opening, closing and relocation of various branches. A new branch in Jericho was opened. It offered simulcasting from NYRA, Yonkers, Finger Lakes and Monticello. There were many SAMs available for use plus comfortable seating.

In 1989, the Hicksville branch was relocated. This branch was unique in that it offered the use of "Tiny Tims" to its patrons. These units enabled a patron to bet without leaving his/her seat. A patron must have a daily or a regular telephone betting account in order to use these Tiny Tims.

Since Nassau OTB began simulcasting in 1984, it has generated \$20.5 million in revenue to New York State in tax, breakage and uncashed tickets. The racing industry has benefited greatly from simulcasting to Nassau OTB. The tracks (NYRA, Roosevelt, Yonkers, Finger Lakes and Monticello) have jointly received \$53.7 million in statutory payments during 1984 through 1989, plus an additional \$4.3 million in contractual payments for a total of \$58 million.

The breeders funds (thoroughbred and harness) have jointly received \$6.1 million since simulcasting to Nassau OTB began in 1984.

Nassau County itself has received \$38.6 million from surcharge, plus \$29.6 million in net revenue for a total of \$68.2 million during 1984 through 1989.

Surcharge revenues to localities outside Nassau County totaled \$15.9 million for the years 1984-1989.

An overview for the years 1984 through 1989, shows that the dollar amounts rise substantially each year, but net revenue from handle is not as dramatic. Nassau OTB's net revenue as a percentage of handle, has risen ever so slightly from 1984 through 1988, but has fallen a bit in 1989. The increased payments that Nassau OTB makes to obtain simulcasting, plus the cannibalization factor have shown that simulcasting is not the boon it was first made out to be.

#### NEW YORK CITY OTB

New York City OTB (NYCOTB) conducted a limited simulcast experiment for the period October 22, 1981 to July 1, 1985. On October 22, 1981, simulcasting of harness races commenced at two branches in Staten Island, New York. Both Yonkers and Roosevelt Raceways agreed to participate in this experiment. The two simulcast branches (Grant City and Richmond Avenue) showed dramatic increases in handle from the pre-simulcast figures, while thoroughbred handle declined significantly.

Simulcasting under the current statute commenced with the NYRA/Saratoga meet in August 1984 at the same two Staten Island branches which were receiving harness racing. NYCOTB



added one additional branch, at John Street in lower Manhattan, to receive the NYRA simulcast only on weekdays. Transmission of the signal began on December 10, 1984.

NYCOTB felt that fees charged by Roosevelt were too high to justify further televising of harness racing. Yonkers Raceway was unwilling to negotiate different terms from those agreed upon by Roosevelt. Therefore, at the conclusion of the Roosevelt meet on November 3, 1984, simulcasting into the New York City area was halted except for the two Staten Island branches. Simulcasting resumed under a new contract in 1985.

During 1984, NYCOTB did not make any capital investments, nor were any improvements made to branches for simulcasting.

In 1985, NYCOTB opened with 126 branches and ended with 118. Seventeen simulcast branches were operated, five of which simulcast NYRA races. Total 1985 simulcast handle was \$135.2 million, of which \$64.7 million was thoroughbred, and \$70.5 million was harness.

In 1986, NYCOTB opened with 118 branches and ended with 110. A total of 128 simulcast operations were conducted. Thirty-two branches simulcast Saratoga thoroughbred races that year, as well as varying numbers of branches for other NYRA tracks and Finger Lakes. Simulcasts of harness races were displayed from Yonkers, Roosevelt and Monticello Raceways. The major event of 1986 was the opening of New York City's first simulcast theater, the "Inside Track", at

1011 Second Avenue, Manhattan. Its total 1986 handle was \$26.4 million, with a daily average handle of about \$100,000. This is to be compared with NYCOTB's total 1986 simulcast handle of \$269.2 million (of which \$176.8 million was thoroughbred, and \$92.4 million was harness) out of a total corporate handle of \$947.8 million (of which \$749.9 million was thoroughbred and \$197.9 million was harness).

NYCOTB opened with 110 branches in 1987 and ended with 106. The number of simulcast branches increased to 36. A total of 131 simulcast operations were conducted. The significant event of 1987 was the opening of the second simulcast theater, the "Select Club", at 165 Water Street, Manhattan. Opened on March 24, 1987, its total handle was \$17.1 million. This, added to the total 1987 handle for the "Inside Track" (\$40.8 million), produced a combined simulcast theater total handle of \$57.9 million. This figure compared with the NYCOTB 1987 simulcast handle of \$373.2 million, of which \$272.2 million was simulcast thoroughbred handle, and \$101 million was simulcast harness handle.

In 1987, the proportion of simulcast thoroughbred handle showed a sharp increase compared with simulcast harness handle over 1986. It was also a year in which thoroughbred vs. harness simulcast handle showed an increase for thoroughbred. The year 1985, the first significant one for simulcast handle, showed a simulcast thoroughbred-to-harness handle ratio of about 6.4 to 7 or slightly less than

even. In 1986, the ratio changed to almost 2 to 1, in favor of thoroughbred. In 1987, the ratio increased to about 3 to 1, in favor of thoroughbred.

In 1988, NYCOTB opened with 106 branches and ended with 102. A total of 129 simulcast operations were conducted. The number of simulcast branches remained constant at 36.

The "Select Club", operating for its first full year, generated \$30.1 million in handle. The "Inside Track" generated \$43.9 million in handle, with both theaters' combined total handle reaching \$74 million, another record.

The 1988 total simulcast handle was 38.4% of NYCOTB's corporate handle, which exceeded \$1 billion (though down \$3 million from 1987). Of the \$1 billion-plus corporate handle, \$821 million was for thoroughbred and \$179 million was for harness. Of the \$384.4 million simulcast handle, \$286.1 million was for thoroughbred and \$98.3 million was for harness.

In 1989, NYCOTB opened with 102 branches and ended with 100. The number of simulcast branches remained constant at 36. A total of 129 simulcast operations were conducted. "Select Club" handle was \$33 million; "Inside Track" handle was \$42.4 million; both combined were \$75.4 million, or about \$1 million higher than 1988. Total NYCOTB simulcast handle for 1989 was \$363.2 million (\$275.6 million thoroughbred and \$87.6 million harness) which was 38.6% of NYCOTB's 1989 corporate handle of \$940.8 million.

During 1989, two new telebranches opened. One, at Williamsbridge Road, the Bronx, replaced two smaller nearby branches. Handle thus far has been below expectations. This facility was affected by a dispute between NYRA and NYCOTB over simulcasting. It was finally agreed, in late November, that simulcasting was to be allowed on the first floor, but resolution of the upstairs portion (enhanced telebranch) was put off until June 1990. NYCOTB transferred simulcasting from its Parkchester branch to Williamsbridge Road when the agreement was reached. Therefore, this branch has no additional amenities and, as of the end of 1989, has had no approval by the State Liquor Authority for a license to operate bar facilities.

The second telebranch opened in Staten Island, replacing a nearby branch. Handle thus far has not been up to expectations. Known as the "Winner's Circle", it had sought permission from the Board to charge a \$2 admission fee. The Board approved the fee contingent upon full food and beverage service (including alcohol) being made available to customers. Judicial review by NYCOTB is being sought on the Board's determination. The amenities are not currently available.

The year 1989 saw the onset of a diminishing NYCOTB handle. Reasons given have been extremely bad weather and factors beyond NYCOTB's control. In any case, there can be no doubt that escalating operating costs, particularly rents, are a contributing factor. In 1989, the corporation

spent over \$8.7 million for rent alone, a one year increase of over \$1.2 million. Continued escalation of rents is a certainty for the years to come. Simulcast costs exceeded \$1 million in 1988 and \$900,000 in 1989.

Revenues have decreased during the past few years as well. Total operating revenue dropped about \$5.5 million from 1988 to 1989, while total operating expenses increased about \$2.6 million in the same period.

During the five-year period, simulcast handle has become an ever-increasing percentage of corporate handle: from 15.5% in 1985; 31% in 1986; 38% in 1987; 38.4% in 1988 and 38.6% in 1989.

In the same five-year period, the number of branches has been decreasing steadily, from 126 at the beginning of 1985 to 100 at the end of 1989. Total rent costs, however, have been increasing, as cited previously.

Lastly, revenues peaked between 1986 and 1988 and have gone down perceptibly since. Benefits to New York City from operations respectively were: \$10.7 million, \$11 million and \$12.7 million for 1986, 1987 and 1988. This constituted approximately 1.1% of NYCOTB's total handle. In 1989, a sharp drop to \$4.7 million (0.5% of handle) occurred. NYCOTB revenue to all tracks showed, respectively, amounts of \$49 million, \$52.3 million, \$52.2 million for 1986, 1987 and 1988, with a drop to \$48.4 million in 1989. Total revenue from surcharges showed a similar pattern, respectively, from \$39.4 million, \$40.2 million, and \$39.1

million for 1986, 1987 and 1988. In 1989, it dropped to \$36.6 million.

The high plateau of expansion and increased revenue from larger handles was reached in the 1986 - 1988 period, and it remains to be seen whether improved marketing, better weather and enhancements or upgrading of existing facilities will keep handles from shrinking further.

With operating costs escalating, and increased competition from other forms of gambling available, such as lotteries, casinos in neighboring states and a current generation of potential bettors more interested in sports than in racing, new methods and ideas will have to be explored if NYCOTB wishes to maintain its pre-eminent position among State OTB corporations. Simulcasting has clearly been, during its brief existence, the bright spot of NYCOTB's overall operation.

#### TRACK TO TRACK SIMULCASTS:

The first track to track simulcast experiment was the display of NYRA's Saratoga thoroughbred meet to Aqueduct Race Track in August 1984. The simulcast handle from 1984 to 1989 has consistently remained in the \$30 million range; accordingly payments made to the State, the horsemen (as accrued purse obligations) and the thoroughbred breeding fund have remained fairly constant. Daily average attendance during this period (1984-89) was 6,384 and daily average handle was \$1.2 million.

In 1984, NYRA contributed \$2.4 million from Aqueduct operation to the New York State Thoroughbred Racing Capital Investment Fund. In 1985, a statutory amendment directed that the resulting simulcast profits be retained by NYRA rather than the Fund. As a result, simulcast profits of \$10.8 million from 1985 to 1989 were included in NYRA revenues during those years, and were subject to the State's franchise tax on NYRA.

During the simulcast period, contrary to other on-track trends, Saratoga Race Track has grown in popularity. It has experienced increases in handle and attendance from \$76 million in 1984 to \$85 million in 1989, while attendance has risen from 690,000 in 1984 to 726,000 in 1989.

In 1984, NYRA entered into agreements with Buffalo Raceway, Finger Lakes Race Track and Saratoga Raceway for the simulcast and acceptance of wagers on NYRA races. Finger Lakes and Saratoga Raceway's first years of simulcasting were deemed successful and have continued to be successful. Buffalo Raceway took the NYRA simulcast from 1984 to 1986, but discontinued the simulcast in 1986 because it wasn't profitable.

Saratoga Raceway's track to track simulcast handle has grown from \$6 million in 1984 (108 days) to \$18.9 million in 1989 (282 days), while on-track handle during the corresponding period has decreased from \$46 million to \$31.5 million.

The purse money distributed to horsemen from on-track handle (from 1984 to 1989) has declined from \$5.9 million to \$5.3 million. From 1984 to 1989, the NYRA simulcast has generated \$678,000 in purse money for Saratoga's harness horsemen or an average of \$113,000 annually.

Although Saratoga Raceway's on-track handle has declined while the NYRA simulcast has increased, it is difficult to say definitively that the NYRA simulcast has cannibalized the on-track harness handle. The NYRA simulcast may be a contributing factor, but regardless of that fact, on-track harness handle might have continued to decline.

Finger Lakes on-track handle has remained relatively steady during the 1984 to 1989 simulcast of NYRA races. The on-track handle has averaged approximately \$50 million per year during this period, while the NYRA simulcast handle has fluctuated from a high of \$9.8 million (194 days) in 1985 to a low of \$5.9 million (88 days) in 1989.

In 1985, Finger Lakes experienced a poor opening meet, with on-track wagering down by almost 20%. Horsemen attributed the sharp decline to simulcasting and called a four-day strike in August. Thereafter, an agreement was reached barring simulcasting during the race meeting except for certain stakes and graded events.

It should be noted that prior to the strike, there had been simulcasting from NYRA on FLRA dark days. Then simulcasting was stopped 15 days prior to the commencement



of the racing season for 1986. In subsequent years, simulcasting continued until the meet began. This explains the dramatic drop in the number of days of NYRA simulcasting to Finger Lakes through the years.

The NYRA simulcast to Finger Lakes has continued to be successful. However, the competition of a premier thoroughbred product with its own racing had a dramatic effect on FLRA's on-track handle in 1985. In order to maximize its own product, FLRA had to exercise prudent business judgement relative to the NYRA simulcast.

The NYRA to Yonkers Raceway simulcast has been the most successful track to track simulcast operation in New York State. This simulcast began on March 24, 1986 after long negotiations between Yonkers Raceway and NYRA, the Standardbred Owners Association (SOA), New York City OTB and Catskill OTB. New geographic boundaries were established to facilitate this experiment and to allow Yonkers Raceway's live racing to be shown at the simulcast theater, The Inside Track. The contract between Yonkers Raceway and the SOA, provided that, when Yonkers conducted harness racing, the horsemen would receive (as accrued purse obligations) 50% of the net revenue from wagering on NYRA races.

From 1984 to 1989, Yonkers simulcast handle has risen from \$56.7 million in 1986 (242 days) to \$105.8 million in 1989 (306 days). As a result, this simulcasting has generated an enormous sum of money for NYRA and its horsemen as well as Yonkers Raceway and its horsemen. From 1986

through 1989, NYRA and its horsemen received \$26.5 million, Yonkers Raceway received \$13.5 million and the Yonkers horsemen received \$4 million in accrued purse obligations.

The horsemen's share of the revenue stream increased dramatically with the closing of Roosevelt Raceway in 1988, because the SOA agreement with Yonkers Raceway provided sharing 50% of the net revenue only when there was racing at Yonkers Raceway.

Even with the closure of Roosevelt Raceway and with Yonkers Raceway assuming its dates, the aggregate on-track handle continues to decline. The NYRA simulcast has been an important component in maintaining Yonkers Raceway's profitability.

The simulcasting of NYRA races to out-of-state tracks has grown dramatically from \$5.4 million in 1984 to \$53.5 million in 1989.

NYRA's on-track handle was \$942 million in 1984 and has dropped to \$838 million in 1989, a decrease of \$104 million. However, the handle at track to track wagering sites has grown from \$8.6 million in 1984 to \$161.8 million in 1989, an increase of \$153.2 million. As a result, NYRA's overall handle has increased to \$1 billion, but its growth has been due to its track to track simulcasting.

Until the end of 1989 no harness racing had been simulcast track to track in New York State. Among the reasons given for this "failure" to undertake experimentation is the concern that such simulcasting would

further erode on-track harness handle and attendance. During 1989-90, a Yonkers to Vernon simulcast experiment began. During 1990 and 1991, Buffalo Raceway and Batavia Downs began to simulcast each other's races during their respective dark days. The results of these operations are discussed in the body of this report.

Summary of On and Off Track Betting Handles 10 years 1981-1990

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Thoroughbred On Track Handles</u>										
Betting On Track's Own Racing	\$943,803,900	975,009,346	967,949,064	993,759,727	969,147,310	947,582,302	933,722,020	930,171,955	885,577,374	917,733,447
Track to Track Betting	-----	8,637,069	63,991,364	110,584,644	158,722,958	154,687,283	154,687,283	154,687,283	161,793,488	124,548,767
Total On-Track Thoroughbred	<u>943,803,900</u>	<u>975,009,346</u>	<u>967,949,064</u>	<u>1,002,397,596</u>	<u>1,033,138,674</u>	<u>1,058,166,946</u>	<u>1,084,444,970</u>	<u>1,084,859,738</u>	<u>1,047,370,862</u>	<u>1,042,281,914</u>
<u>Harness-On Track Handles</u>										
Betting On Track's Own Racing	640,467,113	642,461,895	616,224,657	569,300,972	563,048,647	531,699,080	496,546,785	432,867,233	390,948,037	356,578,495
Track to Track Betting	-----	-----	-----	-----	-----	-----	-----	-----	440,015	3,440,000
Total On-Track Harness	<u>640,467,113</u>	<u>642,461,895</u>	<u>616,224,657</u>	<u>569,300,972</u>	<u>563,048,647</u>	<u>531,699,080</u>	<u>496,546,785</u>	<u>432,867,233</u>	<u>391,388,052</u>	<u>360,011,375</u>
<u>COMBINED ON TRACK HANDLES</u>	<u>1,584,271,013</u>	<u>1,617,470,441</u>	<u>1,584,173,721</u>	<u>1,571,698,568</u>	<u>1,596,187,321</u>	<u>1,589,866,026</u>	<u>1,580,991,755</u>	<u>1,517,726,971</u>	<u>1,438,758,915</u>	<u>1,402,293,289</u>
<u>Thoroughbred Off Track Handles</u>										
Betting on New York State Racing	1,033,729,207	1,052,993,311	1,006,395,855	1,123,592,422	1,127,017,113	1,276,036,035	1,306,370,593	1,448,077,666	1,436,390,769	1,486,393,010
Betting on Out of State Racing	77,072,592	76,940,106	83,114,518	97,507,862	84,417,655	77,049,128	89,907,954	85,868,954	79,586,112	63,143,633
Total Off Track Thoroughbred	<u>1,110,801,799</u>	<u>1,129,933,417</u>	<u>1,169,510,373</u>	<u>1,221,100,284</u>	<u>1,212,234,768</u>	<u>1,353,085,163</u>	<u>1,476,278,547</u>	<u>1,534,746,620</u>	<u>1,508,896,881</u>	<u>1,549,536,643</u>
<u>Harness Off Track Handles</u>										
Betting on New York State Racing	394,561,914	391,352,576	362,402,310	362,287,578	362,470,134	407,332,726	432,767,136	415,603,477	411,041,039	373,911,062
Betting on Out of State Racing	-----	-----	-----	25,217	16,434	-----	118,916	407,351	363,193	259,811
Total Off Track Harness	<u>394,561,914</u>	<u>391,352,576</u>	<u>362,402,310</u>	<u>362,312,795</u>	<u>362,494,568</u>	<u>407,332,726</u>	<u>432,886,052</u>	<u>416,090,828</u>	<u>411,404,232</u>	<u>374,170,873</u>
<u>COMBINED OFF TRACK HANDLES</u>	<u>1,505,363,713</u>	<u>1,521,285,993</u>	<u>1,531,992,683</u>	<u>1,583,493,079</u>	<u>1,574,729,336</u>	<u>1,755,417,889</u>	<u>1,909,164,599</u>	<u>1,950,837,448</u>	<u>1,920,301,113</u>	<u>1,923,707,516</u>
<u>Quarter-Horse-On &amp; Off-Track</u>										
<u>TOTAL HANDLES STATEWIDE BETTING</u>	<u>\$3,089,634,726</u>	<u>3,138,756,434</u>	<u>3,116,166,404</u>	<u>3,155,191,647</u>	<u>3,170,916,657</u>	<u>3,356,964,304</u>	<u>3,490,156,354</u>	<u>3,468,564,419</u>	<u>3,359,060,027</u>	<u>3,326,000,805</u>

11,680,469

SUMMARY OF DISTRIBUTIONS OF REVENUES FROM ON AND OFF TRACK BETTING 1981-1990

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>COMBINED HANDLES NY BETTING</b>	<u>3,089,634,726</u>	<u>3,130,756,436</u>	<u>3,116,166,404</u>	<u>3,155,191,647</u>	<u>3,170,916,657</u>	<u>3,356,964,384</u>	<u>3,480,156,354</u>	<u>3,468,564,419</u>	<u>3,359,060,027</u>	<u>\$3,326,000,758</u>
<b>COMMISSION AND BREAKAGE TAKEOUTS</b>	<u>582,280,227</u>	<u>584,240,186</u>	<u>586,289,523</u>	<u>606,603,950</u>	<u>605,810,981</u>	<u>642,071,405</u>	<u>664,076,505</u>	<u>659,376,882</u>	<u>638,201,826</u>	<u>633,344,659</u>
<b>REVENUES TO NEW YORK STATE</b>										
Commissions and Breakage-NY Betting	107,850,906	98,444,897	102,890,598	102,897,630	93,310,249	86,643,830	93,430,963	\$ 88,550,330	81,166,100	\$ 82,634,198
Commissions Connecticut OTB	2,525,957	2,546,341	1,744,697	958,426	902,983	878,984	888,629	328,469	573,793	438,009
Commissions Other States Betting	18,830	107,745	61,009	---	---	---	---	---	---	---
Unwashed Wilmington Tickets	7,676,597	8,314,767	8,494,080	8,055,032	8,342,742	8,785,133	9,164,880	9,775,764	9,290,999	8,741,929
State Admission Taxes	629,809	643,969	621,199	616,974	568,681	552,288	531,162	486,580	465,657	479,547
MRA Franchise Fees	9,200,986	6,895,456	4,892,390	12,677,931	10,727,032	1,854,891	3,546,304	1,571,366	---	800,000
Licenses, Fingerprints and Fees	501,819	711,492	798,161	847,716	865,247	900,537	850,184	1,048,449	1,470,435	770,143
Total Revenue To NY State	<u>178,492,904</u>	<u>117,664,167</u>	<u>119,502,134</u>	<u>126,048,659</u>	<u>114,716,934</u>	<u>99,615,583</u>	<u>107,932,172</u>	<u>101,660,958</u>	<u>92,966,984</u>	<u>93,863,826</u>
Less Credits To Tracks	<u>(1,021,023)</u>	<u>(1,285,225)</u>	<u>(1,157,940)</u>	<u>(242,719)</u>	<u>(1,387,350)</u>	<u>(3,235,250)</u>	<u>(4,142,889)</u>	<u>(3,625,994)</u>	<u>(3,786,834)</u>	<u>(3,446,731)</u>
Net Revenue To NY State	<u>177,471,881</u>	<u>116,418,942</u>	<u>118,344,194</u>	<u>125,805,940</u>	<u>112,929,584</u>	<u>96,380,333</u>	<u>103,789,313</u>	<u>98,034,974</u>	<u>89,180,150</u>	<u>90,417,095</u>
<b>REVENUES TO TRACK CORPORATIONS</b>										
Commissions and Breakage-NY Betting	278,876,899	288,493,202	285,035,700	293,761,723	309,559,866	329,744,501	329,137,220	325,771,956	315,998,278	\$312,120,945
Commissions Connecticut OTB	3,336,302	3,352,926	3,303,840	8,319,045	8,140,319	8,592,763	8,509,320	8,846,866	8,040,997	8,229,811
Commissions Other States Betting	32,524	190,429	---	---	---	3,197,021	3,976,242	4,729,167	6,246,284	6,230,334
Statutory Tax Credits	1,021,023	1,285,225	1,157,940	242,719	1,387,350	3,235,250	4,142,889	3,625,984	3,786,834	3,184,221
Total Racing Revenues To Tracks	283,266,748	293,281,782	289,497,480	302,323,487	319,087,555	344,769,535	346,765,591	342,973,973	334,072,393	329,765,311
Less Pursues From Track Commissions	<u>(115,367,201)</u>	<u>(120,108,036)</u>	<u>(124,074,652)</u>	<u>(122,599,903)</u>	<u>(135,135,248)</u>	<u>(140,727,837)</u>	<u>(146,576,864)</u>	<u>(185,512,366)</u>	<u>(138,074,353)</u>	<u>(146,031,256)</u>
Net Racing Revenues To Tracks	<u>167,899,547</u>	<u>173,173,746</u>	<u>165,422,828</u>	<u>179,723,584</u>	<u>182,952,307</u>	<u>204,041,698</u>	<u>199,188,727</u>	<u>197,461,607</u>	<u>195,998,040</u>	<u>\$183,734,055</u>
<b>REVENUES TO LOCAL GOVERNMENTS</b>										
OTB Surcharges	65,025,991	65,283,975	65,562,430	67,740,055	67,365,896	72,766,443	75,959,043	75,547,336	73,512,896	\$ 72,555,082
OTB Net Revenues (Profits)	46,096,054	35,749,130	31,089,642	29,676,146	22,137,079	29,867,237	33,721,944	35,672,751	29,073,278	20,664,366
Admissions and Local Taxes	1,599,802	1,407,342	1,354,565	1,263,623	1,118,400	1,092,800	1,312,857	1,380,496	1,327,424	1,181,803
Total Revenues To Local Governments	<u>112,676,847</u>	<u>102,440,455</u>	<u>98,006,637</u>	<u>98,687,824</u>	<u>90,621,375</u>	<u>103,226,480</u>	<u>110,493,844</u>	<u>112,600,583</u>	<u>103,913,598</u>	<u>\$ 94,401,251</u>
<b>COMMISSIONS &amp; BREAKAGE TO BREEDERS</b>	<u>15,273,182</u>	<u>15,610,387</u>	<u>15,579,440</u>	<u>15,777,331</u>	<u>16,787,074</u>	<u>20,973,619</u>	<u>21,973,619</u>	<u>21,518,604</u>	<u>20,809,982</u>	<u>20,305,534</u>

Summary of OTB Net Earnings and Surcharges Available For Localities 1981-1990

	New York City	Nassau	Suffolk	Catskill	Capital	Western	Combined
Met Earnings To Localities	\$25,443,121	\$8,543,363	\$6,249,875	\$2,163,166	\$1,656,502	\$2,035,027	\$46,091,054
Surcharge To Localities	38,472,567	6,509,001	5,302,898	3,466,146	4,788,929	6,485,450	65,025,991
Total Benefits 1981	\$63,915,688	\$15,052,364	\$11,552,773	\$5,629,312	\$6,445,431	\$8,520,477	\$111,117,045
Met Earnings To Localities	\$16,466,245	\$7,911,048	\$5,561,597	\$2,792,506	\$1,055,589	\$1,962,153	\$35,749,138
Surcharges To Localities	37,938,612	6,705,876	5,597,622	3,525,465	5,457,644	6,058,756	65,203,975
Total Benefits 1982	\$54,404,857	\$14,616,924	\$11,159,219	\$6,317,971	\$6,513,233	\$8,020,909	\$101,033,113
Met Earnings To Localities	\$11,274,116	\$7,014,084	\$4,990,814	\$2,759,296	\$2,106,448	\$2,944,084	\$31,089,642
Surcharges To Localities	37,048,169	6,854,888	5,859,246	3,800,891	5,872,734	6,126,500	65,562,430
Total Benefits 1983	\$48,322,285	\$13,868,972	\$10,850,060	\$6,560,189	\$7,979,182	\$9,071,384	\$96,652,072
Met Earnings To Localities	\$10,286,688	\$6,466,815	\$4,014,303	\$2,928,210	\$2,735,740	\$3,244,390	\$29,676,146
Surcharges To Localities	37,819,532	6,851,044	6,141,211	4,185,931	6,387,164	6,363,174	67,740,056
Total Benefits 1984	\$48,106,220	\$13,317,859	\$10,155,514	\$7,114,141	\$9,122,904	\$9,607,564	\$97,416,202
Met Earnings To Localities	\$6,963,677	\$5,318,502	\$2,793,826	\$2,788,110	\$1,590,578	\$2,682,386	\$22,137,079
Surcharges To Localities	37,290,802	6,656,311	6,037,802	4,590,404	6,764,447	6,026,130	67,165,896
Total Benefits 1985	\$44,254,479	\$11,974,813	\$8,831,628	\$7,378,514	\$8,355,025	\$8,708,516	\$89,502,975
Met Earnings To Localities	\$10,704,636	\$5,600,079	\$3,539,312	\$3,399,844	\$2,531,902	\$4,091,464	\$29,867,237
Surcharges To Localities	39,356,797	7,131,206	6,707,209	5,072,005	6,942,261	7,056,465	72,266,443
Total Benefits 1986	\$50,061,433	\$12,731,285	\$10,247,021	\$8,471,849	\$9,474,163	\$11,147,929	\$102,133,680
Met Earnings To Localities	\$11,036,354	\$6,557,830	\$5,302,616	\$5,093,800	\$1,032,887	\$4,198,449	\$31,221,944
Surcharges To Localities	40,216,008	7,687,530	7,087,236	5,553,400	7,475,432	7,988,937	75,959,043
Total Benefits 1987	\$51,252,362	\$14,245,360	\$12,390,352	\$10,647,208	\$8,508,319	\$12,187,386	\$109,180,987
Met Earnings To Localities	\$12,723,979	\$7,212,535	\$5,421,935	\$5,143,811	\$1,311,278	\$3,839,213	\$35,672,751
Surcharges To Localities	39,059,290	8,302,842	6,901,658	5,610,118	7,799,285	7,874,143	75,547,336
Total Benefits 1988	\$51,783,269	\$15,515,377	\$12,323,593	\$10,753,929	\$9,110,563	\$11,713,356	\$111,220,087
Net Earnings To Localities	\$ 5,104,996	\$ 7,462,982	\$ 5,662,689	\$ 4,912,754	\$ 782,941	\$ 5,146,911	\$ 29,073,273
Surcharges To Localities	\$36,154,477	\$ 8,835,633	\$ 6,857,329	\$ 5,582,217	\$8,015,546	\$ 8,067,694	\$ 73,512,896
Total Benefits 1989	\$41,259,473	\$16,298,615	\$12,520,018	\$10,494,971	\$8,798,487	\$13,214,605	\$102,586,169
Net Earnings To Localities	\$ 5,080,463	\$ 7,277,384	\$ 3,212,603	\$ 2,212,822	\$ 526,716	\$ 2,354,378	\$ 20,664,366
Surcharges To Localities	\$36,392,186	\$ 8,715,924	\$ 6,500,597	\$ 4,732,822	\$8,135,073	\$ 8,078,480	\$ 72,555,082
Total Benefits 1990	\$41,472,649	\$15,993,308	\$ 9,713,200	\$ 6,945,644	\$8,661,789	\$10,432,858	\$ 93,219,448

TOTAL HANDLE BY CORPORATION (SINCE INCEPTION)

	NEW YORK CITY	NASSAU	SUFFOLK	CATSKILL	CAPITAL	MESTERN	TOTAL
	\$	\$	\$	\$	\$	\$	\$
1971	110,586,586						110,586,586
1972	450,316,318				2,316,716*		452,613,234
1973	691,280,360				11,414,046*		702,694,406
1974	786,711,622				15,098,937*	13,440,146	813,250,705
1975	773,530,528	27,903,980	30,367,693		9,808,799*	55,219,443	906,858,411
1976	785,910,123	69,662,629	67,723,374	15,561,237	40,303,650	73,741,970	1,052,902,983
1977	777,437,682	90,692,862	77,426,355	41,729,116	55,041,267	85,725,016	1,128,052,298
1978	791,853,715	102,674,979	87,840,290	52,433,415	67,987,889	103,739,971	1,208,530,259
1979	835,815,437	134,958,752	109,146,866	66,849,752	91,720,613	133,535,290	1,372,026,710
1980	879,639,694	142,586,319	117,253,548	73,982,592	102,669,278	146,491,253	1,462,622,784
1981	891,276,192	149,594,168	122,394,141	80,120,747	108,653,823	153,324,442	1,503,363,713
1982	883,510,575	155,304,423	130,558,401	82,561,063	124,920,812	144,429,719	1,521,285,993
1983	866,764,759	159,442,909	136,539,171	88,668,362	134,616,018	145,961,464	1,531,992,683
1984	886,006,827	158,728,337	142,821,166	96,713,909	147,567,225	151,659,615	1,583,493,079
1985	871,867,750	155,085,757	140,669,804	106,083,129	157,719,562	143,303,334	1,574,729,336
1986	945,803,419	165,303,500	167,050,479	117,491,015	193,409,257	167,696,983	1,756,754,653
1987	1,003,377,015	180,195,868	195,381,498	132,723,923	209,892,621	187,591,674	1,909,164,599
1988	1,000,766,523	196,117,404	201,599,802	135,770,751	223,291,861	193,291,107	1,950,837,448
1989	940,787,164	212,472,817	206,786,117	135,137,777	226,130,290	196,986,948	1,920,301,113
1990	961,469,708	214,668,830	197,045,073	115,881,524	234,806,538	199,835,843	1,923,707,516

SUMMARY OF PROVISIONS OF THE RACING PARI-MUTUEL WAGERING  
AND BREEDING LAW GOVERNING SIMULCASTING

On July 2, 1990, simulcasting in New York was made permanent after various limited localized experiments followed by one and five-year statewide experimental periods. Chapter 346 of the Laws of 1990 is complex legislation. It is described in detail in the next section of this report. The following summary reflects both the actual wording of the law governing simulcasting as well as the Board's understanding of the stated intention of the drafters.

Intrastate Track to Track Simulcasting

The New York State Racing and Wagering Board may authorize any harness or thoroughbred racing association in New York State to conduct intrastate track to track simulcasting provided such activity does not result in a reduction of racing events at the receiving track.

Intrastate simulcasting requires a written agreement between the sending and receiving track and any other tracks within the same simulcasting district which are conducting a race meeting during the period for which simulcasting is proposed. Such period is defined as a twenty-four hour day from midnight to midnight except for tracks located in New York City (Aqueduct), Nassau (Belmont) or Westchester (Yonkers) Counties for which the period is afternoon against afternoon, twilight against twilight and evening against evening, as specified by the Board.



No simulcasts may be sent to a receiving track when it is conducting the same type of racing. However, the Board may authorize simulcasts of certain such races as special events. In addition, no sending track may simulcast its signal to any other track unless such signal has been made available to all authorized receiving tracks outside the county where the sending track is located.

Simulcasts from sending tracks to receiving tracks are further conditioned on the sending track making available its simulcast signal to a reasonable number of regional off-track betting branches. For a receiving track located in Westchester County (Yonkers Raceway), the sending track's signal must be made available to a reasonable number of New York City branches as well. Finally, the receiving track must make available its simulcast signal to a reasonable number of OTB branches in each region where wagering may be conducted. (This last provision does not apply to Vernon Downs.)

Simulcasting districts for intrastate wagering are as follows:

- District 1: New York City, Nassau, Suffolk and Westchester Counties (Aqueduct, Belmont, Yonkers)
- District 2: Sullivan County (Monticello)
- District 3: Saratoga County (Saratoga Harness, Saratoga Thoroughbred)
- District 4: Oneida County (Vernon)
- District 5: Erie, Genesee and Ontario Counties (Batavia, Buffalo and Finger Lakes)

Sums retained at receiving tracks from the total amount wagered on intrastate simulcasts are the same as the rates in effect at the sending track. The state tax on such wagering is the lower of 2% on straight wagers, 2.5% on multiple wagers, and 7% of exotic wagers or the rates in effect at the receiving track, and 10% of breakage.

An amount equal to 0.5% of wagering on simulcasts of thoroughbred races is allocated to the New York State Thoroughbred Breeding and Development Fund, and an amount equal to 1% of simulcast wagering on harness races is allocated to the Agriculture and New York State Horse Breeding Development Fund.

The remaining amount retained is divided pursuant to Sections 1007(3)(d)(i) and (ii) and contractual agreements between the sending and receiving tracks and their respective horsemen.

#### Wagering at Off-Track Betting Branches

Off-track betting is authorized in New York State for the purpose of deriving reasonable revenue for the support of government and combatting illegal wagering. It is to be conducted in a manner that is compatible with the well-being of the horse racing and breeding industry. Off-track betting in New York is not operated by the race tracks, but by local governments. Furthermore, the consent of a race track to conduct off-track wagering on races is not required, but

mandatory. For these reasons, the Racing Law contains a lengthy set of provisions to regulate off-track betting and govern the distribution of revenues from off-track wagering.

#### Off-Track Betting Regions

The State is divided into seven off-track betting regions. These are the Suffolk, Nassau, New York City, Catskill, Capital District, Western and Central Regions. The Central Region originally consisted of 14 counties, but has been reduced to five, through legislative amendments authorizing the annexation of counties into surrounding regions.

Off-track betting is operated in each region, with the exception of the Central Region, by six public benefit corporations.

#### Limitations on Off-Track Wagering

The geographic division of the State into separate regions was designed to recognize the need to protect the market areas of the race tracks from the competition and negative effects, which could result if off-track wagers were accepted at any location on races run at any track at any time.

In order to ensure that the race tracks are insulated from such adverse competition, the fundamental provision is that no OTB may accept wagers on a harness track located outside of its region on any day when a harness track is

conducting live racing within its region (known as the regional harness track) without the approval of the regional harness track. Similarly, no corporation may accept wagers on races run at a thoroughbred track outside of its region when a regional thoroughbred track is conducting racing. Since harness racing in New York is generally held at night, while thoroughbred racing is conducted in the afternoon, there are no limitations governing the acceptance of wagers on thoroughbred races within a region, whether or not the races come from inside or outside the region, while a regional harness track is operating, and vice versa.

An exception to the above has been enacted in 1990 to encourage the return of a mixed thoroughbred and quarterhorse meet at Tioga Park in the Catskill Region. Tioga will be permitted to conduct a mixed twilight meet in direct competition with the New York Racing Association. All thoroughbred races at Tioga must be completed by 8 p.m. The Finger Lakes Race Track Special Betting District (see below) will be protected.

In certain instances, regional boundaries have been modified for wagering purposes and three betting markets have been established which do not conform with corporate boundaries.

The first area is the Harness Special Betting District, which approximates the market area of Vernon Downs. No wagers may be accepted by any of the off-track betting corporations operating within this special district on

harness races conducted outside the district, while racing is being conducted at Vernon Downs, without Vernon's approval. This special betting district is necessitated by the failure of a corporation to be established for the Central Region and the subsequent annexation of counties originally located within the Central Region into other regions.

The second area is the Thoroughbred Special Betting District. This district represents the market area of Finger Lakes Race Track. No off-track wagers other than Finger Lakes may be accepted in this district while racing is being held there. Although the Finger Lakes track is located within the Western Region, it is not considered the regional thoroughbred track for the entire region, but only that portion encompassed within the special betting district.

The third modified betting area is a conglomeration of the Nassau, Suffolk and New York City regions and the portion of the Catskill Region outside of the harness and thoroughbred special betting districts (the Metropolitan Region). All tracks located within this area are considered regional tracks (Monticello, Yonkers and NYRA), and the four off-track betting corporations operating within this area may accept wagers on races conducted at any of these tracks.

With the exception of these special betting areas, regional wagering restrictions conform to corporate boundaries. Thus, each corporation generally is limited to

accepting thoroughbred wagers only on the regional thoroughbred track when it is conducting racing. However, both Suffolk and Catskill regions are permitted to accept wagers on Finger Lakes even on days when NYRA is conducting racing.

During those periods when the regional thoroughbred track is not racing, or in regions where no regional thoroughbred track is designated, a corporation may accept wagers on thoroughbred races conducted outside of its region. The same provisions govern the acceptance of harness wagers within each region.

Limitations of Off-Track Betting on Out-of-State Races

Generally, no off-track betting corporation may accept wagers on out-of-state harness races when any harness track within the State is conducting racing, or on out-of-state thoroughbred races when any thoroughbred track within the State is racing. There are two exceptions to this rule.

First, off-track betting is authorized on no more than 15 out-of-state thoroughbred and five out-of-state harness races per year designated by the Board as being of special interest. Both the Breeders' Cup and Breeders' Crown series of races are each considered a single special event. Wagers may be accepted on these races by all corporations without restriction.

Second, off-track wagers may be accepted on out-of-state thoroughbred races on days when NYRA is not conducting racing but Finger Lakes is. These wagering opportunities

are limited to all areas of the State outside the Thoroughbred Special Betting District. In order to accept out-of-state wagers at such times, a corporation must also offer betting on Finger Lakes races.

Simulcast of Out-of-State Races by New York State

Race Tracks

The 1990 Omnibus Racing Bill authorizes the State's race tracks to accept wagers on, and display the simulcast of, 12 out-of-state thoroughbred races of special interest. Legislative authority to accept wagers on the Kentucky Derby, Preakness and Breeders' Cup series was continued. These 15 thoroughbred races shall be selected by the Board for both on and off-track wagering.

Furthermore, harness tracks and OTB corporations are authorized to simulcast the Breeders' Crown series of races and the Hambletonian. Harness tracks were also given the exclusive right to simulcast five additional harness races of special interest into their tracks.

Rate/Distribution of Takeout - Off-Track Betting

OTB corporations are authorized to withhold the following percentages from off-track wagering pools: for races conducted by NYRA, 17% of regular and multiple pools, 25% of exotic and 36% of super-exotic pools; for wagers on all other races, 17% of regular, 19% of multiple, 25% of exotic and 36% of super exotic pools. Additionally, a 5%

surcharge is levied on winning off-track bets, except for certain telephone betting accounts and simulcast theaters.

An additional 1% of regular and multiple pools at upstate harness tracks and Finger Lakes may be retained and divided between the OTB corporation and the track, to be used exclusively for capital improvements. Tioga Park is entitled to receive the full 1% commission. An additional 2% increase in takeout on any mutuel pool may be added by Tioga.

State tax on regular and multiple wagers ranges from 0.5% to 1.1%; on exotic wagers from 0.5% to 3.1%; for super-exotic wagers from 2.5% to 3.5%. The State receives 50% of all breakage on thoroughbred races and 20% of breakage on harness races. The remaining breakage goes to the off-track betting corporations.

In general, the percentage distribution to the race track, including amounts legislatively or contractually earmarked for purses, ranges from 4% to 5.4% of regular and multiple pools; from 7% to 7.4% of exotic pools and from 12% to 13% of super exotic pools. There are two basic principles governing the distribution of revenues to the race tracks.

First, when a wager is placed within a region or district on a race conducted at a regional track for that region or district, that track is allocated the entire amount earmarked for race tracks. Second, when a wager is made on a race conducted outside the region or district



where the wager is placed, (when authorized), the allocation is divided between the track holding the race on which the wager was made and the regional track for the region or district where the bet is placed.

The regional track, either harness or thoroughbred, is entitled to an allocation regardless of what type of race the wager is made on. The proportionate division of the allocation between the track holding the race and the regional track is determined by whether racing is or is not being conducted at the regional track, with a larger share allocated to the regional track if racing is being conducted. Special provisions regarding this rule apply to Tioga Park.

Generally, the takeout rates and distribution of revenues from off-track wagering on out-of-state races correspond to the rates for wagering on in-state races. However, OTB corporations must first pay from the amount earmarked for regional tracks any contractual obligation owed to the out-of-state racetrack, provided that mandatory minimum distributions to the regional track are met.

In conjunction with the regional limitations on wagering presented earlier, each race track can derive income from off-track wagering from three primary sources. First, from wagers on the races conducted at the track; second, from wagers placed within the region or district where the track is designated a regional track on out-of-region races which are of a different type from that being

conducted by the track; and third, from wagers made within the region or district where the track is designated a regional track on any out-of-region races when the track is not conducting racing.

#### Simulcasting to Residences

Chapter 346 of the Laws of 1990 forbid simulcasting of races to individual or group residences for the purpose of pari-mutuel wagering. However, the Board may approve one 90-day experiment provided that the experiment concludes by May 15, 1991. The results of the experiment shall be reported to the Legislature for further evaluation. Tracks are not prohibited from televising their races on an irregular basis primarily for promotional or marketing purposes. The in-home experiment currently underway involves Saratoga Raceway and the Capital District Regional Off-Track Betting Corporation.

#### Simulcasting to Off-Track Betting Branches

Simulcasting is governed by and in accordance with the provisions regulating off-track betting generally. Additionally, the consent of the sending track and the corporation operating the branch is required for a simulcasting agreement to be approved. Consent is required of any regional track or tracks within the region or district where the branch is located if the regional track is conducting the same type of racing as is simulcast; and

if the branch is within a 40-mile radius of the regional track. If a branch is within a 31 to 40-mile radius of the regional track, consent may not be unreasonably withheld. No consent is required if the branch is outside the 40-mile radius of the regional track.

Sending tracks are authorized to negotiate with OTB corporations for additional remuneration from wagering on simulcasts to branches above and beyond the mandated payments established by law. Fifty percent of any such additional remuneration must be distributed in purses at the sending track. In the event an agreement between the parties cannot be reached, the 1990 legislation provides for binding arbitration of the dispute.

Tracks simulcasting to OTB corporations, with the exception of NYRA tracks, receive a credit against on-track pari-mutuel taxes as an additional incentive to reach simulcasting agreements with OTB corporations. The tax credits are as follows: Batavia, Buffalo, Monticello, Vernon and Finger Lakes receive an amount equal to 1% of the total amount wagered at OTB branches on simulcasts from each track. For Yonkers, the credit is equal to 1.5% of the total simulcast handle.

Certain simulcast branches can offer additional amenities with the approval of the Board. These enhanced telebranches may offer food and beverage service. Alcohol may be served in up to three branches per county. Large screen TV's and seating may also be offered. An admission

fee may be charged at these facilities, subject to Board approval. The 5% surcharge on winning wagers is applicable.

#### Capital Acquisition Fund

To assist OTB Corporations in financing improvements, the Legislature added a new Section 509-a to the Racing Law (Chapter 681 of the Laws of 1989), establishing an OTB Capital Acquisition Fund. The legislation was recommended by the Board in the 1988 Simulcast Report (Recommendation #4) and was actively pursued by the Western Regional Off-Track Betting Corporation. The legislation provides that each OTB corporation may establish a Capital Acquisition Fund for the purposes of financing the acquisition, construction or equipping of OTB facilities. The fund consists of an allocation from the OTB corporation's pari-mutuel handle as set forth in the law. The statutory formula provides for an allocation of not more than 1% of the total pari-mutuel wagering pools for the quarter in which the contribution is made, nor shall such contribution reduce the amount of quarterly net revenues (excluding surcharge) to an amount less than 50% of such net revenues. In addition, the fund is capped on an annual basis by the lesser of 1% of the total pari-mutuel pools for the prior year or the undepreciated value of the corporation's property.

Chapter 346 of the Laws of 1990 added an additional, separate source of funding for the Capital Acquisition Fund. It authorized OTB Corporations to increase the surcharge on

multiple, exotic and super exotic wagers by 1% and to allocate that additional 1% to the Fund.

#### Telephone Betting

OTB corporations may establish telephone betting accounts and conduct telephone wagering. The regulations governing telephone wagering and the distribution of revenues therefrom are the same as those governing wagering at branches. However, an OTB corporation may eliminate the surcharge on winning wagers for any account with a balance of more than \$500 at the time the wager is made. New York City OTB has eliminated the surcharge on all telephone wagering, with the approval of the Mayor of the City of New York. New York City accounts must have a minimum balance of \$10. All OTB telephone accounts can accept wagers on all racing events permitted at the corporation.

In addition, race tracks may establish telephone betting accounts for wagering on races run at that track only. Such track accounts must have a minimum balance of \$500, except for NYRA, where the minimum balance is \$1,000 per account. To date, no such accounts have been established.

#### Wagering at Simulcast Theaters

The Racing and Wagering Board may approve seven licenses to operate simulcast theaters within the State. A simulcast theater is defined as being a public entertainment

and wagering facility. Simulcast theaters must charge admission. Track prices are paid on winning wagers of races that are simulcast. No surcharge is collected on those winning wagers.

Simulcast theaters may be owned and operated by one or more tracks, by the regional OTB corporation of the region where the theater is to be located or jointly by the track(s) and OTB corporation. Simulcast theaters may also be operated at privately owned hotels in the Catskills and at an entertainment theater in New York City, provided the applicable OTB corporation and track agree to such an arrangement. NYRA may also own a simulcast theater. A letter of consent from OTB is necessary if NYRA wishes to operate a theater outside of the Suffolk, Nassau or New York City OTB regions. Within those regions, local government approval is required.

Authorization for a license to own and operate a simulcast theater requires that the following conditions must be met:

- 1) A written agreement between the sending tracks and the operator;
- 2) The consent of any regional track not party to the operation of the proposed theater has been obtained;
- 3) The consent of the regional OTB corporation, if not party to the operation of the proposed theater, has been obtained;

4) A written agreement exists concerning the division of responsibilities, costs, and revenues between the parties if the theater is jointly operated; and

5) The approval of the local and county governing bodies where the theater is to be located has been obtained.

An exception to the above was enacted in 1990 allowing NYRA to establish a simulcast theater in New York City, Nassau or Suffolk Counties, as well as Westchester County, so long as OTB is not operating in that county, without the approval of the regional OTB Corporation. However, the approval of both the legislative and executive branches of the locality is required. The NYRA facility may not be opened in New York City before 1992.

#### Rate/Distribution of Takeout - Simulcast Theaters

Takeout rates at simulcast theaters are the same as those in effect at the sending track. The state pari-mutuel tax rates are as follows:

1) on harness wagers; 0.5% of regular wagers; 1% of multiple wagers; 2.5% of exotic wagers; 3.5% of super exotic wagers and 20% of breakage.

2) on thoroughbred wagers; 1% of regular wagers; 1.5% of multiple wagers; 3% of exotic wagers; 3.5% of super exotic wagers and 20% of breakage.

An amount equal to 1% of total harness wagering is allocated to the Agriculture and New York State Horse Breeding and Development Fund, and an amount equal to 0.5%

of total thoroughbred wagering is allocated to the New York State Thoroughbred Breeding and Development Fund.

Finally, the operator of a simulcast theater may contract with the city, town, or village in which the theater is located to pay a sum not to exceed 1% of total wagering in lieu of any other local tax.



SUMMARY OF CHAPTER 346, LAWS OF 1990

Chapter 346 of the Laws of 1990 makes permanent New York's simulcasting authorization contained in Article X of the Racing Law. The revised statutory authorization is intended to provide for a more orderly implementation and expansion program by establishing an arbitration mechanism for settling disputes. The broad-based legislation also included provisions for a more efficient workers' compensation plan for jockeys, financial restructuring of the New York Racing Association (NYRA), incentives and protection for the opening of Tioga Park, as well as other provisions to expand simulcasting for the benefit of the racing and breeding industry and State and local governments.

Chapter 346 was designed specifically to remove statutory obstacles to growth and establish a framework to force race tracks and off-track betting corporations to work together and negotiate positions in good faith for the benefit of racing and government.

The interruptions and costly legal proceedings created by the Catskill/Yonkers dispute demonstrated a need for legislative redress if simulcasting programs were to expand.

To accomplish this goal, "prior consent" provisions were removed from the law and replaced with a more positive "make available" approach. Under this scheme, if NYRA, for example, wants to simulcast its signal to Yonkers, it can do

so only if the signal is also made available to all OTB corporations within the NYRA betting region (i.e. Catskill, New York City, Nassau and Suffolk). Yonkers can then only accept the signal if its signal is similarly made available to the OTBs. Once the signal is made available, and on display at the respective facilities, each track and OTB corporation will negotiate appropriate price and location contracts. If an agreement cannot be reached, the legislation provides for binding arbitration, wherein an arbitrator makes a determination based on the last best offer made by the parties.

It is hoped that this mechanism will cause both the tracks and the OTBs to cooperate in order to expand the racing market, as well as State and local revenues.

The legislation also contains provisions intended to encourage a new combined thoroughbred/quarterhorse track to open in the Catskill region, while protecting the State's existing tracks. The legislation provides:

- a capital improvement program funded by on and off-track wagers;
- guaranteed access into all profitable simulcast facilities in New York City that receive either NYRA or Yonkers simulcasts;
- unlimited access to OTB regions except within the Finger Lakes special betting district; and,
- a two-percent increase in the new track's take-out on its thoroughbred races.

To provide the harness tracks and Finger Lakes Race Track with some measure of protection from the competitive effects of such a program, the legislation:

- provides regional tracks sharing in OTB wagers placed on the new track's races;
- prohibits thoroughbred races after 8 p.m.;
- prohibits wagering on such races within the Finger Lakes special betting district;
- prohibits the simulcast of such races into New York City unless a NYRA track is racing; and
- provides for regional track sharing of OTB surcharge revenues accumulated on winning wagers on Tioga Park thoroughbred races.

Other provisions of Chapter 346 include:

- under previous law, workers' compensation insurance was provided by owners and trainers for jockeys on an individual basis. This often resulted in duplicative and overlapping policies. Chapter 346 provides for the establishment of the New York State Jockey Injury Compensation Fund and requires that licensed owners and trainers collectively obtain blanket coverage under the Workers' Compensation Law for all jockeys, apprentice jockeys and exercise persons. The bill clarifies the jockeys' status as employees under the Workers' Compensation Law. By doing so, jockey status will be established and policy costs should be reduced.

- in order to augment each OTB corporation's ability to maintain and modernize its facilities, the legislation contains a provision to authorize each OTB corporation to increase the surcharge on multiple and exotic bets

by one percent, dedicated to capital financing purposes.

- under previous law, 25% of simulcasting revenues generated by NYRA had been allocated to the New York State Thoroughbred Racing Capital Investment Fund. The legislation transfers these funds to NYRA for operational use for a two-year period. The Fund is expected to remain fiscally sound, based on loan and interest payments from NYRA, and the mandated payment to the Fund of the first \$1.85 million of NYRA's net profits.

- in order to provide New York racing fans with additional wagering opportunities on races of special interest, the bill authorizes all race tracks, and OTB corporations to simulcast up to 12 special event races selected by the Board. A mandated distribution to purses, the State, and the Thoroughbred Breeding and Development Fund was provided.

- as an incentive to encourage more participation and fan interest in harness racing, New York's harness tracks were exclusively authorized to simulcast up to five harness races of special interest with a provision for additional reciprocal simulcasting of New York and Canadian harness racing.

- to facilitate New York's participation in nationwide merging of pools, the legislation contains provisions authorizing the combination of wagering

pools from New York with tracks in other states and foreign jurisdictions and vice versa, in order to effectuate a common payoff between sending and receiving tracks.

- the legislation authorizes track to track simulcasts between Belmont and Aqueduct with the provision that one percent of that simulcast handle be paid to the City of New York. It continues a 25% tax credit to New York City and Nassau OTBs when Saratoga simulcasts to Aqueduct.

- revising NYRA's authority to operate simulcast theaters by requiring that within the New York City, Nassau, Suffolk and (portions of the) Catskill OTB Regions, a NYRA simulcast theater may be established without OTB's consent if NYRA obtains the approval of the governing body of the particular locality. Also required is the approval of the Chief Executive and legislative body of the county. In New York City, no such simulcast theater may be established until January 1992.

- the legislation authorizes twilight racing for a two-year period. This would allow OTBs to take advantage of downtime.

- the legislation provides race tracks with authorization to maintain telephone betting accounts with a minimum balances of \$500 (\$1,000 minimum at NYRA tracks). The New York City Off-Track Betting

Corporation was authorized to waive the surcharge on all telephone accounts. In addition, all other OTB corporations were empowered to suspend the surcharge on telephone accounts with a minimum balance of \$500 at the time of the wager.

- the law authorizes the live call of NYRA races in all facilities of New York City OTB beyond a five-mile radius of the sending track.

- while a specific prohibition of in-home simulcasting is provided, a one-time 90 day experiment is authorized for one OTB region to test the waters.

- specific purse-sharing of a receiving track's commissions is mandated in order to assure adequate purse levels at those facilities.

- to provide social support for backstretch employees, the bill requires that information concerning counseling services and funding for drug and alcohol rehabilitation programs be provided to licensed backstretch non-profit organizations.

- in order to provide necessary time for the full participation of Westchester County in the affairs of Catskill OTB, the bill provides that when a new county elects to join an existing OTB corporation, full participation is conditioned on the establishment of branch offices in the new county.

- to address an omission in a 1989 law authorizing admission charges and State and local admission taxes,

*the bill specifically authorizes the local imposition  
of such taxes.*

## APPLICATION PROCESS AND GUIDELINES

In authorizing intra-state simulcasting, the Legislature mandated that each track or off-track betting corporation must apply for an annual license to operate a simulcast facility. Such a facility may be a race track, an OTB branch or a simulcast theater.

Applications for annual licenses shall be in such form as may be prescribed by the Board and contain such information, material or other evidence the Board may require. The Board has established an annual licensing cycle of July 1 through June 30 of the following year. This sequence tracks the sunset provisions of both the experiment's statutory authority, as well as certain provisions of the permanent authorization. In addition, the Legislature prescribed a \$500 per year license fee for each simulcast facility to be paid by the licensee.

The application itself must contain a SIMULCAST PLAN OF OPERATION which is subject to the review and approval of the Board. Section 1003(2) of the Racing Law specifies the contents of such plan.

Each applicant must also submit a feasibility study projecting the estimated revenues and costs to operate a simulcast facility. To be included in the study is the following information:

1. the number of simulcast races to be displayed;
2. the types of wagering to be offered;
3. the level of attendance expected and the area from



which such attendance will be drawn;

4. the level of anticipated wagering activity;

5. the source and amount of revenues expected from other than pari-mutuel wagering;

6. the costs of operating the simulcast facility and the identification of costs to be amortized and the method of amortization of such costs;

7. the amount and source of revenues needed for financing the simulcast facility; and

8. the probable impact of the proposed operation on revenues to local government.

In addition to the feasibility study, the Simulcast Plan of Operation details the security measures to be used to protect the facility, control crowds, safeguard the transmission of simulcast signals and accomplish the transmission of wagering data to effectuate common wagering pools. Information on the type of data processing, communication and transmission equipment to be utilized must also be provided. The applicant is required to describe the management groups responsible for the operation of the simulcast facility and the system of accounts employed to maintain a separate record of revenues collected by the simulcast facility, the distribution of such revenues and the accounting costs relative to the simulcast operation. The Simulcast Plan of Operation also specifies the location of each facility and includes written confirmation from the appropriate local authorities that the location of the

simulcast facility and the number of patrons expected to occupy such facility are in compliance with all applicable local ordinances.

The final requirement of Section 1003 states that an applicant must submit the written agreements or letters of consent by those parties specified in Sections 1007, 1008 and 1009 of the Racing Law (including as the case may be, race tracks, off-track betting corporations and/or local governments).

Chapter 346 of the Laws of 1990 added a new Section 1013, which provides for binding arbitration whenever a written agreement is required from a sending track in simulcast districts one or two, and such agreement has been unreasonably refused, declined or denied. This new legislative procedure, which expires on July 15, 1992 is discussed in more detail within the body of this report.

In addition, Section 1010 mandates that the Simulcast Plan of Operation shall include provision for job security for race track and OTB corporation employees within the simulcast district where the simulcast facility is located.

The Board has imposed additional requirements for licensing a simulcast facility. Following Board approval of the Capital District Regional Off-Track Betting Corporation's application to operate a telebranch in Albany during 1985, an unsuccessful law suit was commenced by area residents in an attempt to prevent the opening of the facility. New York State Supreme Court, Albany County,

determined that the Board acted correctly in licensing the facility. During the course of preparing for this litigation, the Board was advised that it must insure compliance with the State Environmental Quality Act with respect to the determination of the environmental impact relating to a simulcast facility. Capital OTB submitted a comprehensive statement for the Albany facility, and it was then licensed by the Board. The court thereafter found that the Board properly licensed the facility. Accordingly, the Board now requires the submission of an Environmental Assessment Statement in a prescribed format for each new simulcast facility.

In 1986, the Board began an intensive effort to insure that all off-track betting facilities (including simulcast facilities) were in compliance with the New York State Uniform Fire Prevention and Building Code. A similar effort with respect to track facilities was also undertaken. With respect to race tracks, the appropriate local governments' code enforcement officer was requested to inspect the facility and confirm its compliance with the State's Uniform Code.

In 1988, the New York State Department of State, through its Codes Division, determined that the responsibility for the administration and enforcement of the Uniform Code at facilities operated by off-track betting corporations is that of the participating county and/or city.

The procedures adopted by the Board to effectuate these statutory guidelines recognized that the Governor and Legislature wished to encourage the broadest possible utilization of simulcasting. Basically, applicants are required to submit the principal elements of the Simulcast Plan of Operation and feasibility study to the Board, together with proof of agreement by all the necessary and required parties. Upon receipt of the above, the Board reviews a submission and makes a determination thereon. In several instances, temporary licenses have been issued contingent upon the receipt of further necessary and required documentation. For the Board, "a meeting of the minds" between the essential players in this arrangement is critical in making a determination to authorize a specific simulcast operation. Of course, a speedy submission of the necessary written materials is always required.

SIMULCAST FACILITY LICENSING

In accordance with the provisions of Section 1002(1) of the Racing Law, the Board issued guidelines for applications for simulcast facility licenses. An annual licensing cycle of July 1 through June 30 of the following year was established to coincide with the statutory authorization concerning Article X.

With the effective date of the revised Article X in 1985, the Board required each applicant to apply for a new simulcast facility license for the year July 1, 1985 through June 30, 1986. Accordingly, renewal procedures were implemented for the licensing years beginning July 1, 1986; July 1, 1987; July 1, 1988, and July 1, 1989. With the enactment of Chapter 346 of the Laws of 1990 on July 2nd, the cycle was reestablished for the year July 2, 1990 through June 30, 1991. Under this procedure, 182 simulcast facility licenses were issued and a total of \$91,000 in fees was received and remitted to the State's general fund as of December 31, 1990.

A breakdown by applicant is set forth below:

1990 - 1991 LICENSING YEAR (JULY 2 - DECEMBER 31, 1990)

<u>APPLICANTS</u>	<u>NUMBER OF LICENSES ISSUED</u>	<u>FEES PAID</u>
New York City OTB	41	\$20,500
Nassau OTB	13	6,500
Suffolk OTB	11	5,500
Catskill OTB	18	9,000
Capital OTB	46	23,000
Western OTB	45	22,500
New York Racing Assn.	1	500
Finger Lakes Race Track	1	500
Yonkers Raceway	1	500
Saratoga Raceway	1	500
Vernon Downs	1	500
Batavia Downs	1	500
Buffalo Raceway	1	500
Monticello Raceway	1	500
<u>TOTAL</u>	<u>182</u>	<u>\$91,000</u>

Three simulcast facility licenses had also been issued during the first half of 1990 for the prior licensing year, generating \$1,500 in fees.

Therefore, during calendar year 1990, a total of 185 simulcast facility licenses were issued, and fees totaling \$92,500 were received by the Board and paid to New York State's general fund, pursuant to Section 1003 of the Racing Law.

CONSULTATION PROCESS - 1990 SIMULCAST REPORT

In the course of reviewing 1990 simulcasting, the Board and its staff conducted a series of informal meetings and discussions with concerned members of the industry. The Board has maintained a continuing dialogue with representatives of the tracks, OTB corporations, horsemen groups, staff members of the Legislature and other interested parties.

Each group was given the opportunity to present its views and opinions with respect to the effect of the statute, the problems encountered in implementing the statute and its recommendations for legislative action. As would be expected, the groups' representatives were forceful advocates of their respective interests and policy positions. The details of the problems encountered by each of the respective entities are further discussed within the context of the descriptive narratives for each OTB corporation and track.

During 1990, the Executive Chamber undertook a significant role with regard to racing legislation. The Executive Chamber, in conjunction with the Board, had extensive consultations with key legislative leaders and staff members as well as all segments of the racing and wagering community with a view towards designing a comprehensive legislative proposal to continue simulcasting and address other racing issues as well. The result was Chapter 346 of the Laws of 1990.

Finally, as a consequence of Board Recommendation #1 contained in the 1985 Simulcast Report, the Legislative Commission on Science and Technology (at the request of the Assembly Racing and Wagering Committee) completed a comprehensive study of the methodology presently employed within the industry to transmit various types of information among the respective entities.

In a report entitled "A Study of Off-Track Wagering and Simulcast Technology in New York State", released on March 11, 1988, the Legislative Commission evaluated the current state of the technology and recommended options for improvement. Of particular interest are the following significant conclusions of the report:

1. A statewide computer (tote) network is technologically feasible;
2. Post-time wagering off-track is technologically possible;
3. More timely off-track payouts can be achieved;
4. Various technologies can be employed for a statewide simulcast system;
5. Integration of voice, computer and video data transmission has the potential for significant statewide cost consolidation.

The Board concluded its review of the Legislative Commission's report. The Board believes that the report offers recommendations which, if adopted, create the potential to improve and enhance this State's racing and wagering industry. The report can serve as one of the bases for making important public policy decisions which will shape the future of New York's racing and wagering in the



1990's and beyond. We urge all segments of State government and the industry to seriously consider the Report and its implications.

SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS  
AND RACE TRACKS DURING 1990

During 1990, the sixth full year of the simulcast experiment, each of the State's race tracks (with the exception of Vernon Downs, Monticello Raceway and the Syracuse Mile) made a simulcast signal of its races available to some or all of the State's six off-track betting corporations. Nine of the State's eleven race tracks also were receiving tracks for simulcast signals.

The simulcasting of NYRA races was continued by Yonkers (for an abbreviated 167 days), Saratoga Raceway (for 287 days), Finger Lakes (for 110 days), Vernon Downs (for 112 days) and Monticello Raceway (for 89 days), as well as Aqueduct's simulcasting of the 24-day Saratoga meet. In addition, Monticello Raceway began simulcasting races from NYRA (for 89 days) and NYRA tried a limited experiment simulcasting Belmont's races to Aqueduct, which they discontinued after 18 days, claiming unsatisfactory results. Batavia Downs tried simulcasting of Finger Lakes races (dropped after 20 days), NYRA races (for 23 days) and Buffalo Raceway races (for 63 nights). In addition, Buffalo Raceway simulcast Batavia Downs' races (for 40 nights) and Vernon Downs continued its day-night simulcasting with Yonkers' races at night (for 112 nights).

Simulcasting of in-state races by all off-track betting corporations continued on races from NYRA, Finger Lakes and Yonkers Raceway. Capital OTB continued to simulcast

Saratoga Raceway races and simulcasting of Batavia Downs and Buffalo Raceway's harness races took place in the Capital and Western regions.

In 1990, the combined statewide on and off-track handle for all tracks fell by \$36 million (1%), compared to 1989. On-track thoroughbred handle declined by 0.5%, while on-track harness handle fell by over 8%. Total off-track handle held almost even to 1989's level. Total simulcast handle, however, continued to rise. During 1990, 37% of the State's total betting handle was wagered at simulcast facilities compared to 36.8% in 1989.

A total of 185 simulcast facility licenses were issued in 1990, eight more than in 1989. Eight were issued to race tracks (Aqueduct, Yonkers Raceway, Saratoga Raceway, Monticello Raceway, Batavia Downs, Buffalo Raceway, Vernon Downs and Finger Lakes), five to simulcast theaters (two in New York City, one each in Albany and Hauppauge and a new license to a hotel, Friar Tuck Inn, in Catskill, New York) and 173 to off-track betting branches throughout the State. Collectively, these facilities conducted 822 simulcast operations. Yonkers simulcasts of NYRA's races ceased in February because of Catskill OTB Corporation's veto, not to begin again until July. On July 1, all simulcasting ceased because of the sunseting of the experimental statute. It began July 2 with the enactment of the Laws of 1990, Chapter 346.

The Racing Law establishes three distinct classifications of simulcast facilities. Total simulcast handle during 1990 in each class were: Track to Track, \$128 million (down 21% compared to 1989 because of Yonkers' cessation); OTB Branches, \$950.8 million (down 10.3%) and Simulcast Theaters, \$153.2 million (up 6.2%)

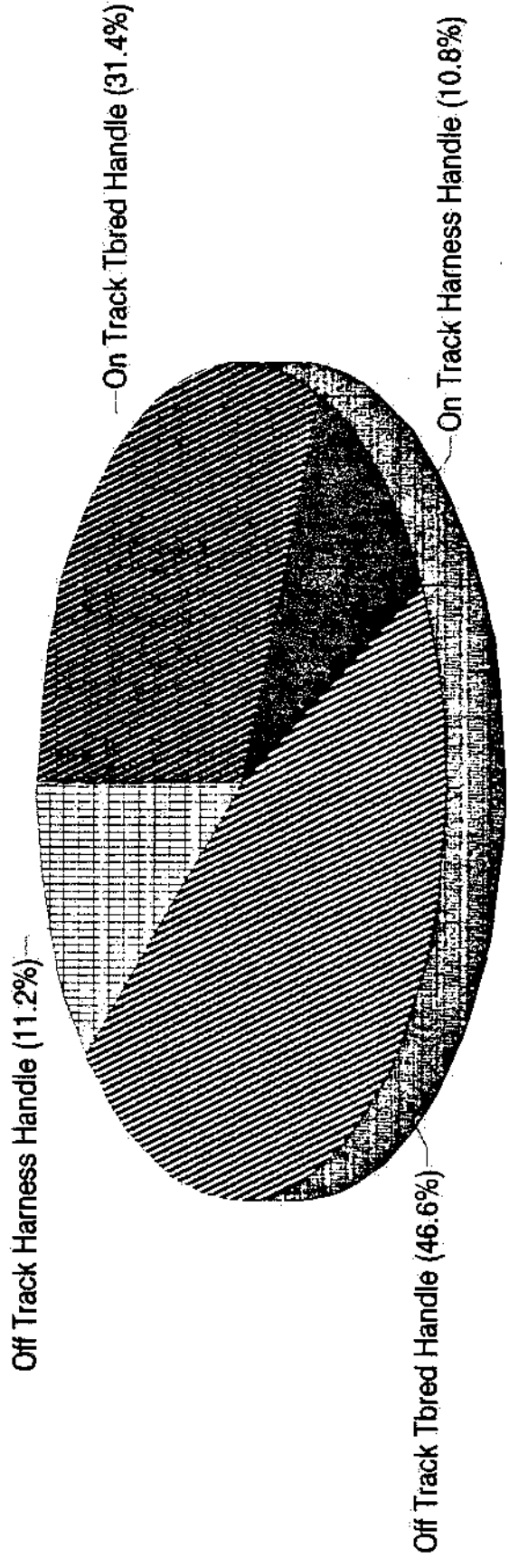
OTB simulcast handle on both NYRA and Yonkers races declined; 4.8% for NYRA and a dramatic 19.7% for Yonkers. Part of this decline is attributable to the fact that for more than five months, Yonkers did not simulcast into the Catskill region. Finger Lakes, which continued to simulcast statewide on NYRA dark days (usually Tuesdays), and to all OTB regions outside New York City and Nassau County on other days, reported a 10.3% increase in simulcast handle in 1990. Batavia/Buffalo's combined simulcast handle rose by 2.3% in 1990, while Monticello's OTB simulcast handle increased by over 385% (due to a substantial increase in the number of simulcast programs). For the State's other harness track, Saratoga Raceway, OTB simulcast handle fell by 37% in 1990.

A detailed narrative of the simulcast operations and other significant activities at the State's race tracks and off-track betting corporations during 1990 follows:

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# 1990 TOTAL HANDLE

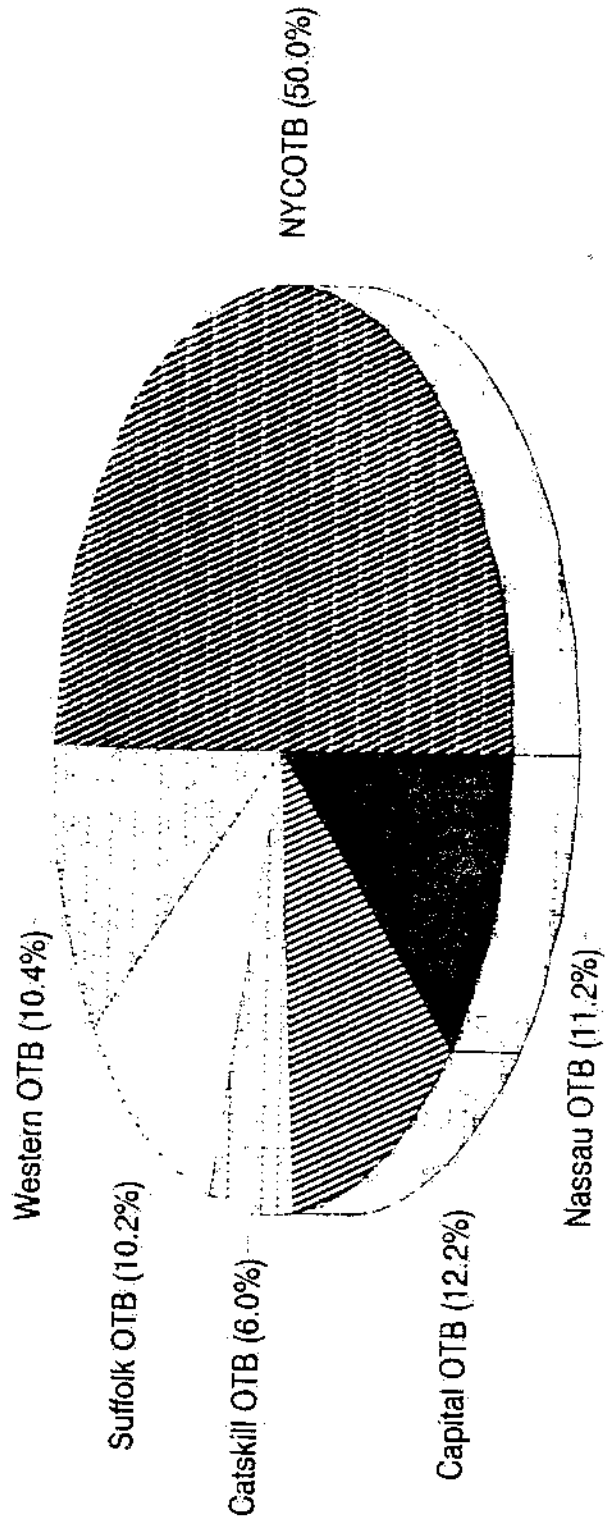
On-Track and Off-Track Combined



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# 1990 STATEWIDE OTB HANDLE

(In Millions)

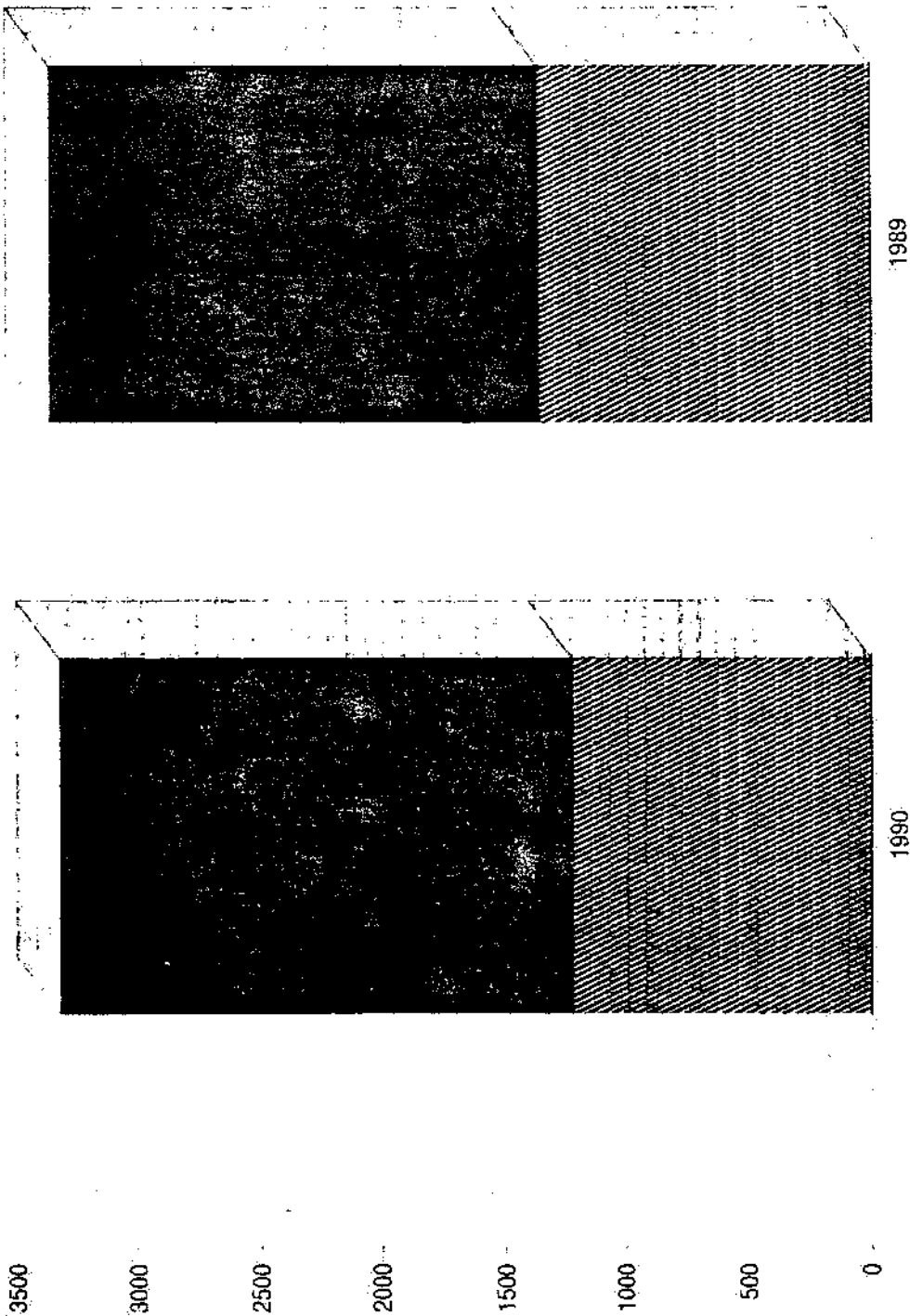




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# COMPARISON OF HANDLE

Simulcast & Non-Simulcast



Simulcast Non-Simulcast

Millions \$

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WESTERN REGIONAL OFF-TRACK BETTING CORPORATION

The Western Regional Off-Track Betting Corporation, located in western New York State, is comprised of 18 counties, 15 of which participate in the management of off-track betting. The two major cities in the Western area, Buffalo and Rochester, also participate as full members of OTB. In 1990, Western operated 47 branches, the same as the previous year.

Western OTB conducted 262 simulcast operations at 45 branches during 1990 from the New York Racing Association (NYRA), Finger Lakes Race Track, Batavia Downs, Buffalo Monticello and Yonkers Raceways. There was a statewide cessation of simulcasting on July 1, due to the expiration of the five-year experiment. Permanent authorization for in-state simulcasting was enacted into law on July 2, 1990.

Within its region, Western OTB contains a thoroughbred track, Finger Lakes Race Track, and two harness tracks, Buffalo Raceway and Batavia Downs.

In 1990, Western OTB handled \$147.6 million on thoroughbred races and \$52.2 million on harness races for a total of \$199.8 million, an increase of \$2.8 million or 1.5% over 1989. This total accounts for 10.4% of all New York State off-track betting handle in 1990. Western ranks fourth in the State in terms of total betting handle. Based

on its total \$199.8 million handle for 1990 (as compared to \$197 million in 1989), Western generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		
N.Y. State	\$2,974,466	\$2,908,962
Breeders' Fund	1,260,857	1,244,351
Tracks (incl. contractual)	13,129,677	12,804,404
 Total Operating Expenses	 19,359,863	 19,529,002
Percentage of handle	9.7%	9.9%
 Net Earnings to Own Localities*	 2,354,378	 4,471,911**
Percentage of handle	1.2%	2.2%
 Surcharge:		
To Own Localities	4,333,915	4,361,243
To Localities Outside Region	3,744,565	3,706,452

\*Western's net earnings to localities were reduced by \$675,000 in 1989 and \$1,750,000 in 1990 and allocated to its Capital Acquisition Fund.

\*\*Includes \$1,150,752 in non-recurring revenue from Amtote settlement.

1990, Western received simulcasts in 45 of 47 branches or 95.7% of its branches. Of its total handle in 1990, \$177.6 million or 88.8% was wagered on simulcast races.

Western's 1990 handle for NYRA was \$93.8 million, an increase of \$5.9 million or 6.8% over 1989. Simulcast locations, of which 45 were operational for varying number of days during the year, accounted for \$88.3 million or 94.5% of total NYRA sales, an increase of \$5.5 million or 6.6% over 1989. The daily average handle for the simulcast locations was \$7,617 per branch compared to \$7,285 in 1989.

Western's 1990 handle for Finger Lakes Race Track was \$49.1 million, a decrease of \$1.4 million or 2.8% as compared to 1989. Simulcast locations, of which 45 were

operational for varying numbers of days during the year, accounted for \$45.5 million or 92.8% of the total Finger Lakes sales, an increase of \$1.5 million or 3.3% over 1989. The daily average handle for simulcast locations was \$6,463 per branch, compared to \$6,421 in 1989.

Western's 1990 handle for Buffalo Raceway was \$21.1 million, an increase of \$454,000 or 2.2% over 1989. Simulcast locations, of which 38 were operational for varying numbers of days during the year, accounted for \$17.8 million or 84.6% of the total Buffalo Raceway sales, an increase of \$700,000 or 4.1% over 1989. The daily average handle for the simulcast locations was \$6,025 per branch compared to \$5,573 in 1989.

Western's 1990 handle for Batavia Downs was \$22 million, a decrease of \$2.2 million or 9% as compared to 1989. Simulcast locations, of which 44 were operational for varying numbers of days during the year, accounted for \$18.6 million or 84.5% of the total Batavia Downs sales, a decrease of \$500,000 or 2.6% as compared to 1989. The daily average handle for the simulcast locations was \$5,251 per branch compared to \$6,107 in 1989.

Yonkers Raceway conducted both afternoon and evening programs during various periods in 1990. Western OTB'S 1990 handle for Yonkers Raceway was \$7.6 million, an increase of \$1.8 million or 30.2% over 1989. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$6.9 million or 90.7% of total

Yonkers sales, an increase of \$2 million or 40.8% over 1989. The daily average handle for the simulcast locations was \$2,131 as compared to \$2,871 in 1989.

Western's 1990 handle for Monticello Raceway was \$538,000. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$408,000 or 75.8% of total Monticello Raceway sales. The daily average handle for the simulcast locations was \$1,700 in 1990. Western did not simulcast Monticello in 1989.

Western OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1990, Western OTB accepted wagers on three out-of-state tracks on NYRA dark days. Total handle for these dark-day tracks was \$2.7 million. This compares to ten out-of-state tracks with a total handle of \$4.2 million in 1989, a decrease of \$1.5 million or 35.7%. Wagering was also conducted on 15 thoroughbred races of special interest and one harness race of special interest. The series of races known as the Breeders' Crown (harness) was designated by law as one race of special interest. Western OTB's handle totaled \$2.1 million for the 16 special events, a decrease of \$200,000 or 8.7% from 1989.

All out-of-state wagering amounted to \$4.8 million for Western OTB, a decrease of \$1.7 million or 26.1% from 1989. (Note: the Breeder's Cup was run in New York in 1990.)

Western paid NYRA \$2.2 million in statutory payments, based on simulcast handle and \$1.1 million in simulcast contractual payments. The contract with the New York Racing Association for simulcasting expired June 30, 1990 and was extended until a new agreement was signed on December 13, 1990, effective July 14, 1990 through July 13, 1991. This agreement calls for Western to pay NYRA 1.25% of the daily net handle generated by all wagers at all simulcast branches. NYRA will pay for the uplink. Should the relevant statutes be amended during the term of the agreement, to increase or decrease statutory payments, then either NYRA or Western may elect to renegotiate the terms of the contract.

Finger Lakes was paid \$2.3 million in statutory payments, based on simulcast handle and \$477,000 as a simulcast contractual payment. On April 12, 1989, Western signed a new agreement with Finger Lakes which runs through December 31, 1991. Under the terms of this agreement, Western will pay Finger Lakes an annual simulcast commission of \$500,000 or an amount equal to 1% of the simulcast handle, whichever shall be greater for each of the years 1989, 1990 and 1991. The payment is predicated on a standard racing schedule comparable to the 1988 racing schedule of 170-172 days. Finger Lakes resurfaced its track in the



spring of 1990 thereby reducing its racing days by eight. The commission was prorated by the days lost. Finger Lakes will pay for the uplink. Should the relevant statutes be amended after June 1990, to such an extent that it would affect the calculation of payment of the simulcast commission, the agreement provides that it will be similarly amended.

Buffalo Raceway was paid \$903,000 in statutory payments, based on simulcast handle and \$357,000 in simulcast contractual payments. On July 14, 1989, Western and Buffalo Raceway entered into a contract for the years 1989, 1990 and 1991. Under the terms of the agreement, Western will pay Buffalo Raceway 2% of the net simulcast handle. Payments will not be less than 1.5% of the total net handle wagered in Western branches, except that Sunday evening handle which is not simulcast to Western shall not be subject to the agreement. For any meet in which the payment does not equal or exceed 1.5% of total net handle, Western agrees that an additional payment will be made to Buffalo Raceway to bring total payment to an amount equal to 1.5% of total net handle for the year. Buffalo Raceway will pay for the uplink. During the three year term of the agreement, should relevant statutes be amended after June 1990, to such an extent that it would affect the calculation of payment of the simulcast commission, the agreement provides that it will be similarly amended.

Batavia Downs was paid \$943,000 in statutory payments, based on simulcast handle and \$299,000 in simulcast contractual payments. Western's simulcast contract with Batavia expired November 30, 1990. Western and Batavia Downs signed a new contract on February 26, 1991. Under terms of the contract, Western agrees to pay Batavia Downs 1.5% of simulcast handle for all simulcast races with a first race post after 5:30 p.m., and 1.75% of simulcast handle for all matinee programs per day. Simulcast handle shall be defined as the total wagers made that day on Batavia Downs' races at Western's branches simulcasting Batavia and placed one half hour prior to the first race through last race.

Yonkers was paid \$148,000 in statutory payments, based on simulcast handle and \$35,000 in simulcast contractual payments. Western's simulcast contract with Yonkers is open-ended. Western can accept Yonkers simulcasts anytime it would not interfere with racing at a regional harness track. Under the terms of the contract, Western pays Yonkers 0.5% of net wagers generated at simulcast branches on the first \$100,000 and 1% on anything over \$100,000.

Monticello Raceway was paid \$11,000 in statutory payments based on simulcast handle and no simulcast contractual payments. There is no written contract with Monticello Raceway. Monticello pays for the uplink.

Wagering at Western OTB has produced significant payments both to in-region and out-of-region municipalities.

Surcharge generated by wagering on NYRA was \$4 million; Finger Lakes, \$1.7 million; Batavia, \$908,000; Buffalo, \$874,000; Yonkers, \$318,000 and Monticello, \$21,500.

During 1990, Batavia Downs and Buffalo Raceway began track to track simulcasting of their respective meets. Western conducted a study which indicated that branches near the intertrack sites were adversely impacted. However, the study also revealed that the sending tracks, primarily Batavia Downs, were hurt by the loss of customers who would normally travel to the track but are now going to the intertrack sites.

A 1985 amendment to Section 532 of the Racing Law provided that, where a track located in a thoroughbred special betting district simulcasts outside such special betting district, the 50% share of surcharge allocated to the county in which such track is located shall be allocated 90% to the OTB operator and 10% to the county.

The meaning of this statute, which has produced \$361,000 in revenue for Western in 1990, was disputed by Ontario County (where Finger Lakes Race Track is located) in an appeal to the Board. Ontario County contended that the amount the corporation retained should only pertain to simulcast branches. In February 1989, the Board reaffirmed its prior interpretation of the law which provided for the application of the law on a corporate-wide basis.

Ontario County challenged the Board's determination in this matter. Both the Supreme Court of the State of New

York, County of Schenectady, and the Appellate Division, Third Department unequivocally affirmed the determination of the Board in this matter.

For the simulcast signal from Yonkers Raceway, Western OTB paid a total of \$128,000 to a simulcast vendor. The cost of the signals from Finger Lakes Race Track, NYRA, Batavia Downs, Buffalo and Monticello Raceways was included in the contractual payments made to the tracks by Western OTB.

The State has granted all its harness tracks and Finger Lakes Race Track a tax credit (against the State's pari-mutuel tax on handle), as an incentive for simulcasting to OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while the remaining harness tracks and Finger Lakes Race Track earn a 1% credit on simulcast handle. The State Department of Taxation and Finance initially reports that for calendar year 1990, Batavia Downs received \$151,000; Buffalo Raceway received \$167,000; and Finger Lakes Race Track received \$205,000 in simulcast tax credits. Therefore, on a simulcast handle of \$71.3 million, the various race tracks received a total tax credit of \$523,000 for simulcasts to Western OTB branches.

Western has continued to expand the installation of vending machines into its branches. The machines dispense hot and cold beverages, candy, snacks and pastries. These amenities, which are allowed only in simulcast branches, have now been installed in a total of 31 branches, an

increase of two over 1989. The total sales from the vending machines in 1990 were \$334,000, an increase of \$40,000 or 13.4% over 1989. This generated commissions of \$56,000 for Western, an increase of \$6,000 or 12% over 1989. Since the vending company assumes all installation expenses, there is no cost to Western for the operation of the machines. Western eventually hopes to have vending machines in all simulcast branches where feasible. In addition, Western earned \$316,000 in lottery commissions.

During 1990, Western continued its policy of acquiring branches through a combination of purchasing existing facilities or constructing new facilities on its own land. Western believes that ownership, rather than leasing, results in lower operating costs and a greater degree of stability in branch operations.

In 1990, Western purchased four additional buildings located at: Pine Avenue, Niagara Falls; Mohawk Street, Buffalo; State Street, Rochester; and Woodlawn, Erie County. Western had leased the branch at the Woodlawn location at the time of purchase. The branch has recently been renovated to include restrooms and a smoking area. Plans are underway to renovate the three other branches into modern facilities in 1991.

Western had used the sale of bond anticipation notes from 1987 through 1989 to finance construction. As of December 31, 1990 total corporate debt from the bonds and notes totaled \$2,134,000.

A new financing vehicle became available to Western in 1989. The New York State Legislature enacted legislation which allows all off-track betting corporations to establish a Capital Acquisition Fund to finance the acquisition, construction and equipping of facilities of the corporation. No contribution shall exceed the lesser of 1% of the corporation's quarterly net handle or 50% of the corporation's quarterly net revenues, exclusive of surcharge. The balance of the fund shall not exceed the lesser of 1% of total pari-mutuel wagering pools for the previous 12 months or the undepreciated value of the corporation's offices, facilities and premises. During 1990, Western contributed a total of \$1,750,000 to the Fund and earned an additional \$36,500 in interest as a direct result of this legislation.

On July 2, 1990, the State Legislature mandated the imposition of a 1% supplemental surcharge on wagering pools of multiple, exotic and super-exotic wagers and provided that sums derived from the supplemental surcharge be distributed to the Capital Acquisition Fund. In 1990, Western earned \$515,000 from the supplemental surcharge and an additional \$3,100 in interest, for a total of \$518,100.

Western has accrued a total of \$2.3 million from both sources in 1990. Since inception, Western has accrued a total of \$3 million in the fund and expended \$1.6 million leaving \$1.4 million in the fund at year's end.

Under current legislation, Western will not pursue acquisition of a simulcast theater. However, they leave the possibility open if favorable legislation is passed.

Western is pursuing the establishment of enhanced telebranches. Currently, an enhanced telebranch is under development in Newark. Western tentatively plans to open another in Rochester by the end of 1991.

On January 1, 1990, Board Rule 5204.16 went into effect. The rule requires every off-track betting facility to provide its patrons with restrooms unless good cause, satisfactory to the Board, can be shown.

Western currently has restrooms in 39 of its 47 branches and plans to have restrooms in an additional six facilities by the end of 1991. Western has asked the Board for a waiver of the rule for its remaining branches without restrooms, citing a lack of space and impending lease expirations. Western's request is under review by the Board's staff.

No major criminal activity was reported in Western branches during 1990. There were 11 minor incidents, involving mostly break-ins and assaults. No money was taken and all injuries were minor.

On November 15, 1990, the Board approved the application for Western's Internal Auditor to be a Special Policeman and serve as Chief Security Officer. Western hopes to achieve an enhanced rapport with local police agencies and a higher degree of security in its branches.

In conjunction with this appointment, Western has revived an earlier plan to install an upgraded security system in its branches. Several systems are under consideration.

During 1990, several changes in corporate officers occurred with the retirement of Western President John Feeney. Martin C. Basinait was appointed President and Richard F. Mackey was appointed Executive Vice President. Mr. Basinait had previously served as Executive Vice President. The position of Administrative Vice President was eliminated with the promotion of Mr. Mackey.

In 1990, Western saw the appointment of several new directors to the Board. Gregory L. Davis was appointed Director by Erie County; Philip U. Smith was appointed Director by Schuyler County; and Leonard C. Gademsky was appointed Director by Niagara County.



CAPITAL DISTRICT REGIONAL OFF-TRACK BETTING CORPORATION

Capital District Regional Off-Track Betting Corporation is located in the northeastern portion of New York State. The major cities located within Capital OTB are Albany, Schenectady, Troy and Utica. The region is comprised of 20 counties; 15 of these counties as well as the City of Schenectady participate in off-track betting. Capital OTB started 1990 with 54 branches and one simulcast theater. In June 1990, the state's first special demonstration project, a simulcast theater, opened at the Friar Tuck Inn (Greene County). Capital OTB closed one branch, consolidated two others into an enhanced telebranch and ended 1990 with 52 branches and two simulcast theaters (one a special demonstration project).

Capital OTB conducted 280 simulcast operations. This was accomplished with 45 branches and two simulcast theaters as compared to 44 branches and one simulcast theater in 1989. Forty-four branches and two simulcast theaters displayed races from the New York Racing Association (NYRA), Finger Lakes Race Track, Batavia Downs, Yonkers and Monticello Raceways. Four branches and the Albany simulcast theater displayed races from Saratoga Raceway. Forty-three branches and two simulcast theaters displayed races from Buffalo Raceway. There was a statewide cessation of simulcasting on July 1, due to the expiration of the five year experiment. Permanent authorization for in-state simulcasting was enacted into law on July 2, 1990. Capital

OTB was given special permission to open its Albany simulcast theater to accommodate previously arranged parties, with no wagering allowed.

Within its region, Capital OTB contains one thoroughbred track, Saratoga Race Track, a NYRA track, which operated only during the month of August. It also contains two harness tracks, Saratoga Raceway and Vernon Downs.

In 1990, Capital OTB continued to operate New York State's first simulcast theater. This simulcast theater displayed races from NYRA, Finger Lakes, Batavia, Saratoga, Buffalo, Monticello and Yonkers. In this simulcast theater, a bettor is able to view track odds, bet by number instead of by letter, and receive track prices, free of the OTB surcharge on simulcast races. This theater accommodates 930 customers, has all the amenities of a race track and serves food and alcoholic beverages.

In June 1990, Capital OTB opened a simulcast theater in Greene County at the Friar Tuck Inn. This special demonstration project was authorized by 1985 legislation as amended in 1986. This facility is operated in the same manner as the other simulcast theaters in the State. Races from NYRA, Finger Lakes, Batavia, Buffalo, Monticello and Yonkers were displayed at the special demonstration project. The facility accommodates 150 customers and has all the amenities of a race track.

In 1990, Capital OTB handled \$189.7 million on thoroughbred races and \$45 million on harness races for a

total handle of \$234.8 million, an increase of \$6.7 million or 2.9% over 1989. Capital OTB ranks second in the State in terms of total betting handle with 12.2% of the statewide handle. Based on its total \$234.8 million handle for 1990 (as compared to \$228.1 million in 1989), Capital generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		
N.Y. State	\$ 3,504,198	\$ 3,353,932
Breeders' Fund	1,400,307	1,360,599
Tracks (incl. contractual)	13,698,924	13,333,305
Total Operating Expenses	28,240,421	27,389,180
Percentage of handle	12.03%	12%
Net Earnings to Own Localities	526,716	782,941
Percentage of Handle	0.2%	0.3%
Surcharge:		
To Own Localities	4,532,876	4,531,089
To Localities Outside Region	3,602,197	3,484,457

Of Capital OTB's 1990 total handle, \$188.6 million or 80.3% was wagered on simulcast races. Capital OTB distributed \$8.1 million in surcharge revenue to various counties, pursuant to Section 532 of the Racing Law. Total revenue from all concession operations at Capital OTB in 1990 was \$415,000, of which \$76,000 resulted from the simulcast theaters. Capital also received \$681,000 in lottery commissions during 1990.

Capital OTB's 1990 handle for NYRA was \$156.2 million, an increase of \$7.9 million or 5.4% over 1989. Simulcast locations accounted for \$133.9 million or 85.7% of the total NYRA sales, an increase of \$10.7 million or 8.7% over 1989. The daily average handle for these simulcast

locations was \$9,725 per branch as compared to \$9,673 in 1989. Approximately \$1 million of this increase may be attributed to the fact that the Breeders' Cup was held at Belmont Park, which transferred the handle from special events to NYRA.

Capital OTB distributed \$5.7 million in surcharge revenue from winning NYRA wagers. Statutory payments, based on simulcast handle, to NYRA in 1990 were \$3.6 million. Simulcast contractual payments in 1990 totaled \$1 million. Capital OTB's new five year contract calls for Capital to pay NYRA 2.75% of NYRA daily net handle at simulcast branches for the period of January 1, 1990 through December 31, 1992. From January 1, 1993 to December 31, 1995, the percentage will increase to 2.85%. Capital OTB pays 6.5% of NYRA daily net handle at the simulcast theater through the end of the contract (December 31, 1995). Capital pays NYRA \$35,000 a year for the rights to broadcast the live call over commercial radio.

It should be noted that, of Capital OTB's \$156.2 million NYRA handle, \$19.8 million was wagered during Saratoga Race Track's August meet. This was an increase of \$326,000 or 1.7% over 1989. Simulcasting within the region accounted for \$16.9 million, or 85.5% of the total Saratoga thoroughbred wagers. The daily average handle for Capital OTB branches simulcasting Saratoga Race Track was \$16,059 per branch as compared to \$15,655 in 1989.

Capital OTB's 1990 handle for Saratoga Raceway was \$14.1 million, a decrease of \$2 million or 12.2% as compared to 1989. Simulcast locations accounted for \$8.7 million or 61.5% of the total Saratoga sales, a decrease of \$1.5 million or 14.7% as compared to 1989. The daily average handle for these simulcast locations was \$10,608 per branch as compared to \$10,346 in 1989.

Capital OTB distributed \$483,000 in surcharge revenue from winning Saratoga Raceway wagers. Statutory payments, based on simulcast handle, to Saratoga Raceway in 1990 were \$420,000. Simulcast contractual payments totaled \$143,000 in 1990. Capital OTB is making these payments under an agreement with Saratoga, which has not been reduced to writing. The proposed agreement expires in 1994.

Capital OTB's 1990 handle for Finger Lakes was \$27.2 million, a decrease of \$31,000 or 0.1% as compared to 1989. Simulcast locations accounted for \$24.3 million or 89% of the total Finger Lakes sales, an increase of \$637,000 or 2.7% over 1989. The daily average handle for these simulcast locations was \$3,416 per branch as compared to \$3,380 in 1989.

Capital OTB distributed \$1.1 million in surcharge revenue from winning Finger Lakes wagers. Of this, \$478,000 was included in Capital OTB's regular earnings under the Board's interpretation of Section 532(3)(b)(v) of the Racing Law. Statutory payments, based on simulcast handle, to Finger Lakes in 1990 were \$845,000. Simulcast contractual

payments totaled \$300,000 in 1990 under an annual commission agreement with Finger Lakes.

Capital OTB's 1990 handle for Yonkers Raceway was \$20.1 million, an increase of \$1.5 million or 8.1% over 1989. Simulcast locations accounted for \$17.4 million or 86.4% of the total Yonkers sales, an increase of \$1.8 million or 11.7% over 1989. The increase in handle may be attributed to the fact that Capital simulcasts Yonkers into certain branches within Saratoga Raceway's region when that track was racing. Friar Tuck Inn and New Lebanon, as well as some distant branches, were allowed to simulcast other harness tracks when Saratoga Raceway was racing because of the inability to microwave simulcasts of Saratoga to these branches. The daily average handle for these simulcast locations was \$3,657 per branch as compared to \$4,008 in 1989.

Capital OTB distributed \$698,000 in surcharge revenue from winning Yonkers wagers. Statutory payments, based on simulcast handle, to Yonkers in 1990 were \$375,000. Simulcast contractual payments totaled \$79,000 in 1990. The contractual payment is 0.5% of the total daily Yonkers handle which exceed \$83,000 for each race day. Capital OTB also pays Yonkers an annual fee of \$50,000. While there is no written contract, Capital OTB does have a verbal agreement with Yonkers.

Capital OTB's 1990 handle for Batavia Downs was \$2.2 million, an increase of \$350,000 or 18.8% as compared to

1989. Simulcast locations accounted for \$1.8 million or 81.9% of the total Batavia sales, an increase of \$380,000 or 26.5% as compared to 1989. The daily average handle for these simulcast locations was \$1,558 per branch as compared to \$1,959 in 1989. This decrease in daily average handle may be attributed to an increase in the number of simulcast dates.

Capital OTB distributed \$87,000 in surcharge revenue from winning Batavia sales. Statutory payments, based on simulcast handle, to Batavia in 1990 were \$49,000. Simulcast contractual payments totaled \$12,000 in 1990. Capital OTB paid Batavia \$300 per race date when both of its regional tracks were dark and \$150 per race date when one regional track was dark. There was no simulcasting when both regional tracks were conducting racing.

Capital OTB's 1990 handle for Buffalo Raceway was \$2.1 million, an increase of \$53,000 or 2.6% over 1989. Simulcast locations accounted for \$1.8 million or 85.7% of the total Buffalo sales, an increase of \$226,000 or 14.3% over 1989. The daily average handle for these simulcast locations was \$2,257 per branch as compared to \$2,057 in 1989.

Capital OTB distributed \$83,000 in surcharge revenue from winning Buffalo wagers. Statutory payments, based on simulcast handle, to Buffalo in 1990 were \$49,000. Simulcast contractual payments totaled \$17,000 in 1990. Capital OTB paid Buffalo Raceway \$300 per race date when

both of its regional tracks were dark and \$150 per race date when one regional track was dark. There was no simulcasting when both regional tracks were conducting racing.

Capital OTB's combined 1990 handle for Batavia Downs and Buffalo Raceway was \$4.3 million, an increase of \$403,000 or 10.3% over 1989. Simulcast locations accounted for \$3.6 million or 82.8% of the \$4.3 million in total Batavia and Buffalo sales, an increase of \$566,000 or 18.3% over 1989. The daily average handle for these simulcast locations was \$1,840 per branch as compared to \$2,009 in 1989.

Capital OTB's 1990 handle for Monticello Raceway was \$1.6 million, an increase of \$1.2 million or 260% over 1989. Simulcast locations accounted for \$748,000 or 46.1% of the total Monticello sales, an increase of \$748,000 or 100% over 1989 (Capital did not simulcast Monticello in 1989). The daily average handle for these simulcast locations was \$2,383 per branch.

Capital OTB distributed \$61,000 in surcharge revenue from winning Monticello wagers. Statutory payments, based on simulcast handle, to Monticello in 1990 were \$20,000. Capital OTB agreed to pay Monticello \$250 per race date for the right to simulcast. There were no simulcast contractual payments made to date.

In return for consent from Vernon Downs to simulcast races from harness tracks outside the special betting district to OTB branches within the district (when Vernon was racing), Capital agreed to guarantee a minimum payment



of \$75,000 over the prior year's statutory commissions. This payment was generated through additional regional track commissions on the out-of-district harness races permitted to be simulcast under this agreement.

Capital OTB paid the simulcast vendor a \$10,500 to \$11,500 per month fee for satellite transmission time for various race tracks. This resulted in Capital paying the vendor \$149,000 in 1990.

Capital OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside of an OTB region as races of special interest on which OTB may accept wagers. During 1990, Capital accepted wagers on eight out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$4 million, a decrease of \$2 million or 33.2% as compared to 1989. A significant portion of this should be attributed to the lack of Rockingham Park wagers. Rockingham changed its dates when Suffolk Downs closed and was dark on Tuesdays (the traditional NYRA dark day). Wagering was also conducted on 15 thoroughbred races of special interest and three harness races of special interest. The series of races known as the Breeders' Crown (harness) was designated by law, as one race of special interest. Capital's handle on the thoroughbred

races of special interest was \$2.3 million, a decrease of \$406,000 or 15.2% as compared to 1989. This decrease may be attributed to the Breeders' Cup being held at Belmont Park, which transferred the handle (\$852,000 in 1989) from special events to NYRA. Capital's handle on harness races of special interest was \$62,000, a decrease of \$36,000 or 36.7% as compared to 1989. There is no apparent explanation for this decline, even though Capital took an additional harness special event. Capital OTB's handle totaled \$2.3 million for the 18 special events, a decrease of \$442,000 or 16% as compared to 1989. All out-of-state wagers amounted to \$6.4 million, a decrease of \$2.4 million or 27.8% as compared to 1989 (for reasons previously explained).

Capital OTB on certain occasions (NYRA dark days and cancellations) has shown delayed broadcasts of out-of-state races. These delayed broadcasts were allowed in an attempt to increase interest in racing and permitted with certain restrictions. The replay was not shown until after the race was official and all OTB payouts were posted. During the replay the screen has to be clearly labeled "DELAYED REPLAY". These restrictions were imposed to insure the integrity of the pari-mutuel system and to protect the interest of the racing fans.

In 1990, Capital OTB's handle for telephone accounts was \$17.6 million an increase of \$524,000 or 3.1% over 1989. Non-surcharge accounts, an account with a minimum balance of \$500 at all times, had a total handle of \$1.3 million for

the 46 accounts or a per account average of \$28,995. Regular accounts, of which there were 12,314 active in 1990, handled \$16.2 million, or a per account average of \$1,319 for 1990.

The State has granted its harness tracks and Finger Lakes Race Track a tax credit (against the State's pari-mutuel tax on handle), as an incentive for simulcasting to OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while the remaining harness tracks and Finger Lakes Race Track earn 1% credit on simulcast handle. The State Department of Taxation and Finance initially reports that for calendar year 1990, Yonkers Raceway received \$206,000; Saratoga Raceway received \$69,000; Batavia Downs received \$1,800; Monticello Raceway received \$3,700 and Finger Lakes Race Track received \$96,000 in simulcast tax credits. Therefore, on a simulcast handle of \$42 million, the various race tracks received a total tax credit of \$368,000 for simulcasts to Capital OTB branches.

A 1985 amendment to Section 532 of the Racing Law provided that where a track located in a thoroughbred special betting district simulcasts outside such special betting district, the 50% share of surcharge allocated to the county in which such track is located shall be allocated 90% to the OTB operator (as regular earnings) and 10% to the county.

The meaning of this statute, which has produced \$478,000 in revenue for Capital in 1990, was disputed by

Ontario County (where Finger Lakes Race Track is located) in an appeal to the Board. Ontario County contended that the amount the corporation retained should only pertain to simulcast branches. In February 1989, the Board reaffirmed its prior interpretation of the law which provided for the application of the law on a corporate-wide basis.

Ontario County challenged the Board's determination in this matter. Both the Supreme Court of the State of New York, County of Schenectady and the Appellate Division, Third Department unequivocally affirmed the determination of the Board in this matter.

At the end of 1990, Capital OTB was operating 14 telebranches. These telebranches offered either deli food or vending machine. Three facilities operate with deli food service; two of them, Woodlawn (Schenectady) and Delmar, are unique. The concessionaires that operate in these facilities are actually separate businesses. The design of these facilities allows the branch or the concessionaire to close while the other part remains open. The daily average handles were \$22,207 and \$7,932 respectively. Capital receives no income from these concessions.

The remaining facility, New Lebanon, is the most successful. In 1990, this facility had a daily average handle of \$29,452 as compared to \$30,159 in 1989, a decrease of 2.3%. The pre-conversion (1987) daily average handle for this branch was \$17,190. The 1990 daily average handle

(\$29,452) represents a 71.3% increase over the pre-conversion year. In comparison, branches, which have been in operation since 1987, have experienced a 9.2% increase in handle. Concession sales for 1990 averaged \$257 a day. Capital received \$12,000 from this service.

In 1987, Capital OTB had vendors install soda, snack and coffee machines in certain simulcast locations. At the end of 1990, Capital offered vending machine service at 11 facilities: 80 Central Avenue (Albany), North Pearl Street (Albany), Latham, Guilderland, Cohoes, Menands, Johnstown, Herkimer, Black River Blvd. (Rome), Columbia/Washington (Utica), and Lansingburgh (Troy). Concession sales for 1990 were \$43,000, which produced \$3,200 in revenue for Capital OTB. The two Albany facilities, Central Avenue and North Pearl Street, originally had deli food service but were changed to vending machine service due to lack of customer demand.

Financing for these and other projects has been through commercial loans. In January 1990, Capital entered into an agreement with Norstar Bank to increase its leasehold improvements loan to the original amount of \$7.5 million, an increase of \$1.1 million in 1990. The additional monies were used for leasehold improvements during 1990. This loan has a principal payment schedule which requires that the

loan be paid in full by 1996. At the end of 1990, Capital OTB had five outstanding obligations:

<u>BANK</u>	<u>LOAN AMOUNT</u>	<u>OUTSTANDING BALANCE</u>	<u>PURPOSE</u>
Norstar Bank	\$7,500,000	\$7,125,000	Leasehold improvements
	290,000	239,250	Expand teletheater parking lot
	590,000	403,783	Mortgage (Imperial Racing Center)
M&T Bank	342,356*	114,119*	Restaurant and television equipment
Adirondack Leasing	38,106*	33,660*	Restaurant equipment

(\*Includes principal and interest)

The rate of interest for all of the Norstar Bank loans is 75% of the prime rate adjusted quarterly. There is a 12% maximum and a 6% minimum rate of interest. The interest rate as of December 31, 1990 was 7.5%. The outstanding commitments to M&T Bank are conditional sales contracts with interest rates that vary from 8.75% to 10.5%. The interest rate on the Adirondack Leasing loan is 11%.

With the revised simulcast authorization came a new financing vehicle for the OTB Corporations. The surcharge on winning multiple, exotic and super-exotic wagers was increased by 1% to 6%. With the additional 1% OTB corporations could establish a Capital Acquisition Fund to receive the additional surcharge. If no fund was created the additional 1% would be treated as regular surcharge. With the Fund the corporations could make new capital

acquisitions or pay off its existing loans. Capital OTB has established such a fund and contributed \$509,000 during 1990. All monies contributed have been expensed to cover existing loans.

In December 1989, Capital rented 60 machines from Video Lottery Consultants (VLC) of Montana for \$12 a day. During 1990, Capital installed these VLC machines (which are similar to SAM's used by NYRA) throughout its branches. Starting with its busier branches Capital installed up to five VLC's per branch. The VLC's had a total handle of \$11.6 million in 1990. In early 1991, Capital entered into an agreement with Control Data Corporation to supply an additional 60 VLC machines. With these machines Capital plans to install at least one VLC in each branch.

In 1990, two new members were appointed to the Capital OTB Board. William Foster was named Director by the Columbia County Board of Supervisors and Donald F. Smith was appointed Director by the St. Lawrence County Board of Supervisors. Mr. Smith was not approved by the Racing and Wagering Board because the Attorney General advised that it was a conflict for an elected county legislator to serve as a director of an OTB Corporation. After an amendment to this law (Chapter 710 of the Laws of 1990), Capital reapplied and the Racing and Wagering Board approved Mr. Smith as a director.

In January 1990, the Board enacted Rule 5204.16. This rule requires that all branches shall have restrooms unless

good cause can be shown to the Board. Capital OTB has restrooms in 29 branches. Capital OTB has 25 branches without restrooms and has made little effort to install them. Capital has filed an application seeking a waiver of the rule for these facilities, which is currently pending before the Board.

In January 1990, the Plattsburgh branch of Capital OTB was robbed. After the telephone and electric lines to the back half of the building were cut, thus disabling the alarm, perpetrator(s) broke into an adjacent business. They proceeded to gain entry to the OTB branch and removed a 350 pound safe. They cut open the safe and removed approximately \$20,000. No arrests have been made in this case. Capital has recovered all monies through insurance.

On February 25, 1990, an employee of the simulcast theater robbed the facility of \$29,900. The employee removed hundred dollar bills from their bundles and replaced them with single dollar bills. The theft was discovered the following day. He was arrested in Nevada, extradited and subsequently pleaded guilty to Grand Larceny in the third degree, a Class D felony. In a plea bargain agreement, the defendant was sentenced to six months in the county jail and five years on probation. The judge also ordered that he be evaluated for alcohol, drugs or gambling abuse, and if need be, get involved in a treatment program. The judge did not order restitution. All monies have been recovered through insurance.



In early March 1991, the Albany Times Union newspaper ran a series of articles on Capital OTB. The articles question certain business practices of Capital, particularly its travel and automobile expenses. The articles focused on Capital's expenses and the amount returned to its participating counties. The series highlighted the need to enact the Board's legislative proposals to enhance the integrity and accountability of OTB (see recommendation #2).

#### ENHANCED TELEBRANCHES - 1990 UPDATE

Capital OTB operates 11 enhanced telebranches in ten different counties. The telebranch section of the Teleplex Racing Center will be discussed later. The Imperial Racing Center, located in Schenectady, was purchased, renovated and equipped for approximately \$1.2 million in 1986. Within this facility, patron services have been allocated in a manner which distinctly complement each area. For example, the ground floor offers only wagering and comfortable simulcast viewing areas. One side of the second floor offers table service; the other side provides deli food service and a bar area. The third floor offers an additional table service area and also provides for administrative office space. The Imperial Racing Center had a daily average handle of \$25,870. Concession sales averaged \$602 a day in 1990. Capital received \$12,000 from this concession. Early in 1990, Capital OTB replaced the concessionaire at this facility. The new concessionaire

will operate in more than one branch, a strategy Capital has started to employ to insure long-term relationships.

In Charlestown, Herkimer County, Capital OTB operates the Charlestown Racing Center which incorporates a restaurant and simulcast betting area. Purchase price of the restaurant portion was \$43,000 and renovation costs totaled \$11,000. In this facility, customer services include table service, a bar and a comfortable simulcast viewing area. In 1990, Charlestown had a daily average handle of \$10,730. Concession sales averaged \$165 a day in 1990. Capital received \$5,600 from this concessionaire.

In Troy, Rensselaer County, Capital OTB operates the Troy Atrium Racing Center. The Racing Center was opened in April 1987, with renovation costs of \$861,000. This facility offers deli food service as well as table service, a bar, electronic sports information board and comfortable simulcast viewing area. The daily average handle for 1990 was \$20,243. Concession sales averaged \$767 a day for a total of \$277,000 in 1990. Capital received \$38,000 from this concession.

In Montgomery County, Capital OTB operates the Amsterdam Racing Center. This facility was opened in August 1987, as a telebranch and upgraded to an enhanced telebranch in December 1989. Renovation costs for this facility were \$877,000. This facility offers deli food service, table service, alcoholic beverages and a simulcast viewing area. The daily average handle for 1990 was \$17,526. Concession

sales averaged \$709 a day for a total of \$252,000 in 1990. Capital received \$12,000 from the concessionaire.

In Fulton County, Capital OTB operates the Gloversville Racing Center. This facility was opened in February 1988, as a telebranch and upgraded to an enhanced telebranch in November 1989. Renovation costs for this facility were \$528,000. This facility offers deli food service, table service, alcoholic beverages and a simulcast viewing area. The daily average handle for 1990 was \$11,556. Concession sales averaged \$557 a day for a total of \$201,000. Capital OTB received \$8,400 from the concessions.

During 1990, Capital OTB upgraded five additional telebranches to enhanced telebranches.

The Plaza East Racing Center (Utica), was converted to a telebranch in November 1987, and was upgraded to an enhanced telebranch in June 1990. This racing center, renovated at a cost of \$530,000, offers deli food, alcoholic beverages and a simulcast viewing area. The daily average handle in 1990 for this facility was \$16,715 as compared to \$14,268 in 1986 (prior to conversion). Concession sales averaged \$70 a day for a total of \$25,500. Capital OTB received \$4,600 from this concession.

In April 1989, Capital OTB opened the Glens Falls Racing Center and in 1990 upgraded the facility to an enhanced telebranch. The cost to convert this existing simulcast facility was \$239,000. It offers deli food, table service, with beer and wine and a simulcast viewing area.

The daily average handle in 1990 was \$20,115 as compared to \$12,468 for January 1988 to March 1990 (prior to conversion). During 1990, concession sales averaged \$416 a day for a total of \$114,000. Capital received \$8,200 from this concessionaire.

In April 1990, Capital OTB opened the Turnpike Racing Center in East Greenbush, which consolidated two nearby facilities (one a telebranch, the other a regular branch). Renovation costs for this facility were \$194,000. The Racing Center offers deli food service with beer sales and a simulcast viewing area. The daily average handle for 1990 was \$11,431 since opening. The combined daily average handle for the two facilities that this branch replaced was \$14,293 for January 1989 to March 1990. Concession sales averaged \$76 a day for a total of \$20,000 for the nine months of operation. Capital received \$1,300 from this concession.

In May 1990, Capital opened the Plattsburgh Racing Center with renovation costs of \$351,000. This facility offers deli food service, alcoholic beverages and a simulcast viewing area. The daily average handle since conversion for this branch was \$17,153 as compared to \$8,713 for January 1989 to April 1990 (prior to conversion). Concession sales averaged \$315 a day in 1990, resulting in \$7,000 for Capital.

In May 1990, Capital also opened the Bridgeport Racing Center with renovation costs of \$210,000. This facility

offers deli food service, alcoholic beverages and a simulcast viewing area. The daily average handle at this branch was \$34,435 since its conversion, as compared to \$21,091 for January 1989 to March 1990 (prior to conversion). Concession sales averaged \$571 a day for a total of \$138,000 in 1990. Capital received \$14,000 from this concession.

#### TELEPLEX RACING CENTER - 1990 UPDATE

The Teleplex Racing Center is a single building and contains two OTB facilities. One an enhanced telebranch; the other, a simulcast theater. This center houses the two most successful components of Capital OTB. The enhanced telebranch, seats 270 people, offers food and alcoholic beverages and has no dress code. The telebranch does not charge an admission fee and winning wagers are subject to the 5% OTB surcharge. Concession sales averaged \$882 a day for a total of \$174,000 in 1990 (excluding the Sports Bar).

In August 1990, the enhanced telebranch expanded the amenities it offered to its customers. The branch was expanded to include a sports bar, "The Scoreboard". Capital OTB spent \$1.2 million on converting warehouse space into the sports bar and improvements to the telebranch. This unique facility offers a bar area, table seating with a light menu, three betting windows, 65 televisions for sporting events and a wide variety of sports-related games. These games include five computer-simulated golf courses, foosball tables (soccer), pool tables, shuttleboard,

bowling, electronic dart boards, basketball shoot-out, football toss, a batting cage and a pitching cage.

Capital is able to close and secure the branch facility while the sports bar remains open till approximately 2:00 a.m. This helped to produce \$714,000 (daily average of \$4,926) in concession sales for 1990. Capital received \$215,000 from this concession (including commissions from the telebranch).

The simulcast theater, charges \$3 per person for admission and winning wagers on simulcast races are not subject to the 5% OTB surcharge. All non-simulcast races are subject to the 5% OTB surcharge. This entertainment center offers food, alcoholic beverages, electronic sports information boards, special sporting events and assorted patron amenities. A dress code has been established. During 1990, concession sales averaged \$2,568 a day, for a total of \$842,000. Capital received \$53,000 from concession sales at the theater.

The Teleplex Racing Center's handle for 1990 was \$46.3 million, a daily average handle of \$127,782. The simulcast theater's handle for 1990 was \$32.7 million, a daily average handle of \$90,452, with per capita wagering of \$246. The telebranch's handle for 1990 was \$13.6 million, a daily average of \$35,580. In 1990, 19.7% of Capital OTB's total handle resulted from wagers placed at this unique facility. During this year Capital OTB spent \$82,000 on capital improvements at the theater.

Capital OTB has sought to attract new business through various promotions. In 1990, Capital OTB displayed numerous closed circuit boxing events, conducted handicapping seminars and offered reduced admissions. Fashion shows, as well as charitable and political events, were held at the simulcast theater. Most successful of these is its Monday Night Football promotion. This promotion, in conjunction with a local radio station, offered a prize to the person who picked the winning team along with the closest guess to the total score. It also offered a grand prize for the most weekly wins. Due to the success of this promotion, Capital expanded it to other facilities and occasions. These activities brought in potential bettors.

The simulcast theater has generated additional revenue for state and local governments. Capital OTB collected \$142,000 in admission fees (a decrease of \$25,000) and paid \$5,600 in state admission taxes. Total attendance at the simulcast theater was 132,841 of which 57,153 (43%) were paid. Pursuant to Section 1009(10) of the Racing Law, Capital OTB paid the City of Albany \$327,000 in 1990. This payment is derived from an agreement with the City of Albany to pay 1% of the simulcast theater handle, in lieu of any other local tax.

#### SPECIAL DEMONSTRATION PROJECT

On June 29, 1990, Capital OTB opened a simulcast theater in the Friar Tuck Inn (Greene County). Renovation costs of \$25,000 were relatively low since this facility was

placed in an already existing hotel. The simulcast theater has an admission charge of \$3 per person and winning wagers on simulcast races are not subject to the 5% OTB surcharge. All non-simulcast races are subject to the 5% OTB surcharge. At the present time, due to technical problems, surcharge wagers are not accepted. This theater offers food, alcoholic beverages and a simulcast viewing area. The handle for 1990 in this facility was \$1.6 million, a daily average of \$8,859, with per capita wagering of \$219. Total attendance at the project was 7,440 generating \$22,320 in admission fees, and resulting in \$790 in State admission taxes. Since the hotel had restaurant facilities, Capital did not have to establish them. Under the agreement between Capital and Friar Tuck, the hotel retains any income from the restaurant's operations.

CATSKILL REGIONAL OFF-TRACK BETTING CORPORATION

Catskill Regional Off-Track Betting Corporation is comprised of 13 counties located in the eastern and southern regions of the State. The eight participating counties are Broome, Chemung, Chenango, Dutchess, Orange, Rockland, Tioga and Ulster. A ninth county, Putnam, sought to join the corporation in late 1990, but its participation has been delayed as a result of pending litigation. There are two race tracks operating within the boundary of Catskill OTB. Both are harness tracks and are located in non-participating counties. Monticello Raceway is in Sullivan County while



Yonkers Raceway is in Westchester County. A third track, Tioga Park, in participating Tioga County was encouraged by the 1990 New York State Legislature to reopen in 1991. The track is planning to have a mixed meeting featuring thoroughbred and quarter horse races.

In 1990, Catskill OTB had 30 branches in operation, one more than the previous year. In total, 64 simulcast operations were conducted but for just part of the year.

Catskill OTB's 1990 handle was \$115.9 million, a decrease of \$19.2 million, or 14.2% from 1989. Of that total, \$89.5 million was wagered on thoroughbred races and \$26.4 million was wagered on harness races. The total handle for Catskill OTB represents 6% of all the New York off-track betting handle in 1990. Catskill ranks sixth in the State in terms of total betting handle. Based on its total \$115.9 million handle for 1990 (as compared to \$135.1 million in 1989), Catskill generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		
N.Y. State	\$2,307,781	\$ 1,985,518
Breeders' Fund	711,651	875,114
Tracks (incl. contractual)	6,643,223	7,197,096
Total Operating Expenses	11,847,813	11,778,220
Percentage of handle	10.2%	8.7%
Net Earnings to Own Localities	2,518,144	5,123,959
Percentage of Handle	2.2%	3.8%
Surcharge:		
To Own Localities	2,562,058	2,991,331
To Localities Outside Region	2,170,764	2,590,886

Of Catskill OTB's total betting handle, \$65.2 million or 56.3% was wagered at simulcast branches. This represents

a decrease of \$45.1 million, or 40.5% as compared to 1989.

The simulcasting of NYRA races into 16 branches reflected a handle of \$41.4 million, which was 55.1% of total NYRA handle. This was a decrease of \$24.3 million or 37% from 1989. Daily average simulcast handle was \$12,450 per branch, a decrease of \$1,044 from 1989. Surcharge revenue of \$3.8 million on NYRA races was distributed by Catskill OTB.

Finger Lakes Race Track accounted for \$9.6 million in Catskill simulcast handle, which was 91.4% of the total Finger Lakes handle. This was a decrease of \$600,000 or 5.9% from 1989. Daily average simulcast handle was \$3,741 per branch, a decrease of \$56 from 1989. Surcharge revenue of \$476,000 on Finger Lakes races was distributed by Catskill OTB.

Harness simulcast handle at 16 branches resulted in just \$14.1 million in 1990. This was a decrease of \$20.2 million as compared to 1989.

Monticello Raceway simulcast its races to Catskill OTB at various times throughout the year. Monticello races were simulcast when Yonkers Raceway was dark. There were many more opportunities to simulcast Monticello races in 1990 because Yonkers reduced the number of programs simulcast to Catskill. Total simulcast handle was \$1.7 million which was 31.5% of total Monticello handle. This was an increase of \$1.3 million or 347% over 1989 when just eight programs were simulcast. Daily average simulcast handle was \$3,382 per

branch, an increase of \$540 per branch over 1989. Surcharge revenue of \$232,000 on Monticello races was distributed by Catskill OTB.

The Yonkers simulcast handle for 1990 dropped sharply to \$1.5 million, which was 59.8% of total Yonkers handle. This was a decrease of \$21.5 million or 63.2% from 1989. Daily average simulcast handle in 1990 was \$4,868 per branch, a decrease of \$2,207 from 1989. Surcharge revenue of \$934,000 on Yonkers races was distributed by Catskill OTB.

Catskill OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, whenever the non-profit racing association (NYRA) is not conducting racing. During 1990, Catskill OTB accepted wagering on six out-of-state race tracks on NYRA dark days. Total handle for these out-of-state tracks was \$2.3 million. Wagering was also conducted on 15 thoroughbred races and one harness race of special interest. Catskill OTB's handle totaled \$1.6 million for the 16 special events, a decrease of \$200,000 from 1989. All out-of-state wagering amounted to \$3.9 million in handle for Catskill OTB, a decrease of \$400,000 from 1989. (Note: the Breeders' Cup was run in New York in 1990.) It should be noted that all of the out-of-state special events were televised nationally. Most of these special events were telecast live.

In 1990, Catskill OTB's simulcast expenses were less than the previous year due to the loss of four months of simulcasting. This occurred because of the expiration of the NYRA contract and a continuing dispute with Yonkers Raceway. Catskill paid NYRA \$455,000 in statutory payments based on simulcast handle. There were no contractual payments. Finger Lakes received \$105,000 in statutory payments based on simulcast handle. There were no contractual payments; a new contract was agreed upon but not executed before year's end. The new Catskill contract with Finger Lakes calls for Catskill to pay a premium of 1% of simulcast handle for the signal. Monticello Raceway was the recipient of \$59,000 in statutory payments based on simulcast handle. There were no contractual payments but Catskill OTB shared the uplink costs for Monticello's simulcast signal. Yonkers Raceway received \$626,000 in statutory payments based on simulcast handle. There were no contractual payments and currently there is no written contract with Yonkers. It has been agreed that when a written contract is executed, Catskill's payment due Yonkers will be retroactive to July 18, 1990, the date of resumption of the Yonkers' simulcasts to Catskill OTB. In 1990, Catskill's single simulcast vendor was paid slightly over \$200,000 for services.

The State has granted its harness tracks and Finger Lakes Race Track a tax credit against the State's pari-mutuel tax on handle, as an incentive for simulcasting to

OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while the remaining harness tracks and Finger Lakes Race Track earn a 1% tax credit on simulcast handle. The State Department of Taxation and Finance initially reports that, for the calendar year 1990, Yonkers Raceway received \$190,000; Monticello Raceway received \$11,700; and Finger Lakes Race Track received \$45,200 in simulcast tax credits. Therefore, on a simulcast handle of \$24.4 million, the various race tracks received a total tax credit of over \$247,000 for simulcasts to Catskill OTB branches.

Catskill OTB had its capital acquisition fund in place in 1989. There was a carryover balance to 1990 of \$191,000. During 1990, \$845,000 for the fund was generated by wagering at Catskill. In 1990, \$354,000 was expended by Catskill OTB, leaving a balance of \$682,000 in its capital acquisition fund at year's end.

Since the inception of OTB, there has been an air of distrust between the race tracks and the OTB corporations. Until the advent of track to track simulcasting, the State's harness and thoroughbred tracks had little in common. This changed in the past few years as NYRA developed relationships with some of the State's harness tracks for track to track wagering, with the harness tracks carrying NYRA's product. From the standpoint of average daily handle, the most successful relationship was the NYRA to Yonkers simulcast.

Prior to the 1990 revision of the Racing Law, Catskill OTB had the right to withdraw its consent for the NYRA to Yonkers simulcast, should Catskill OTB's handle decline. Catskill withdrew its consent, effective February 1988, by filing the required notice in August 1987. The six months notice was required by the contract between Yonkers and Catskill.

This resulted in a long costly court battle which further polarized the race tracks involved and Catskill OTB. NYRA was incensed over losing the hugely successful track to track wagering at Yonkers. When the NYRA-Catskill simulcast contract expired on January 30, 1990, Catskill OTB lost the NYRA picture. On that same date, the disputed Yonkers-Catskill agreement expired. During the dispute, Yonkers sent its signal to Catskill claiming that the contract was still valid. With the end of that contract, Yonkers' signal to Catskill ended as well.

Catskill OTB had very limited simulcasting during the first half of 1990. It carried the Finger Lakes simulcast signal when that track finally opened in April after a track resurfacing problem caused the cancellation of the first eight scheduled race dates. Catskill also simulcast races from Monticello Raceway on various days and nights (mainly Sunday/Tuesday afternoons and Wednesday nights) when Yonkers Raceway was dark. There were no simulcasts from NYRA to Catskill from January 31 through May 31. Yonkers began sending its signal to Catskill OTB on July 18, which

happened to be the same day that the NYRA to Yonkers simulcast resumed.

The interruption of simulcasting proved financially disastrous for both Yonkers and Catskill OTB. NYRA's loss was tempered by the fact that many of Catskill's and Yonkers' simulcast customers shifted their wagering to either New York City OTB branches or attended the races at Aqueduct and Belmont.

Catskill's original 1990 agreement with NYRA was a temporary one. It was signed on May 31 and was to run for 60 days. Catskill agreed to pay NYRA 6.5% on total simulcast handle. Previously, Catskill paid NYRA a percentage of simulcast handle based on the distance of the receiving county from the NYRA tracks. Before the scheduled July 31 expiration date, this contract was extended until October 31. NYRA stated that there would be no further extensions.

There was a statewide cessation of simulcasting on Sunday, July 1 due to the expiration of the five year experiment. Permanent authorization for in-state simulcasting was enacted into law on July 2, 1990.

Catskill desired a long-term contract with NYRA in order to assure a simulcast signal for its patrons and to solidify its construction and expansion plans. On November 1, NYRA once again ceased sending its simulcast signal to Catskill. Surprisingly, NYRA resumed the signal for the ninth and final race that very same day. Catskill OTB and

NYRA finally agreed to a five- year simulcasting contract, signed on November 16. It continues the terms of the interim agreements described above.

Catskill OTB estimates that its new contract with NYRA will make the cost of simulcasting 700-800% greater than previous years. Traditionally, Catskill OTB has been among the leaders in raising revenue for its participating counties. These increased simulcast costs will have a direct effect on the future revenues for these counties by reducing benefits considerably.

In 1990, the Newburgh (Lakeside Plaza) branch in the southern part of the city was temporarily closed when a new facility was opened in the Mid-Valley Mall on the northern edge of Newburgh. This new branch came complete with extra large monitors, restrooms, vending machines and much needed seating and handicapping tables. It opened in early June.

The old Lakeside Plaza simulcast branch was closed during June and July of 1990, but reopened in August as a regular branch without simulcasting. It was now equipped with restroom facilities which it did not have in the past.

The only food and beverage amenities in the Catskill OTB region are vending machines. Nine of the 16 simulcast branches have them. Several geographically separated vendors are retained by Catskill OTB to service these machines. Catskill OTB retains commissions on sales ranging from 18-20%. This amounted to slightly over \$20,000 in revenue to Catskill OTB for the calendar year 1990.



Fourteen of the 16 simulcast facilities are engaged in lottery sales. Corporate-wide commissions on lottery sales in 1990 amounted to nearly \$150,000.

Thirteen of the 16 simulcast branches have restroom facilities for their customers. Elmira, Kingston and Wappingers Falls are the branches lacking such comforts. Catskill OTB has applied for waivers for a total of 15 facilities under the Board's rule. This request is under review by the Board's staff.

New to Catskill OTB in 1990 were customer-activated betting machines (CAT's). They were initially tested in July in Nanuet, Nyack, Pearl River and Suffern, the four largest branches in terms of betting volume. These machines, which have proven immensely popular at NYRA's tracks, are so far enjoying limited success at Catskill OTB. Catskill is still evaluating their usefulness.

A new problem for Catskill OTB surfaced in 1990 as three different branches were robbed. The criminals brandished weapons in each case. These crimes may have been aided by the lack of simulcasting at night, which resulted in sparse attendance at simulcast branches, making them appealing targets. In general, simulcast branches are the only ones open in the evening in the Catskill region. On March 28, June 29 and September 3, the Arlington, Pawling and Middletown branches, respectively, were all robbed at gunpoint. All crimes occurred at night's end and many

characteristics of the robberies were similar. The perpetrators have yet to be apprehended.

Catskill OTB has attempted to thwart any recurrence of these crimes. It has strengthened its relationships with various police departments near OTB branches. Catskill's position is that communication and cooperation with these police departments will provide ongoing surveillance and awareness by local police agencies. In addition, Catskill has made some changes in branch internal and security procedures. Where appropriate Catskill OTB added improved lighting and surveillance cameras.

The 1990 Omnibus Racing Legislation has resulted in a serious ramification to Catskill OTB's telephone betting handle. Catskill lost many of its telephone accounts during the second half of 1990, which further eroded its bottom line. The drop in telephone handle at Catskill coincided with NYCOTB promoting its surchargeless telephone accounts in July, 1990. Catskill's telephone handle for the first seven months of 1990 was 5% less than the comparable period in 1989. However, Catskill lost over 37% of its telephone handle for the final five months of the year as compared to the same period of 1989. Catskill believes that many of its former customers have transferred their accounts to New York City OTB in order to escape the surcharge on winning wagers. In Catskill, as in other regional OTB corporations, a \$500 minimum balance is required in a telephone betting account at the time of a wager in order to avoid the surcharge.

However, at New York City OTB, only a \$10 balance is required to maintain an account and the surcharge on winning bets is not applicable. Currently, anyone who is a resident in New York State can open a telephone account with any of the six OTB corporations.

Once again this past year, attempts to bring to life "Special Demonstration Projects" in hotels in the Catskill region were fruitless. In May, representatives of Catskill OTB, Browns Hotel and Monticello Raceway met with eagerness. This soon turned to disappointment as Monticello Raceway proposed and held firm to its demand for 3% of all wagers at this facility. This demand was deemed to be too high a price to pay by both Catskill OTB and the hotel.

When NYRA to Monticello simulcasting began for the first time on September 19, Catskill OTB again approached Monticello Raceway for permission to try a temporary "special demonstration project" at one of the Catskill region hotels. Once again, an agreement proved unattainable.

The adversarial relationship between Catskill OTB and the Yonkers and NYRA managements resulted in Catskill losing its simulcasting of NYRA (for four months) and Yonkers (for five and a half months). This cut deeply into Catskill's 1990 revenues which eventually were earmarked for the eight member counties of the Catskill corporation.

NYRA and Yonkers, however, did not escape financially unscathed. Both managements had come to rely on their off

track betting handles. The purse structures of both the thoroughbred and harness tracks were predicated on the amount of combined on and off track wagering. The loss of the lucrative NYRA-to-Yonkers simulcast put the purse structure at both tracks in peril.

On February 24, Yonkers declared a 25% purse increase for their horsemen. Now in direct competition with New Jersey's premier track, the Meadowlands, Yonkers was losing their highest quality horses to more lucrative opportunities across the Hudson River. On May 24 however, Yonkers was forced to cut their purse structure by 12%. On that same date, NYRA cut its purses by 14%. Both managements gave the same reason for their purse cuts stating that the sustaining of Catskill OTB's veto of the NYRA to Yonkers simulcast, caused dire financial repercussions for both tracks.

When the tracks and Catskill OTB finally agreed to agree, and all parties were back fully operational, the thoroughbred customers returned but the harness customers were not as resilient or dedicated. Yonkers wagering at Catskill was far less than previous years. Regular Catskill branches (non-simulcast), had been allowed the live race call in previous years. This was no longer permitted by Yonkers. Other customers were lured away by the Meadowlands in nearby northern New Jersey.

Catskill, which for some time had been planning to build an expensive simulcast theater in Rockland County, put all of its expansion plans on hold. It concluded that it

might not have any video signal for the simulcast theater. Catskill feels that the success of any food or alcoholic beverage service is contingent on a rock solid night product, as nights are when these amenities would be in highest demand.

During the year, Catskill OTB did relocate its Newburgh simulcast branch. A spacious and more comfortable location was met by increased attendance in the Newburgh area. All other expansion and relocation plans for 1990 were put on hold until there was some long-term stability in a guaranteed product (the simulcast signal).

Catskill OTB approaches 1991 with hope for a better financial year. However, new simulcast contracts finalized in 1990 with NYRA, Yonkers and Finger Lakes will result in significant higher costs to the corporation. Net revenue for distribution to Catskill's member counties in 1991 are anticipated to be lower than in previous years.

#### SUFFOLK REGIONAL OFF-TRACK BETTING CORPORATION

Suffolk Regional Off-Track Betting Corporation, located in Suffolk County, had 18 branches and a simulcast theater operating in 1990. During the year, one branch was moved and converted to a simulcast branch. At the end of 1990, 11 branches and a simulcast theater simulcast races from the New York Racing Association (NYRA) and Yonkers. The 12 simulcast facilities also simulcast Finger Lakes on 32 NYRA dark days from April 24 to December 4. Suffolk did not

simulcast Monticello during 1990. Suffolk OTB conducted 36 simulcast operations throughout the year.

In 1990, Suffolk handled \$148.1 million on thoroughbred races and \$48.9 million on harness races, for a total of \$197 million, a decrease of \$9.7 million or 4.7% compared to 1989.

Various explanations have been offered for the decline: the no smoking law, the decline in the quality of both NYRA and Yonkers races, the multiplicity of gambling opportunities and the economy. While all of these may have had some bearing, recent statistics indicate a net loss of 28,700 jobs in the Nassau/Suffolk area for the 12-month period beginning December 1989. In addition, there has been a decline of almost 40% in construction from 1989, together with an increase in the vacancy rate in corporate office space, and a decline in housing sales, retail sales and sales tax revenue. Conventional wisdom has been that OTB is "recession proof", but it appears that OTB bettors have decided to bet smaller amounts or not bet at all. Prior recessions have not had the impact on Long Island that the current recession is having.

In terms of total betting handle, Suffolk OTB ranks fifth in the State, with 10.2% of all New York State off-track betting handle. Based on a \$197 million total handle for 1990 (as compared to \$206.8 million in 1989), Suffolk generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		

N.Y. State	\$ 3,029,018	\$ 3,127,678
Breeders' Fund	1,230,525	1,312,116
Tracks (incl. contractual)	9,886,359	12,385,511
<b>Total Operating Expenses</b>	<b>\$19,043,467</b>	<b>18,197,788</b>
Percentage of handle	9.7%	8.8%
<b>Net Earnings to Own Localities</b>	<b>3,212,603</b>	<b>5,424,894</b>
Percentage of Handle	1.6%	2.6%
<b>Surcharge:</b>		
To Own Localities	3,411,208	3,773,314
To Localities Outside Region	3,089,388	3,319,962

Of Suffolk OTB's total handle, \$160.9 million, or 81.7% was wagered at simulcast branches. This represents a decrease in simulcast handle of \$5.7 million, or 3.4% from 1989. Suffolk distributed a total of \$6.5 million in surcharge revenue in 1990.

The simulcasting of NYRA races into 12 Suffolk OTB facilities, including one simulcast theater, accounted for \$109.1 million or 78.3% of the NYRA handle in Suffolk OTB, an increase of \$2.6 million, or 2.4% over 1989. The daily average handle for the simulcast locations was \$26,422 per branch, a decrease of \$5,227 or 16.5% from 1989. Suffolk's contract with NYRA expired on June 30, 1990, and was renewed in early August, with an expiration date of June 29, 1992. The new contract (essentially the same) provides for payment of 1.5% of net simulcast handle over the statutory rate, not to exceed 6.5% at simulcast branches, and 2.5% over statutory rates, not to exceed 7.5% at the simulcast theater. Under the terms of the contract, Suffolk paid NYRA \$1.8 million in contractual payments and \$5.5 million in

statutory payments based on simulcast handle. Suffolk distributed \$4.6 million in NYRA surcharge revenue.

Harness races from Yonkers were simulcast into 11 branches and one simulcast theater during 1990. Yonkers Raceway's handle at the simulcast facilities was \$42.9 million or 87.8% of Suffolk's handle at that track. Yonkers simulcast handle decreased \$6.7 million or 13.5% from 1989. This decline is a cause for concern in Suffolk, because costs to operate branches at night remain fixed while handle declines.

Evening simulcasting of Yonkers races resulted in an average daily handle of \$10,717 per branch, a decrease of \$306 or 2.8% from 1989. The simulcast of the Yonkers matinee averaged \$6,982 per day, a decrease of \$327 or 4.5% from 1989.

An unwritten understanding with Yonkers (continuing the expired contract's terms) calls for a minimum payment of \$500 per evening, except for Sunday evenings when Yonkers receives 0.5% of simulcast handle. Payments are on an ascending scale, from 0.5% of handle up to \$90,000 to 1.3% of handle over \$210,000 for all wagers placed after 7 p.m. Yonkers received \$203,000 in contractual payments and \$2.2 million in statutory payments based on simulcast handle during 1990. Suffolk distributed \$1.4 million in surcharge revenue from Yonkers. Negotiations for a written agreement continue.



Finger Lakes was simulcast into 11 branches and the simulcast theater for 32 NYRA dark days. This generated handle of \$3.3 million, a daily average of \$9,510 per simulcast branch, an increase of \$398, or 4.4% over 1989. Finger Lakes handle decreased \$1.7 million or 33.2% from 1989, due to the decreased number of simulcasting days. Under the terms of its agreement with Finger Lakes, Suffolk paid \$48,000 or \$1,500 per day in contractual payments and \$105,000 in statutory payments based on simulcast handle during 1990. Suffolk distributed \$147,000 in surcharge revenue from Finger Lakes.

The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1990, Suffolk OTB accepted wagers on six out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$2.8 million, a decline of \$688,000 or 19.5%. Wagering was also conducted on 15 thoroughbred races of special interest and one harness race. The series of races known as the Breeders' Crown (harness) was designated by law as one race of special interest. Suffolk OTB's handle totaled \$1.7 million, a decline of \$188,000 or 9.7%, for the 15 special events. (Note: the

Breeders' Cup was run in New York in 1990.) All out-of-state wagering amounted to \$4.6 million for Suffolk OTB.

The State has granted its harness tracks and Finger Lakes Race Track a tax credit (against the State's pari-mutuel tax on handle), as an incentive for simulcasting to OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while the remaining harness tracks and Finger Lakes Race Track earn 1% credit on simulcast handle. The State Department of Taxation and Finance in calendar year 1990 initially reports that Yonkers Raceway received \$480,000 and Finger Lakes Race Track received \$12,300 in simulcast tax credits. Therefore, on a simulcast handle of \$34.7 million, the two race tracks received a total tax credit of \$492,000 for simulcasts to Suffolk OTB branches.

In addition to payments made to the tracks for simulcasting, the corporation has a simulcast vendor who is responsible for the encoding, uplinking and satellite transmission of Yonkers simulcasts. This vendor also provided the downlink for all other simulcasts at Suffolk facilities. Suffolk paid \$302,000 in 1990 for this service.

Suffolk has vending machines in nine telebranches which supply hot and cold drinks, candy, snacks, sandwiches and cakes. Under one contract, Suffolk was paid \$2,500 for the machines in Bohemia in 1990. The remaining machines occupy leased space in the branches at a rate which ranges from \$45 to \$109 per square foot per year. Suffolk received \$17,000 for the space at eight telebranches.

Through 1989, Suffolk moved and/or modernized five branches. All of these facilities offer better attractive surroundings, with simulcast viewing areas, tables areas near the vending machines and restrooms. Relocating these branches, enlarging the simulcast theater, adding restrooms to all branches, and opening another simulcast branch, cost Suffolk \$1.4 million through 1989. During 1990, one branch, Hauppauge, was converted to a telebranch. The move and conversion cost Suffolk \$73,000. In June, West Islip was relocated at the request of the landlord, who bore all but \$10,000 of the cost for a move to a larger facility. Finally, in late December, work started at a location in North Amityville, completed in early January. The only branch in Suffolk without restroom facilities finally moved to a new location. With this move, Suffolk believes it has completed improving its branches, and will be able to concentrate on improving handle.

There are 40 SAMs in Suffolk. At the time of installation, Suffolk employees assisted patrons in their use, but since then there has been no effort to encourage greater use. An in-house study of February 1990, compared to February 1989, showed a decrease in SAM use, but there was a corresponding decline in total handle. Generally, SAM use accounts for approximately 2.5% of total handle. The study indicated that almost \$1 million in revenue was generated by the SAMs at a cost of \$170,000 for rental.

On January 26, 1990, 15 Tiny Tims were installed at Tel-a-Race. These individual terminals permit customers who have telephone betting accounts or have opened a "daily" account to make wagers while sitting at the bar or in the restaurant at the simulcast theater.

The Tiny Tims accounted for only \$49,000 of handle at Tel-a-Race. The cost to Suffolk to rent the Tiny Tims was \$4,080. A recent mailing to telephone betting customers by Suffolk generated 60 or 70 return postcards from people interested in renting Tiny Tims. The Board has authorized a one-year in-home experiment with 90 Tiny Tims. Suffolk will probably charge rent to those people interested.

Considered as a branch, telephone betting was the only branch in Suffolk other than Tel-a-Race and Hauppauge, which showed an increase in handle in 1990. The 3,500 account holders (including 20 with non-surcharge accounts) wagered \$4.6 million in 1990, compared to \$3.8 million in 1989, an increase of \$830,000, or 22%. This increase is even more dramatic when considering the period from July 1 to December 31. In 1990, the handle for those six months was \$2.5 million, compared to \$1.9 million in 1989, an increase of \$624,000 or 32.5%. Suffolk did not actively promote telephone betting, though it frequently advertised on its daily profile sheets. It is unlikely that surcharge-free betting is responsible for all of the increase.

In 1989, Suffolk finished paying the county \$4.2 million in delinquent payments, and found itself with a

cash-flow problem. They negotiated with various banks for a \$2 million loan. Passage of the 1990 omnibus bill, mandating an additional 1% supplemental surcharge on wagering pools of multiple, exotic and super exotic wagers to the State's OTBs for capital improvements, relieved Suffolk of the necessity to borrow. From July onward, the additional surcharge generated \$380,000. Suffolk spent most of this money opening a telebranch in North Amityville to replace Copiague.

During 1990, Suffolk had two serious contacts with police. In June, the Southampton branch was broken into, the alarm system cut and the vault bombed. The small safe within the vault, which contained \$23,650, was removed from the branch. The case remains open. In July, burglar alarm wires were cut at the Commack and Huntington branches, but the police thought these might have been done by "pranksters". On October 30, 1990, the Marine Midland Bank notified the Suffolk comptroller that the night deposit bag (which should have contained \$9,004) was not in the bank's deposit bag safe. Bank personnel found a garbage bag with a bundle of newspapers in the night safe. All other night deposits were accounted for. The missing deposit was made on October 29 by an attendant in the Port Haven branch who was driven from the branch to the bank by a Suffolk County police officer. The attendant's employment has been terminated by Suffolk. A newspaper account stated that the former employee admitted hosting a party at the Plaza Hotel

with the proceeds, but the employee later denied this. The case remains open.

There were several changes in administration at Suffolk during 1990. In June, Martin Feeney resigned as President, and the Board of Directors appointed then Vice President Peter J. Frano to replace him. At the same time, Ann Mead resigned as a Board Member and was replaced by Paul G. Costello. The Suffolk Board of Directors then elected Gil Stern its Chairman. In July, the Board of Directors appointed Frank Locorriere as Vice President. In December 1990, Arthur Minardi died, and the Suffolk County Legislature appointed Dominick Feeney to the Board.

TEL-A-RACE - 1990 UPDATE

Suffolk's simulcast theater, called "Tel-A-Race", opened in May 1986. This attractive facility offers snack and full restaurant service, a bar, two theater areas, a small lounge area and a large area with seating and better tables. The theater pays track prices on New York races. There is an admission charge of \$5.00 and a dress code. The theater has a group of racing fans who are there almost daily. The simulcast theater accounts for 20% of total handle in Suffolk.

NYRA handle in 1990 totaled \$27 million or \$86,804 per day, compared to \$25.8 million or \$82,609 per day, an increase of \$4,195 or 5.1% per day over 1989. This represents an increase of \$1.2 million or 5.1% of total NYRA handle compared to 1989.

At Yonkers, 1990 handle totaled \$11 million or \$29,756 per day, an increase of \$766 or 2.6% over 1989.

Finger Lakes handle was \$575,000 or \$17,984 per day, compared to \$569,000 or \$11,386 in 1989, an increase of \$6,598 or 58%. In 1989, Suffolk simulcast Finger Lakes daily during NYRA's Saratoga meet. In 1990, Finger Lakes was simulcast only on NYRA dark days.

The balance of handle at Tel-A-Race was comprised of \$329,000 in Monticello handle, plus out-of-state racing on NYRA dark days, and special events.

Admission income in 1990 totaled \$240,000. This was comprised of \$220,000 in admissions at \$5 each, or an average of 122 people per day; plus 64 annual passes at \$150 each, 114 senior citizen annual passes at \$75 each, and 1,752 admissions at \$1.00 each for brunch. The sale of the Daily Racing Form, Sports Eye and "tip" sheets, together with jacket rental, generated \$61,000 in additional income. Suffolk received \$60,000 from the restaurant vendor in rental payments. The restaurant's furnishings and equipment are owned by Suffolk and leased under an agreement with the concessionaire.

In December 1989, work was completed doubling the size of the theater. Betting windows and TV's were added, as were SAMs and Tiny Tims. The addition included a large new restaurant area and a new theater area. This facility can accommodate 400 people; these numbers are reached only on

major race dates (i.e. the Kentucky Derby, Preakness, Belmont and Breeders' Cup days).

Suffolk continues its effort to increase evening attendance and handle. In 1990, for the first time, Suffolk advertised Tel-A-Race on a local television station. This advertisement cost \$18,000 and increased sales by \$198,000, based on comparisons of prior years' handle for a six-week period. In addition, Sunday brunches, Monday night football, Friday night "happy hours" and selected prize fights have been featured in an attempt to draw people to the facility. The most successful promotion to date has been the TV ad.

NASSAU REGIONAL OFF-TRACK BETTING CORPORATION

Nassau Regional Off-Track Betting Corporation consists of one county, Nassau, on Long Island. Nassau OTB began and ended 1990 with 21 branches. Nassau OTB conducted 49 simulcast operations in 1990. Twelve branches simulcast thoroughbred races from the New York Racing Association (NYRA). Thirteen branches simulcast thoroughbred races from Finger Lakes Race Track. Eleven branches simulcast harness races from Yonkers Raceway, and 13 branches simulcast harness races from Monticello Raceway.

One track, NYRA's Belmont Park, is located in Nassau County. Within its region, Nassau OTB handles wagers on the three NYRA tracks (Belmont, Aqueduct, Saratoga) and two harness tracks (Yonkers, Monticello). Simulcast operations



at Nassau OTB remain limited because of the statutory track consent requirements and the proximity of Nassau OTB's branches to the local tracks.

In 1990, Nassau OTB handled \$163.5 million on thoroughbred races and \$51.2 million on harness races for a total of \$214.7 million, an increase of \$2.2 million or 1% over 1989. This total accounts for 11.2% of all the New York State OTB handle in 1990. For the second year in a row, Nassau OTB ranks third in the State in terms of total betting handle. Based on its total \$214.7 million handle for 1990 (as compared to \$212.5 million in 1989), Nassau generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		
N.Y. State	\$ 3,225,194	\$ 3,171,439
Breeders' Fund	1,330,051	1,324,879
Tracks (incl. contractual)	12,229,925	12,026,160
Total Operating Expenses	17,452,033	16,944,584
Percentage of handle	8.1%	8%
Net Earnings to Own Localities	7,283,337	7,462,982
Percentage of Handle	3.4%	3.5%
Surcharge:		
To Own Localities	5,391,720	5,426,757
To Localities Outside Region	3,324,204	3,408,876

Of Nassau OTB's 1990 total handle, \$126 million or 58.7% was wagered at simulcast facilities. This is an increase of \$7.3 million or 6.2% over 1989. The simulcasting of NYRA races into 12 Nassau OTB branches showed a 1990 total simulcast handle of \$85.3 million, an increase of \$2.2 million or 2.6% over 1989. The daily average handle for these simulcast locations was \$24,724 per branch, compared

to \$28,232 in 1989, a decrease of \$3,508 or 12.4%. This accounted for 56% of the total NYRA handle at Nassau OTB.

Finger Lakes races were simulcast into 12 branches for 49 days and into one branch for four days. This generated a simulcast handle of \$3.7 million, a daily average handle of \$5,866 per branch, a decrease of 9.3% from 1989. Finger Lakes simulcast handle increased \$1.4 million or 59.2% over 1989. This accounted for 74.7% of the total Finger Lakes handle at Nassau OTB.

The simulcasting of harness races from Yonkers, including matinees into 11 branches, showed a 1990 total simulcast handle of \$35.5 million, an increase of \$2.6 million or 7.9% over 1989. This accounted for 76% of the total Yonkers handle at Nassau OTB. The daily average handle for these simulcast locations was \$10,819 per branch, as compared to \$12,898 in 1989, a decrease of \$2,079 or 16.1%. Despite the on-paper simulcast gains for Yonkers, the harness simulcast handle appears to be on a downward track. The Yonkers simulcast handle received significant boosts from the inclusion of Green Acres (\$3.8 million) and Franklin Square (\$4.2 million). These two branches provided more than \$8 million, or approximately 23% of Yonkers simulcast handle, yet the net gain from simulcasting was just the aforementioned \$2.6 million. Of the approximately \$1 million in Yonkers simulcast handle lost with the closing of the Bethpage branch during evening hours, it is estimated that approximately 65% of that handle was recovered via

increases in the two nearest branches (Farmingdale and Hicksville).

The simulcasting of harness races from Monticello into 13 branches in 1990 showed a total simulcast handle of \$1.6 million an increase of \$1.4 million or 992% over 1989. This accounted for 34.5% of the total Monticello handle at Nassau OTB. The daily average handle for these simulcast locations was \$4,405 per branch, as compared to \$2,530 in 1989, an increase of \$1,875 or 74.1%.

Nassau OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1990, Nassau OTB accepted wagers on six out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$4.1 million, compared to \$4.6 million in 1989, a decrease of \$554,000 or 12%. Wagering was also conducted on 15 thoroughbred races of special interest and one harness race of special interest. The series of races known as the Breeders' Crown (harness) was designated by law as one race of special interest. Nassau OTB's handle totaled \$2 million for the 16 special events, compared to \$2.4 million in 1989. Note: The Breeders' Cup was held in New York in 1990. All out-of-state wagering amounted to

\$6.1 million for Nassau OTB, compared to \$7 million in 1989, a decrease of \$861,000 or 12.3%.

Nassau OTB's contract with NYRA during the period January 1, 1989 through and including June 30, 1990, obligated them to pay 6.5% of the daily net NYRA handle at all OTB simulcast branches. There was a statewide cessation of simulcasting on Sunday, July 1, 1990 due to the expiration of the five-year experiment. Permanent authorization for in-state simulcasting was enacted into law on July 2, 1990. A new contract with NYRA was signed for the period July 2, 1990 through and including June 29, 1992. The arrangements were the same. Based on these contracts, Nassau OTB paid NYRA \$1.2 million in simulcast contractual payments and \$7.7 million in statutory payments based on simulcast handle for the 12 branches. Nassau OTB distributed a total of \$7.6 million in surcharge revenue on NYRA.

Nassau OTB negotiated a contract with Finger Lakes Race Track to simulcast the entire Finger Lakes card for each Tuesday from April 24 through December 4, 1990 and five days a week during August. The agreement called for statutory payments, plus \$1,212 per week in simulcast fees regardless of the number of simulcast branches. On this basis, Nassau OTB paid Finger Lakes \$120,000 in statutory payments based on simulcast handle and \$12,000 in simulcast contractual payments. Surcharge payments on total Finger Lakes handle in 1990 were \$44,000.

Nassau OTB has no written contract with Yonkers Raceway. It continues to simulcast on a day to day basis. Negotiations for a long-term agreement are taking place with Yonkers' request for additional commissions, causing a re-evaluation of the harness simulcast program. The most significant change in the Yonkers simulcast to Nassau OTB has been the addition of the Green Acres and the Franklin Square branches and the elimination of Yonkers evening simulcasts to Bethpage. However, compensation is based upon a minimum payment of \$300 a day with an additional 0.5% above the statutory rate for all wagers placed after 7 p.m. up to \$90,000 a day. The percentage increases as the handle increases. As a result of this ascending scale agreement, Nassau OTB paid Yonkers Raceway \$170,000 in simulcast contractual payments and \$1.7 million in statutory payments based on simulcast handle for its eight branches. Nassau OTB distributed a total of \$959,000 in surcharge revenue on total Yonkers wagers.

Nassau OTB's agreement with Monticello Raceway called for no simulcast contractual payments. Nassau OTB paid \$83,000 to Monticello in statutory payments based on simulcast handle. Nassau OTB distributed \$89,000 in surcharge revenue on total Monticello wagers during 1990.

Nassau OTB's simulcast vendor was paid a total of \$289,000 in 1990 for providing the simulcast signal and other services.

The State has granted its harness tracks and Finger

Lakes Race Track a tax credit (against the State's pari-mutuel tax on handle), as an incentive for simulcasting to OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while Finger Lakes Race Track and all other harness tracks earn a 1% credit on simulcast handle. The State Department of Taxation and Finance initially reports that, for the calendar year 1990, Yonkers received \$534,000, Monticello Raceway received \$11,200 and Finger Lakes received \$16,800 in simulcast tax credits for simulcasts to Nassau OTB branches. Therefore, on a simulcast handle of \$41 million, the three race tracks received a total tax credit of \$562,000 for simulcasts to Nassau branches.

Nassau OTB's commitment to screen activated machines (SAMs) continues. At the close of 1990, 16 branches had approximately 160 SAMs as compared to the close of 1989 when 15 branches had approximately 165 of these machines. In addition, there are 11 cash voucher machines spread out among ten branches.

In 1990, Nassau OTB continued its restructuring program, begun in 1988, which included the opening, closing and relocation of various branches. Construction has begun on the Farmingdale branch. Nassau OTB is expanding the branch into two adjacent stores which it owns. The new expanded branch will resemble the Jericho facility which offers seating, big screen TV's, SAMs, cash voucher machines and restrooms.

At the Oceanside branch, a new satellite dish was purchased to replace the old one at a cost of \$7,000. Nassau does not offer beverages, food or the lottery in any branches. The only amenity in its branches is seating at three locations (Green Acres, Hicksville & Jericho). Nassau currently has restrooms in 12 branches, (of which 11 are simulcast branches). Nassau has applied to the Board for a waiver of the restroom rule at eight of its branches.

A new concept, conceived by corporate management in 1987, designed in 1988, became a reality in 1989 and continued to grow in 1990. Nassau OTB installed video display screen units, called "Tiny Tims" in the Hicksville branch. The Tiny Tim operates as a direct telephone line into the telephone betting facility located at Suffolk OTB headquarters. The video screen displays updated racing information, such as current odds, late scratches, jockey changes and race profiles. A patron must have either a daily or a regular telephone betting account to use a Tiny Tim. No simulcasts are available on these units. (There are currently 12 Tiny Tims in the Hicksville branch.)

From February through December 1990, the Tiny Tims generated a handle of \$133,000, with a daily average of six to eight Tiny Tims in operation. In addition, Nassau OTB continues to conduct an on-going experiment involving remote Tiny Tims. Commencing in October 1990, between 15 to 18 remote Tiny Tims were given to bettors with sizeable telephone wagering accounts. This experiment generated a

daily average handle of \$7,000 through December 1990. Nassau OTB has a total of 4,502 telephone wagering accounts, 77 of which are surcharge-free.

NEW YORK CITY OFF-TRACK BETTING CORPORATION

The New York City Off-Track Betting Corporation (NYCOTB), located entirely within the City of New York, is comprised of its five counties (New York, Kings, Richmond, Bronx and Queens). NYCOTB operated 100 branches at the beginning of 1990 and ended the year with 99 branches. One hundred nineteen simulcast operations were conducted during 1990. Twenty-two branches plus two simulcast theaters simulcast races from the New York Racing Association (NYRA) at Aqueduct and Belmont. Thirty-three branches plus two simulcast theaters handled NYRA's Saratoga races during the month of August. Twenty-nine branches plus two simulcast theaters simulcast Finger Lakes on NYRA dark days. During the month of August, 17 branches simulcast Finger Lakes on Wednesdays, Fridays and Saturdays. Twenty-four branches plus two simulcast theaters displayed matinee races from Yonkers. Thirteen branches plus two simulcast theaters displayed evening races from Yonkers. Sixteen branches plus two simulcast theaters displayed evening races from Monticello; 23 branches plus two simulcast theaters displayed Tuesday matinee races from Monticello, and 16 branches displayed Sunday matinee races from Monticello. On December 24th, 29 branches plus two simulcast theaters displayed matinee races



from Monticello.

NYCOTB is part of the downstate OTB region which also includes the Catskill, Nassau and Suffolk OTB Corporations. The regional tracks handled by NYCOTB are NYRA (Aqueduct, Belmont and Saratoga), Yonkers and Monticello Raceways.

In 1990, NYCOTB handled \$811.1 million on thoroughbred races and \$150.4 million on harness races, for a total of \$961.5 million. This total accounts for 50% of the money wagered off-track in the State. Total corporate handle for 1990 increased by \$10.7 million, or 1.1% over 1989. NYCOTB ranks first in the State in terms of total betting handle. Based on its total \$961.5 million handle for 1990 (as compared to \$940.8 million in 1989), NYCOTB generated the following:

	<u>1990</u>	<u>1989</u>
Statutory Payments:		
N.Y. State	\$14,390,930	\$13,870,936
Breeders' Fund	5,563,235	5,542,113
Tracks (incl. contractual)	50,631,321	48,416,930
Total Operating Expenses	107,141,741	106,071,625
Percentage of Handle	11.1%	11.3%
Net Earnings to Own Localities	5,080,463	4,679,764
Percentage of Handle	0.5%	0.5%
Surcharge:		
To Own Localities	36,023,895	36,420,426
To Localities Outside Region	8,063,096	8,068,263

The total 1990 simulcast handle for NYCOTB was \$377.8 million, which is 39.3% of total corporate handle. This is an increase of \$14.6 million, or 4% over 1989.

The simulcasting of NYRA races into 22 NYCOTB branches and two simulcast theaters (plus 11 more branches during the

four-week Saratoga meet) showed a 1990 total simulcast handle of \$287 million (36.4% of total NYRA sales), an increase of \$11.4 million, or 4.3% over 1989. The daily average simulcast handle was \$37,130 per branch, an increase of \$984 or 2.8% over 1989.

The simulcasting of Finger Lakes races into 29 NYCOTB branches plus two simulcast theaters for 55 days showed a 1990 total simulcast handle of \$11.6 million (46.2% of total Finger Lakes sales), an increase of \$1.6 million or 15% over 1989. The daily average simulcast handle was \$4,304 per branch, a decrease of \$5,752 or 57.2% from 1989. (This resulted from an increase of 20 additional days of simulcasting).

The evening harness program from Yonkers Raceway into 11 branches plus two simulcast theaters showed a 1990 total simulcast handle of \$66.9 million, a decrease of \$11.7 million, or 14.9% from 1989. The daily average simulcast handle was \$16,482 per branch, a decrease of \$2,569, or 13.5% from 1989.

The intermittent matinee harness program from Yonkers into 24 branches plus two simulcast theaters showed a 1990 total simulcast handle of \$8.7 million, a decrease of \$100,000 or 1.1% from 1989. The daily average simulcast handle was \$8,396 per branch, a decrease of \$44, or 0.5% from 1989.

Therefore on a total Yonkers handle of \$130.8 million, \$75.6 million (57.8%) was simulcast handle.

The simulcasting of matinee harness races from Monticello Raceway into 23 branches plus two simulcast theaters showed a 1990 simulcast handle of \$1.4 million; the simulcasting of evening harness races from Monticello Raceway into 16 branches plus two simulcast theaters showed a 1990 simulcast handle of \$2.2 million. The combined matinee and evening simulcast handle was \$3.6 million (or 18.5% of total Monticello sales). This is an increase of \$2.9 million or 392% over 1989. (This resulted from a dramatic increase in the number of Monticello Raceway programs simulcast.) The daily average simulcast handle was \$3,797 per branch for matinees, and \$10,517 for evenings. The combined daily average simulcast handle was \$6,272 per branch, an increase of \$1,467 or 30.5% over 1989.

NYCOTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest, on which OTB may accept wagers. During 1990, NYCOTB accepted wagers on six out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$28 million, a decrease of \$500,000 or 1.8% from 1989. Wagering was also conducted on 15 thoroughbred races of special interest and one harness race of special interest. The series of races known as the Breeders' Crown

(harness) was designated by law as one race of special interest. NYCOTB's handle totaled \$9.6 million for the 16 special events, a decrease of \$1.8 million or 15.8% from 1989. (Note: The Breeders' Cup was run in New York in 1990.) All out-of-state wagering amounted to \$37.6 million for NYCOTB, a decrease of \$ 1.3 million or 3.3% from 1989.

NYCOTB's contract with NYRA which expired on June 30, 1990, provided that NYRA receive simulcast contractual payments based on a comparison of current handle against a borough base from calendar year 1984. Payments were a straight 4% of this daily incremental simulcast net handle. The simulcast theaters paid 6.5% inclusive of statutory commissions on NYRA's daily net handle. Based on this contract, NYCOTB paid NYRA \$1.8 million for 1990 simulcast programs. Statutory payments based on simulcast handle were \$37.8 million for 1990. Surcharge revenue of \$28.6 million on NYRA races was distributed by NYCOTB.

A new contract between NYRA and NYCOTB was signed on November 19, 1990. The contract runs from July 1, 1990 through November 30, 1993. For simulcast branches and enhanced telebranches, NYCOTBC will pay NYRA \$1 million per year, in addition to statutory payments; 6.5% of daily net handle for simulcast theaters; and \$10,000 per year for B-Mac decoders.

The contract also contained provisions specifying the number of simulcast branches allowed in each of the five boroughs, as well as the number of enhanced telebranches and

simulcast theaters allowed. NYCOTB also gained the right to shift simulcast locations, within the terms of the contract, should existing branches be closed.

Under its contract with Finger Lakes, commencing April 1, 1990 and concluding on March 31, 1991, NYCOTB paid \$2,000 per day for each day it accepted Finger Lakes simulcasts, in addition to statutory payments. NYCOTB paid Finger Lakes a total of \$64,000 in simulcast contractual payments and \$1.6 million in statutory payments based on 1990 simulcast handle. Surcharge revenue of \$1 million on Finger Lakes races was distributed by NYCOTB.

Under its five-year contract with Yonkers Raceway (which expired June 30, 1990), NYCOTB had an ascending scale arrangement whereby wagers placed after 7 p.m. were calculated on a percentage of a predetermined handle figure. In no event did NYCOTB pay Yonkers less than \$750 for each evening of simulcasting, excluding Sundays. As a result of this agreement, NYCOTB paid Yonkers Raceway \$312,000 in simulcast contractual payments and \$6.1 million in statutory payments based on simulcast handle for 1990. Surcharge revenue of \$4.4 million on Yonkers races was distributed by NYCOTB.

The proposed new contract between NYCOTB and Yonkers awaits final review and approval. The draft provides that, during the period commencing July 1, 1990 to and including June 30, 1995, NYCOTB agrees to make statutory payments to Yonkers, plus a fee of \$340,000 per year for simulcasting.

Payments made by NYCOTB to Yonkers for the period July 1, 1990 through the date the contract is signed, shall be applied to the first year's (7/1/90 - 6/30/91) \$340,000.

Further, if the simulcast tax credit provision is not extended to include simulcast theaters, then commencing July 1, 1991 and until such time legislation is enacted, NYCOTB will pay \$355,000 per year for Yonkers' signals (in addition to statutory payments).

The interruption of various simulcasts, due to the Catskill OTB/Yonkers dispute, temporarily increased handle at some NYCOTB branches, particularly the four Bronx branches closest to Yonkers Raceway. For example, during the 20-day period after January 31, those four branches enjoyed a collective handle increase of over \$41,000 per day. Handle increases continued for the duration of the dispute.

This dispute also resulted in increased handle for NYCOTB's telephone betting center. Moreover, an important change occurred effective July 21, 1990. As authorized by Chapter 346 of the Laws of 1990, NYCOTB, with the approval of the Mayor, suspended collection of the surcharge on winning wagers placed through its telephone betting accounts. Catskill OTB, for example, believed that many of its customers transferred their accounts to NYCOTB to avoid the surcharge on winning wagers. Catskill's phone betting handle dropped by more than 37%, with NYCOTB's telephone betting handle the main beneficiary.

NYCOTB's telephone betting handle for 1988 amounted to \$25.5 million, or 2.6% of total corporate handle (\$1 billion). In 1989, telephone handle totalled \$23.4 million, or 2.5% of total corporate handle (\$940.8 million). In 1990, a record was set: total telephone betting amounted to \$29.3 million, or 3% of total corporate handle (\$961.5 million). This was a huge increase of \$5.9 million, or 25.2% over 1989.

The substantial increase in NYCOTB phone betting after July 21, 1990 probably does not represent a permanent source of new handle. Rather, it is mostly handle cannibalized from adjoining OTB corporations, as well as from NYCOTB's own regular branches.

NYCOTB paid no simulcast contractual payments to Monticello for 1990. However, \$1 million was paid in statutory payments based on simulcast handle for 1990. Surcharge revenue of \$719,000 on Monticello races was distributed by NYCOTB.

The State has granted its harness tracks and Finger Lakes Race Track a tax credit (against the State's pari-mutuel tax on handle), as an incentive for simulcasting to OTB branches. Yonkers Raceway earns a 1.5% tax credit on simulcast handle, while the remaining harness tracks and Finger Lakes Race Track earn a 1% credit on simulcast handle. The State Department of Taxation and Finance initially reports that for the calendar year 1990 Yonkers received \$906,000; Monticello received \$24,000; and Finger

Lakes received \$49,000 in simulcast tax credits. Therefore, on a simulcast handle of \$80.5 million, the various race tracks received a total tax credit of \$979,000 for simulcasts to NYCOTB branches.

The simulcast vendors for both thoroughbred and harness programs were paid a total of \$1 million in 1990.

Income from vending machines in seven branches generated \$8,000. Program sales amounted to \$116,000, with a resulting net loss of \$2,800 after expenses.

The year 1990 saw significant changes in NYCOTB's corporate structure. Mayor Dinkins appointed Edward Lewis, publisher of Essence Magazine, as chairman of the Board of Directors for a term ending December 31, 1995. The Mayor also appointed Louis Rappoport, an attorney, as a Board member for an indefinite term.

The new Board then appointed Hazel Dukes as President, General Manager and Chief Executive Officer upon the resignation of Howard Giordano. Ms. Dukes has been a long-term employee of NYCOTB.

New NYCOTB President Hazel Dukes appointed key personnel including David Vaughn as Executive Vice President and Harry W. Scott, Jr. as General Counsel.

In addition to the above-mentioned new Board members and key officers, NYCOTB experienced a major turnover of department heads in the latter part of the year. Ms. Dukes initiated a major reorganization and restructuring of headquarters staff as well as retrotitting branches, in



order to achieve improved operations, greater cost-efficiency and higher revenue.

During 1990, a number of criminal incidents were reported by NYCOTB including the following: on February 14, 1990, a Junior Building Custodian and two non-employees were arrested at the NYCOTB branch at 152 West 42nd Street, Manhattan, and charged in connection with the sale of a controlled substance at the branch. The OTB employee subsequently pleaded guilty to a reduced charge in court. He was thereafter terminated from employment with NYCOTB as a result of disciplinary charges based on his conviction.

On April 2, 1990, burglars cut the alarm cable and entered the branch located at 2795 Richmond Avenue, Staten Island. They were unable to open the vault but did manage to steal the proceeds from a coin-operated vending machine, and cause property damage to the premises.

On Sunday morning, July 8, 1990, a knife assault occurred in the public area of the branch at 2463 Broadway, Manhattan, resulting in serious injury to the victim, and the arrest of the alleged perpetrator. According to police, this was the result of a personal dispute between two acquaintances, which carried over from the street into the branch.

On July 25, 1990, there was a mysterious disappearance of \$13,000. A deposit from the branch at 8621 5th Avenue, Brooklyn, received by the armored carrier, was never

delivered to OTB's depository bank. Restitution was made by the carrier with OTB sustaining a net loss of only \$271.

On August 10, 1990, a knife-wielding masked intruder stole over \$5,000 from the branch at 1318 Second Avenue, Manhattan. On October 31, 1990, at the same branch, the same alleged masked intruder took over \$3,500 as well as three corporate checks, each in the amount of \$3,000. No one has been arrested for either crime. Finally, on November 16, 1990, a masked perpetrator, fitting the same previous descriptions, robbed the branch again, this time of over \$1,600. The police investigation of this crime was closed without results.

On December 29, 1990, an OTB security vehicle was stolen after being parked overnight on the street in Woodhaven, Queens. This vehicle contained a set of keys for every branch in the NYCOTB system, together with an identifying index, which has not yet been recovered. This incident necessitated a change of locks for every branch in the city. Investigation of this crime is still continuing.

NYCOTB continues to seek ways of improving branch security, in view of the experiences in 1990. NYCOTB has instituted enhanced security measures. It is also reviewing its contract for security guards and considering installation of "glass block" which supposedly provides better insulation, is graffiti-proof, and is extremely difficult to damage or break. Security concerns remain high on the list of corporate priorities in the year to come.

On August 8, 1989, a new branch opened with a 25-year lease on Williamsbridge Road, The Bronx. It replaced two nearby small branches. This facility was intended to be an enhanced telebranch. However, NYCOTB's contract with NYRA did not provide for NYRA simulcasts to this new facility. A temporary solution was agreed to on October 28, 1989. NYRA races were permitted to be simulcast on the first floor only, without any patron amenities. A final resolution to allow simulcasting to the enhanced telebranch (upstairs portion) was reached as a result of the 1990 contract between NYRA and NYCOTB. This enhanced telebranch officially opened on January 24, 1991. Patron amenities include an elevator, comfortable seating, food, alcoholic and non-alcoholic beverage service. NYCOTB charged a \$3 admission for this facility. Despite high hopes held by NYCOTB for eventual success of this facility, the concessionaire quickly pulled out of the agreement in February 1991. NYCOTB promptly requested permission from the Board to suspend admission fees during cessation of food and beverage service. NYCOTB is actively seeking a replacement concessionaire.

A new facility known as "The Winner's Circle" was opened on December 4, 1989, on Hylan Boulevard, Staten Island. This replaced an existing branch in the same shopping mall. An attractive two-story modern facility, the "Winner's Circle" has been leased by NYCOTB for ten years. It consists of two distinct sections. One is a

traditional OTB simulcast branch. The other is an enhanced telebranch, with seating for 48 persons on the dining level (including a bar), and theater-type seating for 102 persons on the ground floor.

NYCOTB, pursuant to Chapter 772 of the Laws of 1989, applied for permission to charge a \$2.00 admission fee at this enhanced telebranch. The Board approved the admission fee when full food and beverage service (including alcohol) became available to the betting public.

The Board adopted a rule requiring restrooms in every off-track betting facility unless good cause satisfactory to the Board could be shown. NYCOTB's policy requires the installation of restrooms at all new facilities. By the end of 1990, there were eight locations which had restrooms: the two simulcast theaters, the two new telebranches and the branches at 158 West 29th Street, Manhattan; 111-14 Flatlands Avenue, Brooklyn; 2795 Richmond Avenue, Staten Island; and 87-16 Astoria Boulevard, Queens.

NYCOTB filed an application for waivers from the Board, outlining plans to comply with the rule in the remaining branches. It is probable that NYCOTB will request waivers for a number of existing branches where space constrictions would make it extremely difficult to comply with the rule. However, at many locations NYCOTB hopes to install restrooms within the coming year.

NYCOTB intends to continue taking advantage of more stable business conditions created by long-term simulcast

contracts. It will continue to consolidate branches into more modern, efficient and streamlined operations.

In addition to the construction of new telebranches at 110 Lafayette Street, and 517 Seventh Avenue, Manhattan, management intends to retrofit and reconfigure a number of branches in the years to come, as well as cut costs wherever feasible. By the end of 1991, NYCOTB will have new ticket-issuing machines at many branches, as well as SAM'S (screen-activated machines). Improved capacity will also be available to the OpCen (Operations Center) at headquarters, resulting in better video displays of odds, updates, and payoffs.

NYCOTB continues to seek legislative changes lifting restraints on the number and location of branches where food and beverages can be served, and explore the possibility of legislation which would legalize betting on professional sports. NYCOTB anticipates further streamlining of branch operations and growth of simulcast wagering in 1991.

#### NYCOTB'S INSIDE TRACK - 1990 UPDATE

NYCOTB's first simulcast theater, called the "Inside Track", continued to be profitable in 1990. This facility, located at 1011 Second Avenue, in mid-Manhattan, has seating for approximately 150 people. It offers full restaurant service including alcoholic beverages. The 5% surcharge on winning bets on simulcast races is not applicable at this facility. A \$5 admission fee is charged.

During 1990, total handle was \$43.8 million, a \$1.4

million increase or 3.3% over 1989. This is the largest handle of any NYCOTB facility. The daily average thoroughbred handle was \$88,391, a decrease of \$1,697 or 1.9% from 1990, and the 1990 daily average harness handle was \$37,414, an increase of \$735, or 2% over 1989. Total paid attendance for 1990 was 61,523, an increase of 1,323 or 2.2% over 1989. Per capita thoroughbred wagering was \$769, a decrease of \$8, or 1% from 1989, and \$610 for harness, an increase of \$50, or 8.9% over 1989. Total per capita wagering was \$713, an increase of \$7, or 1% over 1989 for the Inside Track.

Revenue generated from the Inside Track amounted to \$3 million to the racing industry, \$811,000 to the State of New York and \$1.9 million to New York City. Total revenue from all 1990 admissions was \$308,000, of which \$12,700 was paid in State admission taxes. Total revenue from all concession operations for 1990 at the Inside Track amounted to \$25,000.

The end of 1990 foreshadowed a potentially serious problem in 1991 for continued success of NYCOTB's original and most successful simulcast theater, the "Inside Track." Due to ongoing building demolition and new construction adjacent to its premises, "Inside Track" may have to be relocated in 1991. What makes this especially difficult to accomplish is both the time needed to locate and lease a site and obtain required approvals. In addition, there are the logistics of new construction. Lastly, there is well-

organized, highly vocal community opposition: they not only oppose any new location for a theater, but they continue to attempt to shut down all OTB branches in New York City, as a "blot on the community".

NYCOTB'S SELECT CLUB - 1990 UPDATE

NYCOTB's second simulcast theater, called "Skyward - The Select Club", is located at 165 Water Street in lower Manhattan's financial district. It accommodates 350 patrons. Alcoholic beverages and full restaurant service are available in a modern attractive setting. Track prices are paid on simulcast races. A \$5 admission fee is charged. Operating for its third year, this facility's handle and attendance have reached new highs. Total simulcast handle in 1990 was \$39.2 million, a \$6.2 million increase, or 18.8% over 1989. The daily average thoroughbred handle was \$97,822, an increase of \$17,672, or 22% over 1989. The daily average harness handle was \$13,901, a decrease of \$3,937, or 22% from 1989. Total paid attendance for 1990 was 63,074, an increase of 13,074, or 26.1% over 1989. Per capita wagering for thoroughbred races was \$651, a decrease of \$24, or 3.6% from 1989, and \$436 for harness races, a decrease of \$46, or 9.5% from 1989. Total 1990 per capita wagering was \$624, a decrease of \$9, or 1.4% from 1989.

Revenue generated from the Select Club amounted to \$2.7 million to the racing industry, \$746,000 to the State of New York and \$1.3 million to New York City. Total revenue

from 1990 admissions was \$315,000, an increase of \$65,000 over 1989. Of this figure, \$12,000, an increase of \$1,500 or 13.4% over 1989, was paid in State admission taxes. Total revenue from all concession operations at the Select Club amounted to \$8,800 in 1990.

In 1990, a long-standing problem came to a head regarding the Select Club. NYCOTB won a judgement against the current concessionaire for arrears of over \$340,000 in rent, the terms of which were contained in a lease signed in 1987.

The concessionaire stopped paying the 40% of profit required by the lease, and litigation between him and NYCOTB ensued. NYCOTB won a monetary judgement, which still remains uncollected. The City Sheriff recently seized cash register proceeds and bank books in an attempt to collect part of the monies owed. After one Sheriff's action, the concessionaire ceased serving liquor and food. The entire matter has attracted considerable media attention.

NYCOTB aggressively continues to seek a replacement for the concessionaire. During the cessation of food and beverage service, NYCOTB applied to the Board for permission to reduce the admission charge from \$5 to \$3. This request was approved. Whether or not this continued service disruption and litigation seriously affects 1991 handle remains to be seen.

The continuous successful operation of both simulcast theaters in 1991 is of utmost importance to NYCOTB. Since



both theaters' combined handle of \$83.1 million in 1990 represents 8.6% of total handle, any disruption in service at either facility or, even worse, a closure for any period of time, would seriously hamper NYCOTB's attempts to reduce operating overhead and increase revenue for the City, State and racing industry.

TRACK TO TRACK SIMULCASTING WITHIN NEW YORK STATE

NEW YORK RACING ASSOCIATION (NYRA) - SARATOGA TO AQUEDUCT

NYRA's 1990 Saratoga thoroughbred meet covered a 24-day period between August 1 and August 27, 1990. The 1990 total attendance for the simulcast dates at Aqueduct was 162,265, compared to the 1989 total attendance of 160,298, an increase of 1,967 or 1.2%. The total simulcast handle was \$29.9 million as compared to \$29.1 million in 1989, an increase of \$0.8 million or 2.8%. During this period, daily average attendance was 6,761 (6,679 in 1989) and daily average handle was \$1.25 million, a slight increase over 1989, resulting in a \$184 daily average per capita betting (\$181 in 1989). During this period, Saratoga Race Track's on-track handle was \$89.4 million, an increase of \$5.3 million over the corresponding period in 1989, while the total on-track attendance decreased 21,000, resulting in a daily average of \$3.7 million and 29,411 respectively.

NYRA'S gross pari-mutuel revenue was \$5.6 million from the Saratoga to Aqueduct simulcast and \$171,000 from admissions, concessions and newsstand sales. The State of New York received \$912,000 in tax revenue, as compared to

\$816,000 in 1989; the Thoroughbred Breeding and Development Fund received \$149,000 compared to \$145,000 in 1989. NYRA's horsemen received (as accrued purse obligations) \$1.1 million, an amount identical to 1989. Since simulcasting was from one facility of this franchised racing association to another of its track facilities, no contractual agreement was required.

A newly enacted provision of Chapter 346 of the Laws of 1991, NYRA is required to pay the City of New York 1% of the total wagers placed at Aqueduct. Pursuant to this provision (Section 1011(b) of the Racing Law), NYRA paid the City of New York \$54,000.

In 1990, NYRA's "profit" from simulcasting Saratoga to Aqueduct was \$2 million. In 1985, a statutory amendment directed that simulcast profits be retained by NYRA rather than the New York State Thoroughbred Racing Capital Investment Fund. As a result, the simulcast profit, \$2 million, is included in any other profit NYRA made during 1990, and is thereby subject to the State's franchise tax on NYRA.

#### TRACK TO TRACK SIMULCASTING: NYRA - BELMONT TO AQUEDUCT

NYRA's 1990 Belmont Fall meet was simulcast to Aqueduct during an 18-day period between August 29 and September 17, 1990. The 1990 total attendance for the simulcast dates at Aqueduct was 41,898. The total simulcast handle was \$5.4 million. Daily average attendance was 2,328 and daily average handle was \$302,307, resulting in a \$130

daily average per capita betting. Belmont Park's on-track handle was \$42.2 million, a decrease of \$4 million from 1989, while the total on-track attendance decreased 30,000, resulting in a daily average of \$2.3 million and 11,470 respectively.

NYRA'S gross pari-mutuel revenue was \$1 million from the Belmont to Aqueduct simulcast and an additional \$70,000 in ancillary income from admissions, concessions and newsstand sales. The State of New York received \$157,000 in tax revenue, the Thoroughbred Breeding and Development Fund received \$27,000. NYRA's horsemen received (as accrued purse obligations) \$202,000. Since simulcasting was from one facility of this franchised racing association to another of its track facilities, no contractual agreement was required.

In 1990, NYRA's "profit" from simulcasting Belmont to Aqueduct was \$1 million. In 1985, a statutory amendment directed that simulcast profits be retained by NYRA rather than the New York State Thoroughbred Racing Capital Investment Fund. As a result, the simulcast profit, \$1 million is included in any other profit NYRA made during 1990 and is thereby subject to the State's franchise tax on NYRA.

NYRA discontinued this simulcast as a result of low attendance and high cost. In addition, reduced crowds at Belmont cut into on-track enthusiasm, and NYRA hoped that Aqueduct patrons would return to Belmont.

TRACK TO TRACK SIMULCASTING: NYRA TO FINGER LAKES RACE TRACK

Finger Lakes conducted simulcasting on NYRA races for 110 days during the periods January 1 through April 12, and December 5 through December 31, 1990. Finger Lakes Race Track had an agreement with its horsemen's association in 1990 to pay their purse account 1% from simulcasting. Simulcasting on NYRA races was permitted before and after the racing season. Finger Lakes horsemen received (as accrued purse obligations) \$105,000 compared to \$69,000 in 1989.

As a result, the 1990 total attendance was 47,219 (110 days), compared to 35,514 (88 days) in 1989, an increase of 11,705 or 33%. Daily average attendance was 429 (404 in 1989), a 6.2% increase. The daily average handle was \$81,662 (\$66,971 in 1989), a 36.8% increase. Daily average per capita betting rose to \$190 from \$166 in 1989. The total simulcast handle in 1990 was \$8.9 million, as compared to \$5.9 million in 1989, an increase of \$3 million or 52.4%.

From simulcast handle, Finger Lakes retained \$776,000 and earned \$58,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$186,000 in tax revenue, and the Thoroughbred Breeding and Development Fund received \$45,000. NYRA received \$648,000 pursuant to a contract which provided that Finger Lakes pay 7.5% of the simulcast handle under \$3.5 million, and 7% on anything over that amount. In August 1990, a new contract provided that Finger Lakes pay 6.5% of the simulcast handle

to NYRA. NYRA provided the uplink and transmission of the simulcast signal, while Finger Lakes was responsible for the transmission of wagering data to NYRA.

Batavia Downs received \$56,500 pursuant to a consent agreement with Finger Lakes Race Track. That agreement provided Finger Lakes would pay 1.5% of the total NYRA simulcasting handle to Batavia Downs. (This consent was in effect in March and April of 1990.)

Finger Lakes reported a net profit of \$262,000 from NYRA simulcasts.

TRACK TO TRACK SIMULCASTING: NYRA TO SARATOGA RACEWAY

Saratoga Raceway conducted 287 days of simulcasting NYRA races during 1990, compared to 282 days in 1989. The 1990 total attendance was 134,346, compared to 145,932 in 1989, a decrease of 11,586 or 7.9%. The 1990 total simulcast handle was \$19.8 million, compared to \$18.9 million in 1989, an increase of \$0.9 million or 5.2%. Daily average attendance dropped from 517 in 1989 to 468 in 1990. The daily average handle was \$69,250 (\$66,963 in 1989). Daily average per capita betting rose to \$148 from \$129 in 1989. On-track harness handle decreased \$2.4 million and attendance decreased 32,435 in 1990. Comparisons of the on-track harness dates show a daily average increase in attendance of 15, or a 0.7% increase from 1989, and an increase in daily average handle of \$2,413, a 1.5% increase over 1989.

Saratoga Raceway retained \$1.8 million from its 1990 simulcasting of NYRA races, in addition to \$213,000 in admissions and programs. Tax revenue to the State of New York was \$296,000, and the Thoroughbred Breeding and Development Fund received \$100,000. NYRA received \$1.4 million pursuant to a contract which provided that Saratoga Raceway pay NYRA 7% of the first \$10 million in handle and 7.5% on anything over that amount. This contract expired on June 30, 1990. A new contract for the period July 1991 through August 1993 provided that Saratoga Raceway pay NYRA 6.5% on all simulcast handle.

Pursuant to a contractual agreement, Saratoga Raceway's horsemen received 1.5% of NYRA simulcast handle at Saratoga for days when there was on-track harness racing. If there was no harness racing on simulcast days, horsemen did not receive any purse accruals. Saratoga Raceway's horsemen received (as accrued purse obligations) the sum of \$116,000 in 1990 from NYRA's track to track simulcasts.

The Board estimates Saratoga Raceway's profit from NYRA simulcasts at approximately \$390,000.

TRACK TO TRACK SIMULCASTING: NYRA TO YONKERS RACEWAY

Yonkers Raceway conducted 167 days of simulcasting NYRA races during 1990, compared to 306 days in 1989. This loss in days was due to the expiration of the NYRA/Yonkers/Catskill OTB contracts on January 30, 1990, which ended the NYRA simulcast to Yonkers Raceway. As a result, there were no NYRA simulcasts to Yonkers Raceway from January 31, 1990

through July 17, 1990. The 1990 total attendance was 331,000, compared to the prior year's attendance of 607,000. The 1990 total simulcast handle was \$56.4 million compared to \$105.8 million in 1989, a decrease of \$49.4 million or 46.7%. Daily average attendance dropped from 1,984 in 1989 to 1,980 in 1990, a decrease of 0.2%. Daily average simulcast handle dropped from \$345,662 in 1989 to \$337,636 in 1990, a decrease of \$8,026 or 2.3%.

From the simulcast handle, Yonkers Raceway retained \$5 million and earned \$425,000 in ancillary income from admissions, concessions and programs. New York State received \$1 million in tax revenue, and the Thoroughbred Breeding and Development Fund received \$282,000. NYRA received \$4 million pursuant to the old contract which expired in July and provided that Yonkers Raceway pay NYRA 7.5% of the total simulcast handle. The new contract provides that Yonkers Raceway pay 7% of total simulcast handle to NYRA. NYRA provides the uplink and transmission of the simulcast signal, while Yonkers Raceway is responsible for the transmission of wagering data to NYRA.

Pursuant to a contractual agreement, Yonkers Raceway paid its horsemen 50% of the net revenue from wagering on NYRA races when there was on-track harness racing. Yonkers' horsemen received the sum of \$1.2 million (as accrued purse obligations) in 1990 from NYRA's track to track simulcasts.

Yonkers Raceway reported a net income of \$1.5 million from the simulcast of NYRA races.

TRACK TO TRACK SIMULCASTING: NYRA TO VERNON DOWNS

Vernon Downs conducted 112 days of simulcasting NYRA races during 1990, compared to 138 days in 1989. The 1990 total attendance was 18,093 compared to 21,675 in 1989, a decrease of 2,582 or 11.9%. The 1990 total simulcast handle was \$2 million compared to \$2.1 million in 1989, a decrease of \$100,000 or 4.9%. Daily average attendance rose from 157 in 1989 to 170 in 1990. The daily average handle was \$18,273 (\$15,590 in 1989). Daily average per capita betting rose to \$107 from \$99 in 1989.

Vernon Downs retained \$195,000 from its 1990 simulcasting of NYRA races, in addition to \$23,000 in admissions and programs. Tax revenue to the State of New York was \$31,000, and the Thoroughbred Breeding and Development Fund received \$10,000. NYRA received \$139,000 pursuant to a contract which expired on March 30, 1991. It provided that Vernon Downs pay NYRA 7.5% of simulcast handle. That contract expired on June 30, 1990. A new contract was entered into which provided that Vernon Downs pay NYRA 6.5% on all simulcast handle.

Pursuant to a contractual agreement, Vernon Downs' horsemen received 50% of the net revenue from the NYRA simulcast. Vernon Downs' horsemen received (as accrued purse obligations) the sum of \$25,000 in 1990 from NYRA's track to track simulcasts.

The Board estimates Vernon Downs' profit from NYRA simulcasts at approximately \$25,000.



TRACK TO TRACK SIMULCASTING: NYRA TO MONTICELLO RACEWAY

Monticello Raceway conducted 89 days of simulcasting NYRA races from September 19 through December 31, 1990. This was the first year Monticello Raceway accepted the NYRA simulcast. The 1990 total attendance was 15,795, a daily average of 177. The total simulcast handle was \$1.7 million for a daily average of \$18,880. Daily average per capita betting was \$106 in 1990. On-track handle decreased \$2.8 million while attendance increased by 18,842 in 1990. There were 210 racing days in 1989, compared to 230 racing days in 1990. Comparisons by date show on-track harness racing's daily average declined by 79, a 5.2% decrease from 1989, and a decline in daily average handle of 5,037, a 2.5% decline.

Monticello Raceway retained \$166,000 from its 1990 NYRA simulcasts, and earned \$27,000 in ancillary income from admissions, concessions and programs. Tax revenue to the State of New York was \$27,000 and the Thoroughbred Breeding and Development Fund received \$8,500. NYRA received \$110,000 pursuant to a contract which provided that Monticello Raceway pay NYRA 6.5% of the simulcast handle. This contract expires on January 20, 1992.

Pursuant to a contractual agreement, Monticello Raceway's horsemen receive \$42,000 or 2.5% of the gross NYRA simulcast handle as accrued purse obligations in 1990.

Monticello Raceway reported a gross profit of \$41,000.

TRACK TO TRACK SIMULCASTING: NYRA TO BATAVIA DOWNS

Batavia Downs conducted 23 days of simulcasting NYRA races from December 5 through December 31, 1990. This was the first year Batavia Downs displayed NYRA simulcasts. The 1990 total attendance was 742 for a daily average of 32. The total simulcast handle was \$124,000 for a daily average of \$5,400. Daily average per capita betting was \$167. On-track handle decreased \$226,000 and attendance decreased 17,641.

Batavia Downs retained \$12,000 from its 1990 simulcasting of NYRA, and earned \$650 in ancillary income from admissions, concessions and programs. Tax revenue to the State of New York was \$2,000 and the Thoroughbred Breeding and Development Fund received \$600. NYRA received \$8,000 pursuant to a contract which provided that Batavia Downs pay NYRA 6.5% of the simulcast handle. This contract expired on February 25, 1991.

TRACK TO TRACK SIMULCASTING: FINGER LAKES TO BATAVIA DOWNS

Batavia Downs conducted 21 days of simulcasting FLRA races from May 5 through May 28, 1990. The 1990 total attendance was 1,000. The 1990 total simulcast handle was \$119,000. Daily average attendance was 48; daily average simulcast handle was \$5,680.

From the simulcast handle, Batavia Downs retained \$15,000 and earned \$90 in ancillary income from admissions, concessions and programs. New York State received \$2,360 in

tax revenue, and the Thoroughbred Breeding and Development Fund received \$600. FLRA received \$7,300 pursuant to a contract which provided that Batavia Downs pay FLRA 6.5% of the total simulcast handle. FLRA provided the uplink and transmission of the simulcast signal, while Batavia Downs was responsible for the transmission of wagering data to FLRA.

Pursuant to a contractual agreement, FLRA paid its horsemen 50% of the net revenue from wagering on its races to Batavia Downs. FLRA's horsemen received the sum of \$3,600 (as accrued purse obligations) in 1990 from FLRA's track to track simulcasts.

Batavia Downs reported a net income of \$1,700 from the simulcast of FLRA races.

#### TRACK TO TRACK SIMULCASTING: YONKERS RACEWAY TO VERNON DOWNS

Track to track harness simulcasts took place between Yonkers Raceway and Vernon Downs from January 2 through March 31, 1990 and November 14 through December 29, 1990 year by year, pursuant to a letter agreement. Vernon Downs conducted 112 days of simulcasting Yonkers compared to 44 days in 1989. The total attendance was 10,946 (compared to 3,658 in 1989) and total handle was \$1.3 million (\$440,000 in 1989). Daily average attendance was 98 (83 in 1989) and daily average handle was \$11,557 (\$10,000 in 1989). Daily average per capita betting was \$118 (\$120 in 1989).

This simulcast was conducted when Vernon Downs was not racing. Yonkers' horsemen received \$28,000 (as accrued purse obligations), which was half of Yonkers' 5% contractual share of the handle. Vernon Downs' horsemen received \$33,000 which was half of Vernon Downs' profit from the Yonkers simulcast; Vernon Downs retained the other half.

TRACK TO TRACK SIMULCASTING:  
BUFFALO RACEWAY TO BATAVIA DOWNS

The first track to track harness simulcast in western New York took place between Buffalo Raceway and Batavia Downs from May 11 through July 28, and December 5 through December 29, 1990. Batavia Downs conducted 47 days of simulcasting Buffalo races during these periods. The total attendance was 7,968 and total handle was \$816,000. Daily average attendance was 126 and daily average handle was \$12,951. Daily average per capita betting was \$102.

From simulcast handle, Batavia Downs retained \$96,000 and earned \$5,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$16,800 in tax revenue and the Agriculture and New York State Horse Breeding Development Fund received \$8,200. Buffalo Raceway received \$53,000 as the sending track's share of commission and breakage and the horsemen received 50% of that amount as accrued purse obligations.

This simulcast was conducted when Batavia Downs was not racing. Batavia Downs' profit for the Buffalo simulcast was \$47,000. None of this amount was shared with its horsemen as

there was no contractual provision for Batavia to share as the receiving track.

TRACK TO TRACK SIMULCASTING:  
BATAVIA DOWNS TO BUFFALO RACEWAY

Track to track harness simulcasting took place between Batavia Downs and Buffalo Raceway from October 5 through December 1, 1990. Buffalo Raceway conducted 40 days of simulcasting Batavia races during this period. The total attendance was 12,065 and total handle was \$1.3 million. Daily average attendance was 301 and daily average handle was \$33,263. Daily average per capita betting was \$110.

From simulcast handle, Buffalo Raceway retained \$149,000 and earned \$15,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$29,000 in tax revenue and the Agriculture and New York State Horse Breeding Development Fund received \$13,300. Batavia Downs received \$93,500 as the sending track's share of commission and breakage. The horsemen at Batavia received 50% of that amount as accrued purse obligations.

This simulcast was conducted when Buffalo Raceway was not racing. Buffalo's horsemen received \$13,000 (as accrued purse obligations), which was % of the gross handle at Buffalo Raceway.

Buffalo Raceway's profit from the Batavia simulcast was \$73,000.

SIMULCASTING OF NEW YORK RACES TO OTHER JURISDICTIONS

CONNECTICUT OFF-TRACK BETTING

Off-track betting on New York State racing began in the State of Connecticut on April 29, 1976, at 11 off-track betting branches. Agreements were signed with the New York Racing Association (NYRA), Yonkers Raceway, Roosevelt Raceway, American Totalizator (AmTote) and the State of Connecticut. These agreements were approved by the New York State Racing and Wagering Board.

On October 20, 1979, the New Haven "Teletrack" began simulcasting New York races into its facility under terms of the agreements. The Teletrack, a theater-like facility, charges admission, affords seating, food service, odds boards, programs and a dining room. A 24' by 32' projection screen, as well as many monitors display simulcasts from NYRA Wednesday through Monday and Yonkers Monday through Saturday. A concessionaire at the Teletrack operates the food and beverage service, which ranges from hot dogs to full course meals. Alcoholic beverages are available. This facility accommodates approximately 2,300 people.

Total 1990 handle in the State of Connecticut was \$195.5 million. Of that amount, \$152.6 million was wagered on New York races: \$122.6 million on NYRA; \$29.9 million on Yonkers; and \$76,000 at Monticello. Because of a change in its computer system, Connecticut encountered difficulties in furnishing specific information for the Teletrack and

individual branches. Therefore, comparisons between New York State and Connecticut OTB branches for 1990 cannot be made.

AmTote, a division of General Instrument, owns and operates the Teletrack and leases the off-track branches. The State of Connecticut hires and pays the pari-mutuel clerks, security and maintenance personnel. AmTote paid approximately \$412,000 for transmission fees in 1990.

Pursuant to an agreement between Yonkers Raceway and the State of Connecticut, Connecticut pays a 5% commission on regular and multiple wagers and 7% on exotic wagers. In 1990, Yonkers Raceway received \$1.6 million under this agreement. NYRA has a separate contract with Connecticut, with different commission rates. In 1990, NYRA received \$6.7 million in commissions from Connecticut.

AmTote received approximately 4% of the annual Connecticut handle through April 1, 1990, when that contract expired. While a new contract is being negotiated, AmTote is being paid on a cost-plus basis, with the "plus" varying. In 1990, the State of Connecticut paid AmTote \$10.1 million, an increase of \$2.1 million over 1989.

Connecticut OTB has live calls in 10 of its 14 branches. These are located in Bridgeport, Meriden, Waterbury, Bristol, New London, Torrington, Killingly, Norwalk, Norwich and West Haven. Only Torrington and West Haven offer updated odds.

On New York dark days, Connecticut accepts wagers on races run in other states. Until 1987, when a dispute between the horsemen and the metropolitan area harness tracks disrupted simulcasting, there was no simulcasting into the Teletrack on a regular basis except from New York State.

Monticello Raceway simulcast to the State of Connecticut on one day during 1990. Simulcast handle was \$76,000 on that day. A contractual agreement between both parties provided that Connecticut OTB pay Monticello Raceway a 4% commission on regular and multiple wagers, and 6% on exotic wagers. Monticello Raceway's commission from Connecticut wagering was \$3,200, which was equally shared between the track and its horsemen.

During 1990, Connecticut OTB simulcast thoroughbred races from the Meadowlands into both Teletracks. These races are displayed by means of a split screen, with Yonkers and the Meadowlands shown simultaneously. This resulted in handle of \$9.6 million. Garden State Park and Atlantic City Race Track, together with harness racing from the Meadowlands, were also shown on evenings when Yonkers was closed.

Connecticut opened the second Teletrack, in Windsor Locks, in October 1990. This facility is about half the size of the original Teletrack and offers the same amenities. No handle information is available for this new facility.



Connecticut law currently restricts the Teletrack's operations to six days a week. This is usually accomplished by closing on Tuesday in the daytime, and on Sunday night. However, the days and nights of closing may be changed to other days as long as the total does not exceed six days.

#### NEVADA

In June 1989, NYRA and Caesars Palace of Las Vegas, Nevada, renewed their agreement to simulcast NYRA racing to the race book in Caesars Palace Hotel.

This agreement gave Caesars the exclusive right to the signal in the State of Nevada including the right to disseminate the signal to other locations in Nevada. There are presently 48 licensed race books receiving the NYRA signal in Nevada.

This contract runs through December 31, 1992 and calls for NYRA to assume all transmission costs. In 1990, Caesars Palace paid a fixed fee of \$6,500 per day. This is less than the maximum fee authorized by the State of Nevada. NYRA received \$2 million under this agreement in 1990, while expending \$306,000 in transmission costs.

In 1990, there was simulcasting of Yonkers Raceway harness races to several hotels in the State of Nevada, Yonkers Raceway received \$30,000 and its horsemen received half that amount.

### INTERNATIONAL SIMULCASTING

In November 1988, there was a technical amendment to Section 1084(b) of Title 18 of the United States Code, which expanded the definition of permissible areas for the transmission of wagering information to include foreign countries. NYRA entered into an agreement with Caliente Race Track and five affiliated Mexican race books to simulcast NYRA races daily. Caliente Race Track agreed to pay NYRA \$1,350 per day. In 1990, Caliente paid NYRA \$259,000 under the agreement.

NYRA began simulcasting selected graded stakes to nine Canadian race tracks during 1989. During 1990, total handle on those races was \$6.1 million, of which NYRA received \$305,000. The horsemen were paid \$152,000 (as accrued purse obligations).

In addition, NYRA began simulcasting its races into various race book locations in the Caribbean. During 1990, NYRA received a daily fee of \$50 per race book for a total of \$76,000.

### SPECIAL EVENTS

On numerous occasions, New York stakes and feature races are simulcast to various out-of-state tracks. These simulcasts are the subject of specially negotiated agreements, approved by the Board on a case by case basis. These agreements must comply with the provisions of the federal Interstate Horseracing Act of 1978 (15 U.S.C. Section 3001).

NYRA simulcast selected races during 1990 to 78 out-of-state tracks. The guest or receiving track pays all charges to receive the race and pays NYRA varying rates of retained commission of the total pari-mutuel handle on that race. The total handle was \$81 million, of which \$4.4 million was paid to NYRA. The horsemen were paid \$3 million (as accrued purse obligations) and the New York State Thoroughbred Racing Capital Investment Fund received \$1.5 million. Similarly, Yonkers Raceway simulcast a few of its feature races to three out-of-state tracks. The handle on these races was \$550,000, of which \$13,500 each was paid to Yonkers and its horsemen.

### INTERFACING OF OTB WAGERS WITH TRACKS

By law, all off-track betting wagers must be combined with comparable on-track wagers to constitute a single statewide pool for in-state races. Without this requirement, pari-mutuel wagering off-track would result in differing pay-off prices on the same winning selections. Among the six OTB corporations and nine potential simulcast tracks there could be up to 15 various pay-off prices throughout the State on each pari-mutuel pool in each race. Legislative policy directs uniform statewide pay-off prices and to make this possible, all on-track and off-track wagering pools are required to be combined through a process called "interfacing".

Each track in the State maintains a separate computer system to issue and record wagers made at the track. (The actual betting system is maintained and operated by specialized vendors, and at present, one vendor, Autotote, has three track operators, while another vendor, Amtote, has the other six tracks.)

In addition to the tracks' systems, off-track betting is conducted by separate off-track wagering systems. Nassau and Suffolk OTB regions share one system (under contract to Autotote), New York City and the Catskill OTB regions share another system (under contract with Amtote) and Capital and Western OTB regions' computers are headquartered in Schenectady (under contracts with Control Data Corporation).

Through 1984, in order to accomplish the necessary interfacing to combine off-track and on-track wagers, complicated and cumbersome techniques were employed. In general, New York City OTB acted as the agent to gather all off-track bets together (through yet another separate computer system). After it had gathered all the OTB systems (which took from four to six minutes for regular and multiple pools, longer for exotic pools), it then transmitted the consolidated OTB data to the applicable track (another two minutes). As a result, substantial last minute betting time was lost at OTB branches. (In some locations, regular and multiple wagering was stopped from seven to ten minutes before the race.) These delays were barely tolerable for regular non-simulcast OTB betting. They were especially detrimental for simulcasting since they took away from the "live" quality of betting and removed the display of last minute odds fluctuations, the most meaningful betting information, from consideration by the bettors.

In the past few years technological advances have made dramatic improvements in the interfacing procedures. Through a new process the three separate OTB computer systems no longer have to feed into New York City OTB's system to be sent to the metropolitan tracks (Aqueduct, Belmont, Saratoga, and Yonkers). Now each of the three OTB systems sends its data directly into these tracks, virtually simultaneously, and is able to offer OTB regular betting

pools up until almost one minute before the race, thereby substantially increasing last minute betting time. Last minute OTB betting on the races of other tracks in the State has also been improved. The metropolitan off-track betting corporations can now similarly interface with the upstate tracks, such as Finger Lakes.

Delay in effecting OTB pay-offs also has been substantially eliminated. While off-track pay-off prices are pegged to on-track prices, the OTB's, except at simulcast theaters, must deduct the statutory surcharge and enter the prices in their respective systems, but these delays have been eliminated and OTB prices are posted almost simultaneously with on-track prices.

Accordingly, the time for "churning" (i.e., the tendency of winning bettors to bet on the next race) has been increased. While ultimate last minute betting still has not been achieved the delay in cashing OTB winners appears to have been overcome.

The display of odds at OTB branches, however, is still a problem. Win pool odds can be displayed with a 15 second delay, but the display of current daily double, exacta and quinella odds is still inadequate.

The study by the Legislative Commission on Science and Technology has addressed these problems and offered recommendations, which hopefully will be followed up by the industry.

### INTERFACE TECHNIQUES AMONG TRACKS

The problem of connecting different pari-mutuel on-track systems has been a matter of some concern in implementing track to track simulcasting. The law requires that all bets be combined at the sending track to assure uniform odds and uniform winning pay-off prices statewide. Because the receiving tracks want to offer their bettors the opportunity to view current odds and to place their bets up to the very last second before the race starts, the tracks that receive simulcasts on a regular basis do not utilize their own on-track pari-mutuel systems. Instead, the computer vendor at the NYRA tracks ("Autotote"), furnishes these tracks with Autotote ticket issuing machines which, using computer "modems", are connected directly into the NYRA computer by telephone.

While no betting information is accumulated at such a track receiving the NYRA simulcast (the data being recorded solely in the NYRA track computer) each track is furnished with terminals from which it can output, at the receiving track, much of the same information it could produce from its own computers on its own races. This service by NYRA is included in the contractual compensation charge to the track for simulcasting.

This type of simulcast betting interface protocol is relatively expensive and vulnerable to telephone line disruptions.

In addition, because special telephone lines are usually employed which must be contracted for well in advance, and the terminals used are moved to other locations when not in use at a receiving track, this method inhibits the occasional simulcasting of NYRA races by in-state tracks, the use of feature races from other in-state tracks by NYRA or other tracks, as well as the statewide interfacing of out-of-state special thoroughbred or harness races. The Board is hopeful that the State's tracks can simplify the track to track interface system so that their tote computers can "speak" to each other and easily transmit their bets from the receiving track's computer systems to the sending track's system and permit the sending track's system to transmit back the odds and prices to the receiving track's system for display to the public.

During 1988 and 1989, some progress toward this goal was made when several harness tracks attempted to take the Breeders' Crown series of harness races. Using Batavia Downs as the site of the statewide interface tracks with the same totalizator equipment were able to effect a practical interface. However, Saratoga Raceway, which has a different vendor, discontinued its simulcasting of those events because of the delays required in its interfacing with the computers at Batavia.

Presently, Finger Lakes has the ability to take bets on its own system and transmit the totals to NYRA for the Kentucky Derby, Preakness and Breeders Cup. The display of



odds and prices from NYRA is accomplished over a separate telephone line using special video equipment. This methodology appears satisfactory and, hopefully can be expanded to enhance the ability of all the tracks to engage in special events simulcasting.

TRANSMISSION AND SECURITY OF SIMULCAST SIGNALS

The secure transmission of audio-visual signals in New York State is accomplished by the following means:

SATELLITE - A television signal is sent from an "earth station" (uplink) to a specific transponder (channel) on a designated satellite. The transponder reflects the signal back to earth in a huge "footprint" pattern. The average footprint covers the continental United States as well as parts of Canada, Mexico and the Caribbean. On the ground, the signal is picked up by a dish-shaped antenna (downlink/dish). In order to prevent unauthorized recipients who have dishes from being able to receive and display the sound and picture, all racing television signals emanating from within New York State are encoded prior to being beamed to a satellite. The encoded signal contains an encrypted addressing system that activates only specified, authorized decoders.

Since June 1983, the NYRA daily racing program has been available on a satellite system. From June 1983, until July 1986, the "Orion" encryption system, manufactured by Oak Industries was utilized. In early 1985, Board personnel recovered a stolen decoder that had been adapted in such a manner that it was constantly addressed. Accordingly, it could be used to decode any satellite signal that employed the Orion system. Immediately after the recovery of this "bandit" decoder, the Board notified the manufacturer, all simulcast vendors and sending tracks of

the security breach. Early in 1986, information was received by the Board that numerous bandit Orion decoders were being sold in the New York City area. All concerned parties were notified of this development.

By July 1986, NYRA had contracted with a new encryption manufacturer, Scientific-Atlanta, to fulfill its encoder/decoder needs. Beginning with its Saratoga meet in August, NYRA encrypted its signal with Scientific-Atlanta's "B-Mac" system. It is interesting to note that immediately after changing to the B-Mac system, numerous telephone calls were received from around the country complaining that the NYRA signal could no longer be decoded.

NYRA transmits its simulcast signal utilizing an earth station located in the backstretch of Belmont Park. The property on which the earth station is built was leased from NYRA by Cablevision Program Services Company and Cablevision of Westchester in an agreement signed on September 26, 1978, and amended on October 10, 1978. A second amendment signed on September 15, 1980, transfers and assigns the above lease to Atlantic Transport Company.

The above agreements permitted the tenant to build a transmitting and receiving earth station consisting of two 11-meter dishes (transmitter antennae) and a microwave system on the grandstand roof to be connected to the earth station. A third dish has been added as per the amendment of September 15, 1980.

Under the agreements NYRA may receive, free of charge, any programming received by the tenant at the earth station. This tenant must provide to NYRA all necessary transmission time at published common carrier rates.

In 1989, all other race tracks in New York State converted to the B-Mac system. The major simulcast vendor, pursuant to direction of the Board, undertook this project to help maintain a minimum level of signal security for the Empire State's racing simulcasts.

During 1990, the New York City Police Department in cooperation with the Security and Investigations Unit of the New York Racing Association, Inc., and the Board continued investigations into the unauthorized receipt of racing signals. These investigations led to several arrests at two locations. At these locations (one in Brooklyn and the other in Queens) bandit B-Mac decoders were recovered. These bandit decoders contained a "cloned" or duplicate computer chip which enabled the unauthorized sites to display simulcasts from New York's thoroughbred and harness tracks. NYRA has systematically tested its system to determine if sites in other areas both inside and outside of New York State were receiving the signal. No such reports were received. NYRA, in conjunction with the manufacturer, Scientific-Atlanta continues research and testing in a continuous effort to improve the security of its simulcast signal.

TERRESTRIAL MICROWAVE - A television signal transmitted point-to-point (line of sight). Depending on topography, this signal will travel only 25 to 40 miles before it must be amplified and retransmitted. In order to go long distances, this signal is directed over a string of microwave towers until it reaches its destination.

This method of transmission has certain drawbacks from a security point of view. Unless the system is privately operated, the transmission cannot be encoded. Public carriers, such as Western Union and AT&T (which forward telephone calls in this manner), will not permit the encoding of transmissions. Therefore, terrestrial microwave signals from New York tracks are not encoded, with the exception of NYRA's microwave feed from Aqueduct to the earth station at Belmont on its private coded system. Another weakness of point-to-point transmission is that it may be intercepted along the path of the signal.

MULTIPOINT DISTRIBUTION SYSTEM (M.D.S.) - Broadcasts in a wide oval from the point of transmission. Depending on the height and wattage of the unit, the signal can travel 100 miles without loss of quality. In New York State, this system is used only by Capital OTB as a back-up system for its cable television station, within the Albany area.

CABLE T.V. - Shielded coaxial cable used to carry the signal from the source to each designated receiver. This method of distributing a television signal is used primarily as an in-house system for a track to feed its monitors via

Closed Circuit TV (CCTV), or by a local cable company (CATV) to service its subscribers.

New York City OTB (NYCOTB) uses a franchised cable company to service some locations in Manhattan. NYCOTB and its franchised cable company installed a cable encryption system in 1986. This system, manufactured by Zenith, uses an addressing system to activate only specific decoders in OTB branches. Since 1987, there have been confirmed reports of unauthorized reception of this signal.

Capital OTB owns and operates a franchised cable company that produces TV-12. This station carries the "live call" of races while the screen displays only odds and prices to cable TV subscribers as well as other cable companies.

For one night in November 1989, TV-12 carried a live telecast of the entire Saratoga Raceway harness program into homes and offices throughout the Capital District region via cable television. In addition to showing that night's full card of harness races, feature presentations such as interviews with track personnel, background information and handicapping commentary were included in the broadcast. This unique experiment was a joint effort of Capital District Regional OTB and Saratoga Raceway. The revised simulcast legislation prohibits such telecasts with a single exception. Only one experiment is allowed, which must be concluded by May 15, 1991. In March, Capital OTB and Saratoga Raceway agreed to conduct such an experiment. The

Racing Law requires that the Board report to the Governor and the Legislature within 30 days of the end of the experiment. Accordingly, Capital OTB and Saratoga Raceway have been directed to provide relevant statistical information to the Board to assist in meeting the statutory mandate.

It is simple and inexpensive to steal cable programming, if access can be gained to the cable. Since 1985, when such a theft was discovered in New Lebanon, New York and successfully prosecuted by Board personnel, no other breach of this system has been detected.

In December 1990, a cable systems operator in the Albany area, in conjunction with Capital OTB sought to display a live audio-visual signal of the thoroughbred races run at Calder Race Track in Florida on Tuesdays (the traditional NYRA dark day). This cable system claimed that it sought this signal as a commercial entertainment venture which had no direct connection with any wagering activity. The Board (which has no jurisdiction over a cable operator) directed Capital OTB neither to (1) display the audio-visual signal of this commercial broadcast in its branches; and (2) accept wagers via telephone betting accounts on such races. The Board took this action, based upon the expressed intent of the legislature regarding in-home simulcasting (Section 1003(1) of the Racing Law). It should be noted that with the imposition of this restriction on Capital OTB, the races from Calder Race Track were broadcast for only one day.

DEDICATED LINE (LAND LINE) - "Hard line" system usually leased from the local telephone company to carry programming from the source to specific authorized locations. All OTB regions use this system to some degree.

Security is difficult because the system can be tapped easily. There have been instances of tampering in the past, but due to successful prosecutions and the notoriety they received, there have been no reports of this problem since 1987.



#### ADDITIONAL BETTING FROM SIMULCASTING

The major goal of the simulcasting legislation beginning in 1984 was to increase betting, resulting in increased revenues to everyone, greater than the additional costs to deliver simulcasting. It was intended that these additional revenues more than offset losses resulting from cannibalization, i.e. business shifting from off-track betting corporations to nearby tracks doing track to track simulcasting or, from race tracks conducting racing to off-track betting or track to track betting operations offering simulcasting on those races.

Many imponderables arose in attempting to establish what portion of the total betting at a location was additional betting due to simulcasting, and what portion was betting which might regularly occur there or at another location. Tracks receiving simulcasts were taking wagers on this product for the first time and so the total betting (or pari-mutuel handle) on simulcast races held at a track some distance away could have been said to be entirely due to simulcasting. However, even this betting could have been, and to a substantial extent, seemed to have been cannibalized from adjacent off-track betting areas, or from the regular on-track betting at the track on its own races. Even future betting at that track seemed to have been reduced due to the drain on total available leisure time betting money from the area population.

Determining the incremental betting from simulcasting at off-track betting corporations was even more complex, since there was already established betting on such races without simulcasting. The proximity of non-simulcast branches to a simulcast branch may have caused business to shift from those branches to the simulcast branch (OTB cannibalization). Further, if tracks located in an OTB region were conducting track to track simulcasting, simulcasting at OTB branches, while seeming to be disappointing, may really have been successful, in that their simulcasting stemmed a greater shift of business to the nearby track with track to track simulcasts, i.e. Capital's simulcast theater vis-a-vis Saratoga Raceway.

Legislation enacted in 1984 guaranteed that horsemen would receive a portion of the OTB simulcast revenues, and established a measure for determining incremental OTB handle from simulcasting. The OTB corporations complained that the statutory method of computing incremental handle (basically the increase in a simulcast branch's weekly handle above the average week when it had no simulcasting) was unrealistic since the formula did not take into account cannibalization from other branches. Because of this, OTB claimed that since it had to pay larger commissions to the tracks for already established business, OTB was actually losing money through simulcasting. (New York City OTB claimed it lost almost \$500,000 on Roosevelt Raceway simulcasting in a three-month period in 1984 alone.)

In 1985, the Legislature amended this formula and dropped mandated allocations of OTB simulcast handle to the race tracks or its purses. (In subsequent legislation, statutory recognition of purse allocations was restored.) It thereby abandoned any attempt to define incremental handle legislatively and left the parties free to negotiate such compensation.

Historical computations have shown large variations among branches due to live audio race calls, closer to post time betting, more up to date odds changes, opening and closing of other nearby branches, longer hours of operation, new super exotic betting, let alone the introduction of simulcasting. Because of these and other multitudinous variables, determinations of increased handle directly attributable to simulcasting in a branch has proven impossible to calculate.

Contracting parties have attempted different formulae for determining fair compensation to tracks and horsemen. Most of these formulae are based on increases, if any, in a broad area or entire OTB region over prior years, with, in some cases, an allowance for natural growth.

With the abandonment of the incremental concept by the statute, the Board's staff has not attempted to make any "guess-timates" dressed up as "statistics" showing the actual increase in handle, if any, brought by simulcasting.

## RECOMMENDATIONS

In accordance with the provisions of Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law, the New York State Racing and Wagering Board respectfully submits the following recommendations for consideration and appropriate action by the Governor and the Legislature:

### RECOMMENDATION #1

In July 1990, the Legislature passed and the Governor signed Chapter 346 of the Laws of 1990 which continued the authorization for simulcasting on a permanent basis. In the course of reviewing the permanent statute, some minor, relatively technical problems have been identified. Some of these have been addressed in the form of Departmental Proposals from the Board. The first, Departmental Bill No. 279 (S.4146/A.6754), would consolidate the reports submitted by the Board to the Governor and the Legislature concerning certain tax credit relief for race tracks and the conduct of simulcasting into one report. This comprehensive report, due on March 31, would permit a more orderly study of the industry for the prior year, as well as enable the Board to compile more accurate data (particularly financial) and better utilize its limited resources. Another Board proposal would delete the Board's annual certification requirement to the Commissioner of Taxation and Finance when no credit for pari-mutuel taxes at harness tracks for reduced revenue from off-track betting distributions on out-of-state tracks is applicable. This Departmental Bill (No.

272) was introduced as S.4178/A.1214. It would eliminate a time consuming and costly process which offers no benefit to any entity. With the advent of simulcasting and resulting growth in OTB handle, no credit has been applicable for the past three years and none is anticipated in the foreseeable future.

The final Board proposal, Departmental Bill No. 278, (S.4213/A.6952) would clarify an ambiguous situation relating to the imposition of the OTB surcharge on winning wagers on races that are not simulcast at simulcast theaters. The current law is completely silent with respect to the imposition or non-imposition of surcharge on simulcast events. During the five-year experiment (based upon legislative intent expressed both in the language of the statute as well as communications with its drafters), no surcharge has been imposed on winning wagers placed at simulcast theaters on races which have been simulcast. The Board's bill would merely codify existing practice. It would also explicitly authorize OTB corporations which operate simulcast theaters to offer wagering opportunities on non-simulcast events in conjunction with simulcast programs (like an OTB branch). However, surcharge would apply to these non-simulcast events.

Additional modifications to clarify the language of the 1990 statute have emerged during the Board's preparation of this report. The Board recommends that the following changes be made in Article X of the Racing Law:

A. Modify the language contained in Section 1000 to reflect the end of the experimental period and declare simulcasting to be a permanent integral part of the racing and wagering framework in New York State.

B. Correct a mistaken reference in Section 1008(2-a) of the Racing Law, added by Section 32 of Chapter 346. In the second sentence the statute now reads, "In the event the receiving track..."; it should read: "In the event the sending track...".

C. Explicitly provide in Section 1013 of the Racing Law that when arbitration is sought, the pre-existing terms or conditions of any simulcast operation remain in effect, pending the outcome of the arbitration process subject to retroactive conformity to the final terms.

D. Specify in Sections 523, 905 and 905-a of the Racing Law, that when the Breeders' Cup series of races are held in New York, that a full 15 races of special interest be available annually for OTB corporations and race tracks.

The Board believes that Chapter 346 provides an opportunity for the entire industry to utilize simulcasting to its maximum extent as a tool to maintain handle. These technical changes are consistent with that end.

## RECOMMENDATION #2

During the last few years, both the New York State government and the racing and wagering industry have focused a great deal of attention on the issues of integrity and accountability. At the same time, the Board has engaged in an intensive review of the ways and means to improve and enhance all aspects of integrity and accountability throughout the racing and wagering community.

The Board supports efforts to promote and insure professionalism, integrity and ethical conduct within all segments of the racing and wagering community. The State's six public benefit corporations which conduct off-track betting must heed that call as well, and respond to the public's demand for greater accountability on the part of all government agencies.

Therefore, the Board recommended, as departmental legislation in 1989, 1990 and again in 1991, a series of proposals which would enhance the Board's oversight and regulatory functions with respect to OTB and help insure the integrity and accountability of this State's system of off-track betting. These proposals are designed to promote the more effective management of off-track betting and enable the Board to more closely monitor and review OTB operations.

With respect to insuring the integrity of off-track betting activities, the Board has three significant legislative proposals. They increase the ability of the

Board to monitor, control and regulate the operations and actions of the OTB corporations, their employees and other participants in off-track betting.

The first proposal, Departmental Bill No. 274 (S.4137/A.6764) would amend the Racing Law to empower the Board to impose monetary fines on off-track betting corporations and other persons or corporations participating in off-track betting. These fines could be imposed for violations of any provision of the Racing Law, the Board's Rules, Regulations and Directives, or the approved Plan of Operation for the conduct of off-track betting. Currently, the only sanction the Board can impose for a violation of the legal authority governing off-track betting is to suspend the entire Plan of Operation for a given corporation. This is clearly impractical. To terminate all corporate operations, or even a portion thereof, would result in a considerable loss of revenue to all segments of the racing industry as well as the State and local governments. That drastic action should only be taken in the most serious instances. The Board believes that it makes sense to hold individuals at OTB accountable for their own actions and the OTB corporations and local governments should not have to bear the full financial burden for the misconduct of OTB employees. In order to enable the Board to properly discharge its oversight, supervisory and regulatory functions, this additional, alternative sanction should be available to the Board. It should be noted that



similar provisions exist for participants in thoroughbred, harness and quarterhorse racing, as well as simulcasting. (See Sections 243, 310, 409 and 1005 of the Racing Law.) There appears to be no substantive reason for not employing this type of sanction to OTB as well. Accordingly, the Board recommends the prompt enactment of S.4137/A.6764.

The second proposal, Departmental Bill No. 275 (S.4135/A.6772) would authorize the Chairman of the Board to designate a Board officer to preside at off-track betting hearings. Currently, the statute provides that the Chairman, a Board Member or the Board sitting en banc must preside at hearings involving off-track betting. The thoroughbred, harness, quarterhorse and simulcast articles of the Racing Law permit the designation of an officer of the Board to preside at such hearings. This proposal will better facilitate the prompt scheduling of such hearings because of the availability of a greater number of individuals who may preside on a continuing basis. The parties to the hearing are not prejudiced because the proceedings are subject to Governor Mario M. Cuomo's December 4, 1989 Executive Order No. 131 (relating to administrative hearings), and the State Administrative Procedure Act as well as the provision that the Board must review the report and recommendation of the hearing officer, and that only the Board can make findings of fact and the final determination.

There are currently many more hearings held by the Board requiring the availability of more than the three individuals, who constitute the Board to act as hearing officers than there were at the time the statute was originally enacted. This would also further a uniform procedure with respect to all administrative hearings conducted by the Board.

The final element in the Board's "integrity" plan would authorize the Board to license any person, association or corporation participating in off-track betting as the Board may by rule prescribe. When resources are available, its enactment would conform the off-track betting article of the Racing Law to its sister provisions governing all types of racing as well as simulcasting in this State.

This proposal is necessary for the purpose of maintaining proper control over the conduct of off-track betting within the Empire State. Events during the last few years (described in detail in this and prior simulcast reports), indicate the absolute need for the Board to have jurisdiction over certain individuals and corporations who perform services or functions which are essential for the conduct of efficient, effective and lawful off-track pari-mutuel operations.

As heretofore described, the last few years saw several serious and at times, tragic incidents occur in or near OTB facilities. (See: 1989 and 1990 Simulcast Reports). We are indeed fortunate that no innocent victims suffered serious

injuries as a result. However, with crimes ranging from arson and assault to armed robbery and the possession/use of illegal firearms, the betting public as well as OTB employees themselves, need this check.

In addition, the Board has concluded that it is of little use to license only simulcast facilities, corporations or persons who work therein as presently authorized. The problems lie with the OTB corporation in general, because simulcasting is only a component of off-track operations. As such, with frequent personnel shifts as well as changing simulcast branch locations, the system of "total licensing", which is currently in place at all on-track locations within the State, should apply to OTB as well.

For several years, the Board served as a conduit for off-track betting corporations to conduct fingerprint checks on new employees. However, in 1988, the Board was advised by the New York State Division of Criminal Justice Services (DCJS) that the Board could not legally conduct such checks on OTB employees or disseminate any information received as a result of such a check to any other agency, including the OTB corporations. DCJS concluded that there was insufficient statutory authority. Thus, for the past two years, new OTB employees have not been the subject of any criminal history check.

In order to insure the public's confidence in OTB and the integrity of the entire system of off-track betting,

including its employees, authority for the Board to license OTB employees should be enacted into law.

With respect to the issue of accountability and integrity in the management of off-track betting, the Board has recommended the enactment of legislation which would bar a director of a regional off-track betting corporation from holding any position of employment with that off-track betting corporation.

The board of directors of an off-track betting corporation is responsible for the management of that corporation, including the appointment of its officers. It is not in the public interest to have directors also serve as paid employees of that corporation including the position of President and Chief Executive Officer.

Under the common law doctrine of compatibility of office, dual employment is found to be contrary to public policy. In Formal Opinion No. 88-F1, Attorney General Abrams wrote:

"A director cannot effectively and impartially supervise himself nor can his colleagues on the board of directors exercise such supervision. Additionally, an appearance of impropriety would result. This dual employment would erode the natural checks and balances that flow from the employer-employee relationship to the detriment of corporate operations and public trust. Were this not prohibited, an entire board could serve as employees of the corporation creating conflicting interests and raising questions as to whether board decisions are made solely in the public interest".

The New York State Comptroller shares this concern. In recent audit reports, he concludes that service as a director of an off-track betting corporation as well as its president and chief executive officer, is contrary to the doctrine of compatibility of office. Recently, the Attorney General of the State of New York reached a different conclusion. He found that a director may serve as President and Chief Executive Officer, viewing it as an extension of his responsibilities as a director. This conflicting series of opinions requires prompt resolution. Additionally, a recent series of newspaper articles which appeared in the Albany Times Union, highlighted the need of more effective oversight of corporate management by an OTB Corporation's Board of Directors. Prompt action on this proposal may aid directors in exercising such authority.

For the reasons set forth above, the Board recommends the enactment of Departmental Bill No. 351 (S.4154/A.6775) in order to clarify the legal status of directors as employees, as well as insure that a system of internal checks and balances are present within the decision-making structure of off-track betting corporations. It should be noted that this legislation is not directed at any specific incumbent. Rather, the Board sees it as a necessary, if not vital structural reform.

Another integrity proposal is to limit the amendment made by Chapter 908 of the Laws of 1990. Section 107 of the Racing Law prohibits various categories of public officials

and employees whose duties involve pari-mutuel racing from participating in racing by disqualifying them from licensing. Under Chapter 908, a new subdivision 16 was added to Section 502 of the Racing law to allow the licensing of any director, administrator or other employee of an OTB corporation "notwithstanding any inconsistent provision of this chapter or any other law".

Therefore, a public official or party officer who is ineligible for licensure in pari-mutuel racing under Section 107 of the Racing Law can defeat the purposes of that section by obtaining employment with an OTB corporation, thereby becoming eligible to participate in racing through Section 502. The 1990 law was not intended to let everyone excluded under Section 107 in through this new OTB exception.

To clarify this overly broad provision, the Board has submitted Departmental Bill No. 276 (S.4138/A.6767), to prevent unintended consequences created by the overly broad provision. It would also consolidate all restrictions on licensing in Section 107 where they properly belong.

The Board's financial accountability proposal is comprehensive legislation to improve certain financial and accounting practices of the State's off-track betting corporations. The Board urges the enactment of Departmental Bill No. 273 (S.4136/A.6770), which reflects many of the recommendations made by the State Comptroller in Audit No. 88-5-81.

The State Comptroller has reported that certain current statutory authorizations result in confusion with respect to the accounting and financial reporting practices of the State's six off-track betting corporations. This proposal is designed to require uniform report of financial data (both on a monthly and annual basis) as well as require off-track betting corporations to conduct their financial activities in accordance with generally accepted accounting practices (GAAP) as promulgated by the State Comptroller.

The bill also extends the statutory time period for the submission of monthly financial reports from 15 days to 60 days. The current time frame is not a realistic standard for the submission of the comprehensive information required by the Board's Uniform System of Accounting and Reporting. The additional 45 days will allow for a more orderly and accurate submission by each of the State's six regional OTB corporations. The enactment of this legislation is necessary to insure that prompt, accurate and uniform financial transactions by all of the State's six off-track betting corporations.

Taken together, this recommended legislation would provide a firm basis by which the State of New York can insure that its system of off-track pari-mutuel wagering operates in an effective and efficient manner. It will promote greater accountability and integrity within this growing segment of the racing and wagering industry.

These proposals are important to the Board, to enable it to exercise enhanced oversight and regulatory authority as well as essential to maintain the public's trust and confidence in racing and wagering activities, generally.

RECOMMENDATION #3

Most off-track betting corporations, as well as certain race tracks, have made sizeable investments in the establishment of new or renovated facilities offering additional amenities to their patrons. It is essential for these entities (and in the best interest of the State of New York) that the maximum utilization of these innovative, yet costly, facilities be encouraged.

The Legislature has taken the first step last year. It authorized wagering and simulcasting of up to 12 thoroughbred races of special interest to the state's race tracks and off-track betting facilities from locations outside the State of New York. However, it did not provide for simulcasting of the Kentucky Derby, the Preakness Stakes or the Breeders' Cup (when run outside of the State). It also authorized simulcasting of the Breeders' Crown and the Hambletonian at all simulcast facilities as well as five other harness races of special interest at harness tracks only. OTB corporations may currently accept wagers on three additional harness races of special interest but cannot simulcast them.

In a related development, a cable systems operator in the Albany area, in conjunction with Capital District



Regional Off-Track Betting Corporation, sought to display a live audio-visual signal of the thoroughbred races run at Calder Race Track in Florida on Tuesdays (the traditional NYRA dark day). This cable system claimed that it sought this signal as a commercial entertainment venture which had no direct connection with any wagering activity. The Board (which has no jurisdiction over a cable operator) directed Capital District Regional OTB Corporation neither to (1) display the audio-visual signal of this commercial broadcast in its branches; nor (2) accept wagers via telephone betting accounts on such races. The Board took this action, based upon the expressed intent of the legislature regarding in-home simulcasting (Section 1003(1) of the Racing Law). It should be noted that with the imposition of this restriction on Capital, the races from Calder Race Track were broadcast for only one day. To prevent recurrences of such a situation, the Board will only approve wagering on out-of-state race programs that are not simulcast into homes.

The Board recommends that the progressive concept of simulcasting certain limited and defined special event races with significant public interest be explicitly extended to all currently authorized wagering opportunities. The Board has submitted as departmental legislation, Departmental Bill No. 277 (S.4139/A.6758), which would amend the applicable sections of the Racing Law to provide for the simulcasting of the Kentucky Derby, the Preakness Stakes, the Breeders'

Cup and the remaining harness races of special interest to all licensed simulcast facilities. We urge its enactment.

The Board also recommends that in the interest of expanding wagering opportunities on in-state races of special interest, OTB corporations be empowered to accept wagers on the "New York Derby", a thoroughbred race conducted at Finger Lakes Race Track. This proposal, Departmental Bill No. 280 (S.4155/A.6774), would authorize all OTB corporations to accept wagers on the most prestigious race run exclusively for horses bred in New York State. In addition to highlighting the State's successful breeding program, it will enable all of New York State to focus on the best horses being bred in the Empire State and lend prestige to New York's "other" thoroughbred operation. This bill would amend Section 523 of the Racing Law to include the New York Derby in the same category of special in-state races as the Belmont and Travers Stakes at the NYRA tracks.

#### RECOMMENDATION #4

The technical problems of simulcasting, which have inhibited its development, have been highlighted in this and prior Simulcast Reports, as well as the Report of the Legislative Commission on Science and Technology (discussed above). The problem areas are those of simulcast signal security and the efficient and effective transmission of wagering data to effectuate common pari-mutuel pools.

The Board has concluded that for simulcasting to continue and flourish, a high level of integrity, efficiency and security must be maintained. Therefore, the Board recommends that Article X be amended to give it explicit statutory authority to prescribe and enforce minimum standards in relation to the methodology, equipment and means employed to safeguard and control the transmission of simulcast signals and wagering data.

RECOMMENDATION #5

Chapter 346 of the Laws of 1990 authorized the combining of New York wagers on horse races conducted in other states or foreign countries with wagers on such races made elsewhere only for those thoroughbred races of special interest designated in Section 905 and 905-a of the Racing Law. The Board believes that this provision contained in Section 907 of the Racing Law should be extended to other out-of-state racing events. Of particular importance are the out-of-state harness races of special interest for both on and off-track operators provided for in Sections 523(7), 906 and 1007(6)(a) of the Racing Law. In addition, under the same terms and conditions set forth in Section 907, the Board should be empowered to authorize common pools on all out-of-state wagering authorized by Section 523 of the Racing Law. With the great advances in technology, this system of common pools can be another tool by which the racing and wagering industry continues to maintain its current handle levels and promote this exciting sport.

### CONCLUSION

The foregoing has been a detailed analysis of simulcast operations during 1990, as well as an assessment of results of the past six and one-half years. Substantial investments in simulcasting and related facilities have been made by the various off-track betting corporations and race tracks. In the Board's view, these investments have yielded significant results. Simulcasting has been given the opportunity to develop. It has been the key element in maintaining the total handle in New York State. It is now an integral part of racing in New York.

Of the varied problems associated with simulcasting, the Board believes that the technical problems have been or can be surmounted. Of more concern to the Board are the ongoing feuds between various segments of the industry. A sense of apprehension and distrust pervades the relationships that exist within the racing and pari-mutuel wagering community. Several specific instances have been described in this and prior reports.

Stripped of all its apparent glitter, racing and OTB can only survive if they serve the public. The mainstay is the fans. The fans are not well served unless all elements of this diverse industry cooperate. Through simulcasting, as well as various tax reduction measures, the tracks, as well as various tax reduction measures, the tracks, their horsemen and OTB corporations were given an incentive to accomplish this goal.

It was clear that the prior statutory system did not function as well as it was intended to. In enacting Chapter 346 of the Laws of 1990, the State sought to establish a workable mechanism to resolve disputes in a quiet yet effective fashion. The key element in this new system is its "make available" provision. For this system to function, the various entities now must allow simulcasting to continue while specific terms and conditions are either negotiated or resolved through binding arbitration.

However, this new format will fail if the various segments of the industry continue to act only for narrow, parochial and selfish gains and, refuse to cooperate in the public interest. Pari-mutuel horse racing and wagering has been authorized for the benefit of all segments of the racing and wagering industry, as well as the State, its political subdivisions and its citizens. If it does not perform, then the State will be forced to once again act and alter the system so recently put in place.

The choice is up to the industry itself and time is running out. The results reported for 1990, clearly confirms this. Early 1991 indications seem bleak as well. Therefore, it is in the industry's best interest as well as the public's for all elements to cooperate. The various components must initiate cooperative efforts with a broader view for the enhancement of the entire industry for the years to come. If it fails to do so, the State of New York, which has authorized pari-mutuel wagering (and simulcasting) on horse

rates, must act swiftly to address the issues and promote the health of the industry.

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APPENDICES

The following charts summarize various financial results during the calendar year ending December 31, 1990. All figures are unaudited and tentative. As such, they are subject to revision and correction.

COMPARISON OF COMBINED ON AND OFF-TRACK HANDLES 1990/1989

THOROUGHBRED RACING NYRA	ON-TRACK HANDLE TOTALS			OFF-TRACK HANDLE TOTALS			COMBINED ON AND OFF-TRACK HANDLE TOTALS			% of increase (decrease)
	1990	1989	% of increase (decrease)	1990 (PRELIMINARY)	1989	% of increase (decrease)	1990	1989	% of increase (decrease)	
Aqueduct	\$428,835,800	\$437,706,594	( 2.01)	\$721,552,069	\$711,697,468	( 1.39)	\$1,150,387,869	\$1,169,404,062	( 1.63)	
Belmont	355,944,955	315,668,751	12.76	529,652,824	471,772,489	12.27	885,597,779	787,441,240	12.47	
Saratoga	89,413,827	95,072,123	5.13	114,070,498	112,518,796	1.36	203,504,325	197,610,919	2.98	
<b>NYRA TOTAL</b>	<b>\$874,214,582</b>	<b>\$836,447,468</b>	<b>4.27</b>	<b>\$1,365,275,391</b>	<b>\$1,316,008,753</b>	<b>3.74</b>	<b>\$2,239,489,973</b>	<b>\$2,154,456,221</b>	<b>3.95</b>	
Intertrack Simulcasts of NYRA at:										
Aqueduct (Belmont Meet)	\$5,441,522	---	---	---	---	---	\$5,441,522	---	---	
Aqueduct (Saratoga Meet)	29,894,065	29,092,608	2.75	---	---	---	29,894,065	29,092,608	2.75	
Finger Lakes	8,982,859	5,893,421	52.42	---	---	---	8,982,859	5,893,421	52.42	
Saratoga Raceway	19,874,687	18,883,432	5.25	---	---	---	19,874,687	18,883,432	5.25	
Yonkers Raceway	56,385,271	105,772,633	(46.69)	---	---	---	56,385,271	105,772,633	(46.69)	
Vernon Downs	2,046,549	2,151,394	( 4.07)	---	---	---	2,046,549	2,151,394	( 4.07)	
Monticello Raceway	1,680,171	---	---	---	---	---	1,680,171	---	---	
Batavia Downs	124,193	---	---	---	---	---	124,193	---	---	
<b>Intertrack Simulcast Totals</b>	<b>\$124,429,317</b>	<b>\$161,793,488</b>	<b>(23.09)</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>\$124,429,317</b>	<b>\$161,793,488</b>	<b>(23.09)</b>	
<b>TOTAL NYRA RACES</b>	<b>\$998,643,899</b>	<b>\$1,000,240,956</b>	<b>( 0.16)</b>	<b>\$1,365,275,391</b>	<b>\$1,316,008,753</b>	<b>3.74</b>	<b>\$2,363,919,290</b>	<b>\$2,316,249,709</b>	<b>2.06</b>	
Finger Lakes	43,518,565	47,129,906	( 7.66)	121,117,619	122,382,016	( 1.03)	164,636,184	169,511,922	( 2.88)	
Finger Lakes at Batavia Downs	119,450	---	---	---	---	---	119,450	---	---	
<b>TOTAL IN-STATE THOROUGHBRED</b>	<b>\$1,042,281,914</b>	<b>\$1,047,370,862</b>	<b>( 0.49)</b>	<b>\$1,486,393,010</b>	<b>\$1,438,390,769</b>	<b>3.34</b>	<b>\$2,528,674,924</b>	<b>\$2,485,761,631</b>	<b>1.73</b>	
Out-of-State Races	---	---	---	\$ 63,143,633	\$ 70,506,112	(10.44)	\$ 63,143,633	\$ 70,506,112	(10.44)	
<b>TOTAL THOROUGHBRED HANDLE</b>	<b>\$1,042,281,914</b>	<b>\$1,047,370,862</b>	<b>( 0.49)</b>	<b>\$1,549,536,643</b>	<b>\$1,508,896,881</b>	<b>2.69</b>	<b>\$2,591,818,557</b>	<b>\$2,556,267,743</b>	<b>1.39</b>	
<b>HARNESS RACING</b>										
Batavia Downs	\$19,563,769	\$20,791,055	( 5.90)	\$24,188,283	\$26,008,680	( 7.00)	\$43,752,052	\$46,799,735	( 6.51)	
Buffalo Raceway	23,315,222	23,772,040	( 1.92)	23,177,736	22,670,686	2.24	46,492,958	46,442,726	0.11	
Yonkers Raceway	287,404,537	239,148,187	(13.36)	271,809,395	315,560,624	(13.86)	479,213,932	554,958,811	(13.65)	
Monticello Raceway	44,725,464	41,894,204	6.76	34,817,753	24,905,902	39.80	79,543,217	66,800,106	19.08	
Saratoga Raceway	28,970,064	31,407,914	( 7.76)	14,144,899	16,105,547	(12.17)	43,114,903	47,513,461	( 9.26)	
Vernon Downs	30,452,454	31,356,732	( 2.88)	5,595,754	5,584,097	0.21	36,048,208	36,940,829	( 2.42)	
Syracuse Mile	2,138,985	2,327,905	( 8.12)	177,242	205,503	(13.75)	2,316,227	2,533,408	( 8.57)	
<b>SUB-TOTAL</b>	<b>\$356,570,495</b>	<b>\$390,940,037</b>	<b>( 8.79)</b>	<b>\$373,911,062</b>	<b>\$411,041,039</b>	<b>( 9.03)</b>	<b>\$730,481,557</b>	<b>\$801,989,076</b>	<b>( 8.92)</b>	
Yonkers Simulcast at Vernon	1,294,399	440,015	194.17	---	---	---	1,294,399	440,015	194.17	
Batavia Simulcast at Buffalo	1,330,539	---	---	---	---	---	1,330,539	---	---	
Batavia Simulcast at Batavia	815,942	---	---	---	---	---	815,942	---	---	
<b>TOTAL IN-STATE HARNESS RACES</b>	<b>\$360,011,375</b>	<b>\$391,388,052</b>	<b>( 8.02)</b>	<b>\$373,911,062</b>	<b>\$411,041,039</b>	<b>( 9.03)</b>	<b>\$733,922,437</b>	<b>\$802,429,091</b>	<b>( 8.54)</b>	
OTH Out of State Races	---	---	---	259,811	363,193	(28.46)	259,811	363,193	(28.46)	
<b>TOTAL HARNESS HANDLE</b>	<b>\$360,011,375</b>	<b>\$391,388,052</b>	<b>( 8.02)</b>	<b>\$374,170,873</b>	<b>\$411,404,232</b>	<b>( 9.05)</b>	<b>\$734,182,248</b>	<b>\$802,792,284</b>	<b>( 8.55)</b>	
<b>COMBINED HANDLES</b>	<b>\$1,402,293,289</b>	<b>\$1,438,758,914</b>	<b>( 2.53)</b>	<b>\$1,923,707,516</b>	<b>\$1,920,301,113</b>	<b>0.18</b>	<b>\$3,326,000,805</b>	<b>\$3,359,060,027</b>	<b>( 0.98)</b>	



STANDARDCAST PART-NUTREX BRANDIES BY SIMULCAST LOCATIONS IN NEW YORK STATE (1998 - 1989)

LOCATION TRACE TO TRACE:	Combined Total		NYSA		Piscot Lakes		Tonawata		Monticello		Saratoga Raceway		Buffalo Raceway		Batavia Downs	
	1998	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989
Aqueduct	\$35,340,000	\$29,100,000	\$35,340,000	\$29,100,000												
Yonkers	56,410,000	105,810,000	56,410,000	105,810,000												
Saratoga Raceway	19,990,000	18,900,000	19,990,000	18,900,000												
Finger Lakes	9,810,000	5,910,000	9,810,000	5,910,000												
Vernon Downs	1,350,000	2,550,000	1,350,000	2,550,000			1,300,000	440,000								
Monticello Raceway	1,700,000		1,700,000													
Batavia Downs	1,100,000		1,100,000		119,000											
Buffalo Raceway	1,131,000		1,131,000													
<b>TOTAL</b>	<b>\$170,861,000</b>	<b>\$167,290,000</b>	<b>\$174,515,000</b>	<b>\$161,850,000</b>	<b>\$119,000</b>	<b>\$119,000</b>	<b>\$1,300,000</b>	<b>\$440,000</b>					<b>\$816,000</b>		<b>\$1,131,000</b>	
<b>AT OTB BRANDIES:</b>																
New York City OTB	\$118,700,000	\$290,500,000	\$118,700,000	\$290,500,000	\$709,400,000	\$11,600,000	\$1,640,000	\$75,600,000	\$87,400,000	\$1,400,000	\$740,000					
Warren OTB	128,100,000	110,542,000	85,300,000	81,200,000	3,700,000	2,300,000	32,900,000	1,600,000	142,000							
Buffalo OTB	116,700,000	124,650,000	82,100,000	81,250,000	2,800,000	4,440,000	31,000,000	10,950,000								
Calverton OTB	65,100,000	110,375,000	41,400,000	65,700,000	9,600,000	10,200,000	12,500,000	34,000,000	1,600,000	375,000						
Capital OTB	154,600,000	135,100,000	110,000,000	123,100,000	21,300,000	21,600,000	13,600,000	15,600,000	600,000	600,000						
Western OTB	177,510,000	167,900,000	88,300,000	82,000,000	45,500,000	44,000,000	6,900,000	4,900,000	410,000							
<b>TOTAL</b>	<b>\$950,790,000</b>	<b>\$995,447,000</b>	<b>\$629,200,000</b>	<b>\$645,450,000</b>	<b>\$94,500,000</b>	<b>\$85,500,000</b>	<b>\$175,900,000</b>	<b>\$213,760,000</b>	<b>\$5,690,000</b>	<b>\$1,257,000</b>	<b>\$5,300,000</b>	<b>\$10,200,000</b>	<b>\$19,400,000</b>	<b>\$10,490,000</b>	<b>\$20,200,000</b>	<b>\$20,310,000</b>
<b>OTB TRAPBREASTERS</b>																
New York City OTB	\$80,640,500	\$74,356,500	\$64,900,000	\$56,200,000	\$813,000	\$602,500	\$14,500,000	\$17,500,000	\$427,500	\$54,000						
Buffalo OTB	30,400,000	36,420,000	21,000,000	25,300,000	600,000	570,000	10,950,000	10,950,000								
Capital OTB	31,910,000	31,900,000	23,900,000	21,700,000	2,900,000	2,000,000	3,800,000	3,400,000	350,000							
<b>TOTAL</b>	<b>\$153,150,500</b>	<b>\$143,076,500</b>	<b>\$115,800,000</b>	<b>\$103,200,000</b>	<b>\$4,313,000</b>	<b>\$3,972,500</b>	<b>\$29,300,000</b>	<b>\$31,850,000</b>	<b>\$577,500</b>	<b>\$54,000</b>	<b>\$3,600,000</b>	<b>\$3,600,000</b>	<b>\$100,000</b>	<b>\$710,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>STATEWIDE TOTAL</b>	<b>\$1,732,030,500</b>	<b>\$1,700,413,500</b>	<b>\$969,515,000</b>	<b>\$910,500,000</b>	<b>\$99,932,000</b>	<b>\$89,552,500</b>	<b>\$266,500,000</b>	<b>\$246,050,000</b>	<b>\$6,267,500</b>	<b>\$1,311,000</b>	<b>\$13,000,000</b>	<b>\$10,390,000</b>	<b>\$10,700,000</b>	<b>\$21,770,000</b>	<b>\$20,500,000</b>	<b>\$20,500,000</b>

\* Includes Saratoga to Aqueduct and Belmont to Aqueduct

1990 OFF-TRACK BETTING TOTAL HANDLE BY TRACK AND REGION

	<u>NEW YORK CITY</u>	<u>NASSAU</u>	<u>SUFFOLK</u>	<u>CATSKILL</u>	<u>CAPITAL</u>	<u>WESTERN</u>	<u>TOTAL ALL REGIONS</u>
<u>THOROGBRED RACING IN-STATE:</u>							
<u>NYRA</u>							
Aqueduct	\$185,769,414	\$ 83,025,475	\$ 73,874,076	\$ 40,029,438	\$ 78,923,526	\$ 59,930,011	\$ 721,551,940
Belmont	302,870,309	57,208,695	55,081,070	28,726,328	57,528,345	28,238,205	529,652,952
Saratoga	59,778,523	12,129,461	10,432,242	6,343,959	19,764,745	5,621,569	114,070,499
<u>NYRA TOTAL HANDLE</u>	\$748,418,246	\$152,363,631	\$139,387,388	\$ 75,099,725	\$156,216,616	\$ 93,789,785	\$1,365,275,391
Finger Lakes	25,148,432	5,004,813	4,173,294	10,469,324	27,237,106	49,084,650	121,117,619
Total In-State Thoroughbred	\$773,566,678	\$157,368,444	\$143,560,682	\$ 85,569,049	\$183,453,722	\$142,874,435	\$1,486,393,010
Total Out-of-State Thoroughbred	37,532,220	6,111,547	4,563,707	3,918,592	6,291,935	4,725,552	63,143,633
<u>TOTAL THOROGBRED HANDLE</u>	\$811,098,898	\$163,479,991	\$148,124,469	\$ 89,487,641	\$189,745,657	\$147,599,987	\$1,549,536,643
<u>HARNESS</u>							
Yonkers Raceway	\$130,785,648	\$ 46,666,649	\$ 45,710,385	\$ 20,934,835	\$ 20,148,312	\$ 7,595,978	\$ 271,841,807
Monticello Raceway	19,500,564	4,498,524	3,187,418	5,437,912	1,622,545	538,398	34,785,361
Saratoga Raceway	---	---	---	---	14,144,879	---	14,144,879
Vernon Downs	---	---	---	---	4,719,805	875,949	5,595,754
Batavia Downs	---	---	---	---	2,212,256	21,976,027	24,188,283
Ruffalo Raceway	---	---	---	---	2,115,197	21,062,539	23,177,736
Batavia/Buffalo Total	---	---	---	---	4,327,453	43,038,566	47,366,019
Syracuse Mile	---	---	---	---	35,645	141,597	177,242
Total In-State Harness	\$150,286,212	\$ 51,165,173	\$ 48,897,803	\$ 26,372,747	\$ 44,998,639	\$ 52,190,488	\$ 373,911,062
Out-Of-State Harness	84,598	23,666	22,801	21,136	62,242	45,368	259,811
<u>TOTAL HARNESS HANDLE</u>	\$150,370,810	\$ 51,188,839	\$ 48,920,604	\$ 26,393,883	\$ 45,060,881	\$ 52,235,856	\$ 374,170,873
<u>TOTAL OFF-TRACK HANDLE</u>	\$961,469,708	\$214,666,830	\$197,045,073	\$115,881,524	\$234,806,538	\$199,835,843	\$1,923,707,516

STATEMENT OF REVENUES NET OF EXPENSES-1990 PRELIMINARY FIGURES

	NYC OTB	NASSAU	SUFOLK	CATSKILL	CAPITAL	WESTERN
Non-Simulcast Handle	\$ 583,644,621	\$ 88,726,078	\$ 41,640,641	\$ 50,670,906	\$ 46,245,854	\$ 22,301,244
Simulcast Handle	377,825,087	125,943,657	155,404,269	65,210,618	188,560,917	177,564,599
NET HANDLE	<u>961,469,708</u>	<u>214,669,735</u>	<u>197,045,010</u>	<u>115,881,524</u>	<u>234,806,771</u>	<u>199,835,843</u>
OTB TAKE OUT AND BREAKAGE	181,227,727	41,034,064	37,615,343	22,289,496	44,904,501	39,768,688
Less: Statutory Payments To:						
N.Y. State	14,390,930	3,225,194	3,029,018	1,755,782	3,504,188	2,974,466
Breeder's Fund	5,563,235	1,330,051	1,230,525	711,652	1,400,307	1,260,857
Track (inc. Contractual)	50,631,321	12,225,004	11,980,048	6,643,225	13,698,924	13,129,677
City of Albany Tax	-	-	-	-	326,533	-
Total Statutory Payments:	<u>70,585,486</u>	<u>16,780,249</u>	<u>16,239,591</u>	<u>9,110,659</u>	<u>18,929,952</u>	<u>17,365,000</u>
Net Racing Revenue:	110,642,241	24,253,815	21,375,752	13,178,837	25,974,549	22,403,688
OTHER REVENUE:						
Admission Income	622,615	-	240,436	-	175,494	-
Lottery Income	-	-	84,650	176,082	680,942	316,457
Concession Income	897,856	-	74,128	10,482	392,690	57,202
Derived from Surcharge	-	68,878	-	132,759	456,654	360,545
Interest Income	889,945	105,376	87,903	300,899	220,036	170,796
Other	616,246	306,269	393,201	261,576	830,772	155,559
TOTAL OPERATING REVENUE	<u>113,668,903</u>	<u>24,734,338</u>	<u>22,256,070</u>	<u>14,060,635</u>	<u>28,731,137</u>	<u>23,464,247</u>
OPERATING EXPENSES:						
Branch Expenses	90,496,336	12,848,895	14,365,177	8,530,426	18,182,977	15,319,380
Corporate Expenses	18,092,104	4,608,059	4,678,290	3,317,387	10,021,444	4,040,489
TOTAL OPERATING EXPENSES	<u>108,588,440</u>	<u>17,456,954</u>	<u>19,043,467</u>	<u>11,847,813</u>	<u>28,204,421</u>	<u>19,359,869</u>
Percentage of Net Handle	11.3%	8.13%	9.66%	10.22%	12.01%	9.69%
EARNINGS TO OWN LOCALITIES	5,080,463	7,277,384	3,212,603	2,212,822	526,716	4,104,378
Less Contribution to Cap. Acquis. Fund	-	-	-	-	-	1,750,000
NET EARNINGS TO OWN LOCALITIES	5,080,463	7,277,384	3,212,603	2,212,822	526,716	2,354,378
Percentage of Net Handle	.53%	3.39%	1.63%	1.91%	.22%	1.17%
SURCHARGE TO OWN LOCALITIES	28,329,090	5,391,720	3,411,208	2,562,059	4,532,876	4,333,915
Total Benefits to Own Localities	33,409,553	12,669,104	6,623,811	4,774,881	5,059,592	6,688,293
SURCHARGE TO LOCALITIES OUTSIDE REGION	8,063,096	3,324,204	3,089,389	2,170,763	3,602,197	3,744,565
TOTAL BENEFITS TO ALL LOCALITIES	41,472,649	15,993,308	9,713,200	6,945,644	8,661,789	10,432,858
Percentage of Net Handle	4.31%	7.45%	4.93%	5.99%	3.69%	5.2%
Capital Acquisition Funds						
Contributions from Net Earnings	2,124,751	542,753	381,755	305,320	508,540	1,750,000
Supplemental 1% Surcharge	2,124,751	542,753	381,755	305,320	508,540	2,264,948
Total						

1990 NEW YORK RACING ASSOCIATION STATISTICS TO OTHER NEW YORK TRACK OPERATORS

NRA Betting At	Yonkers Racetrack 1/1 - 12/31/90		Saratoga Racetrack 1/1 - 12/31/90		Pungit Lakes Race Track 1/1-4/12 & 12/5-12/31/90		Vermon Downs 1/1-4/2-11/24-12/31/90		Hindale Raceway 9/19 - 12/31/90		Batavia Downs 12/5 - 12/31/90		COMBINED TOTALS 1/1 - 12/31/90 311 NORA DAYS	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Dates	167		287		110		112		89		21			
Racing Days														
Attendance	330,683		134,346		47,219		19,093		15,795		742		547,878	
PRIZES														
Regular	\$14,819,871	26.28	\$5,612,020	28.24	\$1,757,947	19.57	\$455,160	22.24	\$457,730	27.24	30,300	24.40	21,132,978	26.96
Multiple	35,428,119	62.81	12,117,633	60.97	5,313,104	70.50	1,374,126	67.14	1,016,998	59.94	74,674	60.13	56,334,734	63.21
Stakes	4,522,025	8.02	1,621,741	8.16	662,854	7.38	188,469	9.21	184,179	10.97	17,849	14.37	7,197,319	8.08
Super Stakes	1,615,306	2.87	521,291	2.61	228,974	2.55	20,794	1.41	31,854	1.85	1,370	1.10	2,428,699	2.71
Total Handle	\$56,365,271	100%	\$19,874,687	100%	\$8,902,659	100%	\$2,046,549	100%	\$1,680,171	100%	\$18,878		\$89,093,730	100%
SPRING OF PRIZES														
State Tax	\$1,038,763	1.84	\$295,904	1.49	\$105,666	2.07	\$30,837	1.51	\$26,704	1.59	2,150	1.73	\$1,580,024	1.77
Brokers Fund	282,346	.50	97,564	.50	44,914	.50	10,232	.50	8,420	.50	621	.50	446,147	.50
NRA	3,993,659	7.08	1,390,277	7.03	632,588	7.04	190,821	6.78	109,321	6.54	8,398	6.76	6,281,863	7.05
Receiving Track	5,020,654	8.91	1,843,730	9.28	775,469	8.64	195,277	9.54	166,414	9.91	12,182	9.81	8,014,016	9.00
Special Events Tracks	14,432	.03	20,357	.10	—	—	—	—	669	.04	—	—	35,458	.04
Commission & Brokers	10,349,903	18.36	3,657,832	18.40	1,639,127	18.25	375,167	18.31	312,128	18.58	23,351	18.80	16,357,588	18.36
Others	46,035,368	81.64	16,216,855	81.60	7,343,772	81.75	1,671,382	81.67	1,388,043	81.42	100,842	81.20	72,736,222	81.64
PRIZES	\$56,365,271	100%	\$19,874,687	100%	\$8,902,659	100%	\$2,046,549	100%	\$1,680,171	100%	\$18,878		\$89,093,730	100%
% of Combined Handle	63.29%		22.30%		10.08%		2.30%		1.89%		0.14%		100%	
Average Bet Per Patron	\$171		\$148		\$190		\$107		\$106		\$167		\$163	
Special Event Handle	\$188,190		\$27,246		—		—		\$7,733		\$6,138		\$435,307	
In Total														
NRA Special Events Net in Total														

The official total handles include out-of-state special event betting with the NRA simulcast handles, for which there is no practical way to separate the statistics for the handles and shares. The receiving track shares and commission and brokerage totals were included for minor pools and added to the brokers shares above. The special events at Pungit Lakes and part of the official handles provided a net share of \$31,389 to Finger Lakes. The italicized averages are per racing day.

1990 HARNESS TRACKS AND FINGER LAKES RACETRACK SIMULCASTS TO OTHER HARNESS TRACKS

Sending Track:	Yonkers Raceway		Buffalo Raceway		Batavia Downs		Finger Lakes		Combined Totals 1/1 - 12/29 235	
	to Vernon Downs 1/1 - 12/29 112	Daily Average 98	to Batavia Downs 5/11 - 12/29 63	Daily Average 126	to Buffalo Raceway 10/5 - 12/1 40	Daily Average 302	to Batavia Downs 5/4 - 5/29 20	Daily Average 50		
Attendance	10,946		7,968		12,065		1,001		31,980	
<b>HANDLE</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>
Regular	\$249,946	19.31	\$218,907	26.83	\$290,586	21.84	\$30,716	25.71	\$790,155	22.19
Multiple	708,381	54.73	410,679	50.33	702,039	52.76	61,501	51.49	1,882,600	52.88
Exotic	336,072	25.96	186,356	22.84	337,914	25.40	27,233	22.80	887,575	24.93
Total Handle	\$1,294,399	100%	\$815,942	100%	\$1,330,539	100%	\$119,450	100%	\$3,560,330	100%
<b>SHARING OF HANDLE</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>	<b>Amount</b>	<b>\$</b>
State Tax	\$20,911	2.23	\$16,820	2.06	\$29,151	2.19	\$2,364	1.98	\$77,246	2.17
Breeders Fund	12,944	1.00	8,159	1.00	13,305	1.00	597	.50	35,005	.98
Receiving Track	162,436	12.55	95,639	11.72	148,828	11.19	14,829	12.41	421,732	11.85
Sending Track	64,716	5.00	53,036	6.50	93,521	7.03	7,365	6.17	218,630	6.14
Commission and Breakage	\$269,007	20.78	\$173,654	21.28	\$284,805	21.41	\$25,155	21.06	\$732,621	21.14
Bettors	1,025,392	79.22	642,288	78.72	1,045,734	78.59	94,295	78.94	2,807,709	78.86
Handle	\$1,294,399	100%	\$815,942	100%	\$1,330,539	100%	\$119,450	100%	\$3,560,330	100%
% of Combined Handle	36.36%		22.92%		37.37%		3.35%		100%	
Average Bet Per Patron	\$118		\$102		\$110		\$119		\$111	

The receiving track shares and the commission and breakage totals were reduced for minus pools, which were added to the bettors' shares in the above summaries.

**1990 NEW YORK RACING ASSOCIATION SIMULCASTS TO OTHER TRACK CORPORATIONS  
INDIVIDUAL TRACK OPERATING SCHEDULES, PURSE ALLOCATIONS AND PROFITS**

	Tonkers Raceway		Saratoga Raceway		Finger Lakes		Vernon Downs		Monticello Raceway		Batavia Downs		N Y R A	
	Amount	Per Day	Amount	Per Day	Amount	Per Day	Amount	Per Day	Amount	Per Day	Amount	Per Day	Amount	Per Day
Track Share of Commission/Breakage	\$5,020,454	\$30,463	\$1,843,710	\$6,424	\$75,959	\$7,054	\$195,277	\$1,745	\$166,414	\$1,870	\$12,182	\$530	\$6,285,210	\$70,210
Other Operating Income	425,265	2,546	212,621	741	57,546	523	23,448	208	26,508	298	652	28	---	---
Total Simulcast Revenue	\$5,445,719	32,609	2,056,331	7,165	133,505	7,577	218,725	1,953	192,922	2,168	12,834	558	6,285,210	20,210
Total Simulcast Meet Expense	(2,650,661)	(15,872)	(1,550,971)	(5,404)	(466,697)	(4,242)	(169,579)	(1,514)	(110,224)	(1,239)	(14,234)	(619)	---	---
Profit Before Purse Share	2,795,058	16,737	505,360	1,761	366,808	3,335	49,146	439	82,698	929	(1,400)	(61)	6,285,210	20,210
Allocated to Purse	(1,275,898)	(7,640)	(115,811)	(404)	(105,227)	(957)	(24,573)	(219)	(42,005)	(472)	---	---	(3,142,605)	(10,105)
Simulcast Profit Before Taxes	\$1,519,160	\$ 9,097	\$ 389,549	\$1,357	\$261,581	\$2,378	\$ 24,573	\$ 220	\$ 40,693	\$ 457	\$ (1,400)	\$ (61)	\$3,142,605	\$10,105
Simulcast Days	167		287		110		112		89		23		311	

1990 HARNESS TRACKS AND FINGER LAKES RACE TRACK SIMULCASTS TO OTHER HARNESS TRACKS  
RECEIVING TRACK OPERATING SCHEDULES PURSE ALLOCATIONS AND PROFITS  
SENDING TRACK PURSE ALLOCATIONS

<u>RECEIVING TRACK</u>	<u>Vernon Downs (Yonkers Simulcasts)</u>		<u>Buffalo Raceway (Batavia Simulcast)</u>		<u>Batavia Downs (Buffalo Simulcasts)</u>		<u>Batavia Downs (Finger Lakes Simulcasts)</u>	
	<u>Amount</u>	<u>Per Day</u>	<u>Amount</u>	<u>Per Day</u>	<u>Amount</u>	<u>Per Day</u>	<u>Amount</u>	<u>Per Day</u>
Receiving Track Share of Comm. Breakage	\$162,436	\$1,450	\$148,828	\$3,721	\$95,639	\$1,518	\$14,829	\$741
Other Operating Income	<u>7,349</u>	<u>66</u>	<u>14,947</u>	<u>373</u>	<u>4,990</u>	<u>79</u>	<u>89</u>	<u>5</u>
Total Simulcast Revenue	1169,785	1,516	163,775	4,094	100,629	1,597	14,910	746
Total Simulcast Meet Expense	<u>(112,857)</u>	<u>(1,008)</u>	<u>(77,843)</u>	<u>(1,946)</u>	<u>(46,148)</u>	<u>(732)</u>	<u>(13,226)</u>	<u>(661)</u>
Profit Before Purse Share	56,928	508	85,932	2,148	54,481	865	1,692	85
Allocated To Purse	<u>(28,464)</u>	<u>(254)</u>	<u>(13,305)</u>	<u>(333)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Receiving Track Profit Before Taxes	<u>\$ 28,464</u>	<u>\$ 254</u>	<u>\$ 72,627</u>	<u>\$1,815</u>	<u>\$54,481</u>	<u>\$ 865</u>	<u>\$ 1,692</u>	<u>\$ 85</u>
<hr/>								
Sending Track Share Commission/Breakage	\$ 64,716	\$ 578	\$ 93,521	\$2,338	\$53,036	\$ 842	\$ 7,365	\$368
Sending Track Purse Allocation	\$132,358	\$ (289)	\$146,760	\$11,169	\$126,518	\$ (421)	\$11,682	\$ (184)
Simulcast Days	112		40		63		20	

**TRACK TO TRACK SIMULCASTS - Handle at Receiving Tracks**  
**5 Year Comparison of Combined On-Track and Simulcast Handles and Racing Days**

YONKERS RACEWAY	On-Track Own Racing		On-Track Simulcast NYRA Racing		On-Track Simulcasts Other Tracks		Combined Handle
	Days	Handle	Days	Handle	Days	Handle	
1986	182	\$172,044,097	242	\$56,680,458			\$228,724,555
(Decrease) Increase 1987		(8,097,899)		37,473,341			29,375,442
1987	193	\$163,946,198	304	\$94,153,799			\$258,099,997
Increase 1988		26,031,228		5,708,370			31,739,598
1988	247	\$189,977,426	298	\$99,862,169			\$289,839,595
Increase 1989		49,420,761		5,910,464			55,331,225
1989	365	\$239,398,187	306	\$105,772,633			\$345,170,820
(Decrease) 1990		(31,993,650)		(49,387,362)			(81,381,012)
1990	353	\$207,404,537	167	\$56,385,271			\$263,789,808
<b>SARATOGA RACEWAY</b>							
1986	187	\$35,316,610	286	\$16,517,282			\$51,833,892
Increase 1987		804,070		2,379,997			3,184,067
1987	188	\$36,120,680	280	\$18,897,279			\$55,017,959
(Decrease) 1988		(1,136,618)		(1,491,005)			(2,627,623)
1988	202	\$34,984,062	284	\$17,406,274			\$52,390,336
(Decrease) Increase 1989		(3,576,148)		1,477,158			(2,098,990)
1989	197	\$31,407,914	282	\$18,883,432			\$50,291,346
(Decrease) Increase 1990		(2,437,850)		991,245			(1,446,605)
1990	179	\$28,970,064	287	\$19,874,687			\$48,844,751
<b>FINGER LAKES</b>							
1986	161	\$49,253,908	114	\$9,189,374			\$58,443,282
(Decrease) 1987		(277,315)		(1,929,113)			(2,206,428)
1987	171	\$48,976,593	91	\$7,260,261			\$56,236,854
Increase 1988		1,551,590		1,384,598			2,936,188
1988	172	\$50,528,183	99	\$8,644,859			\$59,173,042
(Decrease) 1989		(3,398,277)		(2,751,437)			(6,149,714)
1989	168	\$47,129,906	88	\$5,893,422			\$53,023,328
(Decrease) Increase 1990		(3,611,341)		3,089,437			(521,904)
1990	161	\$43,518,565	110	\$8,982,859			\$52,501,424
<b>VERNON DOWNS</b>							
1988	154	\$31,676,454					\$31,676,454
(Decrease) Increase 1989		(319,722)		\$2,151,394		\$440,015	2,271,687
1989	159	\$31,356,732	138	\$2,151,394	44	\$440,015	\$33,948,141
(Decrease) Increase 1990		(904,278)		(104,845)		854,384	(154,739)
1990	155	\$30,452,454	112	\$2,046,549	112	\$1,294,399	\$33,793,402
<b>MONTICELLO RACEWAY</b>							
1989	210	\$41,894,204					\$41,894,204
Increase 1990		2,831,260		\$1,680,171			4,511,431
1990	230	\$44,725,464	89	\$1,680,171			\$46,405,635
<b>BATAVIA DOWNS</b>							
1989	142	\$20,791,055					\$20,791,055
(Decrease) Increase 1990		(1,227,286)		\$124,193		\$935,392	(167,701)
1990	133	\$19,563,769	23	\$124,193	83	\$935,392	\$20,623,354
<b>BUFFALO RACEWAY</b>							
1989	127	\$23,772,040					\$23,772,040
(Decrease) Increase 1990		(456,818)				\$1,330,539	873,721
1990	128	\$23,315,222			40	\$1,330,539	\$24,645,761

1990 Simulcasts from tracks other than NYRA included the following: Yonkers Raceway to Vernon Downs, Buffalo Raceway to Batavia Downs, Batavia Downs to Buffalo Raceway and Finger Lakes to Batavia Downs. The 1990 NYRA simulcast handles also include a total of \$433,169 from special events from out of state tracks, see schedule for NYRA simulcasts.

(90sim391-5)



**NEW YORK RACING ASSOCIATION**  
**1990 SARATOGA THOROUGHBRED SIMULCAST TRANSMISSION TO AQUEDUCT**

Dates Raced August 1 through August 27, 1990

Days	24	<u>Average Per Day</u>	<u>% Of Handle</u>
Attendance	162,265	6,761	

HANDLE:	<u>AMOUNT</u>		
Regular	\$7,790,556	\$324,607	26.06
Multiple	17,880,788	745,033	59.81
Exotic	2,985,149	124,381	9.99
Super Exotic	<u>1,237,572</u>	<u>51,565</u>	<u>4.14</u>
Total Handle at Aqueduct	<u>\$29,894,065</u>	<u>\$1,245,586</u>	<u>100%</u>

**DIVISION OF HANDLE:**

State Tax	\$912,481	\$38,020	3.05
Breeders Fund	149,470	6,228	.50
Track Share	<u>4,494,639</u>	<u>187,277</u>	<u>15.04</u>
Takeout	5,556,590	231,525	18.59
Bettors Share	<u>24,337,475</u>	<u>1,014,061</u>	<u>81.41</u>
Handle	<u>\$29,894,065</u>	<u>\$1,245,586</u>	<u>100%</u>

Average Bet Per Patron \$184

5 Year Comparison of Handle - Saratoga Simulcast to Aqueduct

	<u>Days</u>	<u>Handle</u>	<u>Average Per Day</u>	<u>% Change</u>
<u>1986</u> July 30 - Aug. 25	24	\$28,070,369	\$1,169,599	
Increase 1987		<u>2,341,242</u>	<u>97,551</u>	<u>8.34%</u>
<u>1987</u> Aug. 5 - Aug. 31	24	\$30,411,611	\$1,267,150	
Decrease 1988		<u>(1,637,132)</u>	<u>(68,213)</u>	<u>(5.38%)</u>
<u>1988</u> Aug. 3 - Aug. 29	24	\$28,774,479	\$1,198,937	
Increase 1989		<u>318,129</u>	<u>13,255</u>	<u>1.11%</u>
<u>1989</u> Aug. 2 - Aug. 28	24	\$29,092,608	\$1,212,192	
Increase 1990		<u>801,457</u>	<u>33,394</u>	
<u>1990</u> Aug. 1 - Aug. 27	24	\$29,894,065	\$1,245,586	<u>2.75%</u>

SCHEDULE OF SIMULCAST REVENUES, EXPENSES AND PROFIT - AQUEDUCT

Track Share of Commission And Breakage Net of Statutory Payments	\$4,494,639
Other Operating Revenues	<u>170,588</u>
Total Revenues	<u>\$4,665,227</u>
Statutory Allocation for NYRA Purses	(1,117,857)
Other Operating Expenses	<u>(1,487,975)</u>
NYRA Profit - Paid Out As Franchise Fee Increment	<u>\$2,059,395</u>

90sim391-6

SARATOGA THOROUGHBRED MEETS of the New York Racing Association and Selected Simulcasts  
Comparisons of Handle and Attendance - Totals, Daily Averages and Increases and Decreases

ON-TRACK HANDLE AT SARATOGA - 5 YEAR COMPARISON

<u>DATES</u>	<u>DAYS</u>	<u>TOTAL FOR MEET</u>		<u>AVERAGE PER DAY</u>		<u>TOTAL FOR MEET</u>		<u>ATTENDANCE</u>	
		<u>AMOUNT</u>	<u>% CHANGE</u>	<u>AMOUNT</u>	<u>% CHANGE</u>	<u>AMOUNT</u>	<u>% CHANGE</u>	<u>AMOUNT</u>	<u>% CHANGE</u>
1986 July 30-Aug.	25	\$76,030,872		\$3,167,953		704,327		29,346	
Increase-1987		8,523,904	11.21%	355,163	11.21%	18,094		754	2.57%
1987 Aug. 8-Aug.	31	\$84,554,776		\$3,523,116		722,421		30,100	
(Decrease)-1988		(1,418,372)	(1.68%)	(59,099)	(1.68%)	(49,719)		(2,071)	(6.88%)
1988 Aug. 3-Aug.	29	\$83,136,404		\$3,464,017		672,702		28,029	
Increase-1989		1,935,719	2.33%	80,655	2.33%	54,039		2,252	8.03%
1989 Aug. 2-Aug.	28	\$85,072,123		\$3,544,672		726,741		30,281	
Increase (Decrease) 1990		4,361,704	5.13%	181,737	5.13%	(20,876)		(870)	(2.87%)
1990 Aug. 1-Aug.	24	\$89,433,827		\$3,726,409		\$705,865		29,411	

NEW YORK CITY OTB SARATOGA THOROUGHBRED RACING - 5 YEAR COMPARISON

	<u>NYC OTB HANDLE</u>		<u>DAYS RACED</u>		<u>AVERAGE PER DAY</u>	
	<u>AMOUNT</u>	<u>% CHANGE</u>	<u>DAYS RACED</u>	<u>AMOUNT</u>	<u>% CHANGE</u>	
1986 July 30-Aug.	\$55,117,269		24	\$2,296,553		
Increase	5,171,372	9.38%		215,474	9.38%	
1987 Aug. 8-Aug.	\$60,288,641		24	\$2,512,027		
(Decrease) 1988	(819,634)	(1.36%)		(34,152)	(1.36%)	
1988 Aug. 3-Aug.	\$59,469,007		24	\$2,477,875		
(Decrease) 1989	(1,316,249)	(2.21%)		(54,843)	(2.21%)	
1989 Aug. 2-Aug.	\$58,152,758		24	\$2,423,032		
Increase 1990	1,628,257	2.80%		67,844	2.80%	
1990 Aug. 1-Aug.	\$59,781,015		24	\$2,490,876		

AT YONKERS RACEWAY - SARATOGA THOROUGHBRED SIMULCASTS - 5 YEAR COMPARISON

	<u>YONKERS HANDLE</u>		<u>DAYS RACED</u>		<u>AVERAGE PER DAY</u>	
	<u>AMOUNT</u>	<u>% CHANGE</u>	<u>DAYS RACED</u>	<u>AMOUNT</u>	<u>% CHANGE</u>	
1986 July 30-Aug.	\$7,095,423		24	\$295,643		
Increase 1987	1,881,286	26.51%		78,387	26.51%	
1987 Aug. 8-Aug.	\$8,976,709		24	\$374,030		
Increase 1988	47,096	0.52%		1,962	0.52%	
1988 Aug. 3-Aug.	\$9,023,805		24	\$375,992		
Increase 1989	252,190	2.79%		10,508	2.79%	
1989 Aug. 2-Aug.	\$9,275,995		24	\$386,500		
Increase 1990	546,497	5.89%		22,771	5.89%	
1990 Aug. 1-Aug.	\$9,822,492		24	\$409,271		

See separate page for simulcasts to Aqueduct.

DISTRIBUTION OF SIMULCAST CREDITS BY TRACK AND OFF TRACK BETTING REGION 1990

TRACK	SIMULCAST	NEW YORK CITY OTB	MANSRU OTB	SUFFOLK OTB	CATSKILL OTB	CAPITAL OTB	WESTERN OTB	TOTAL ALL OTB REGIONS
YONKERS - WINTER	HANDLE CREDIT	\$15,621,720 \$234,326	\$9,016,377 \$120,245	\$8,151,313 \$122,270	\$2,864,148 \$42,962	\$4,545,935 \$68,189		\$39,199,493 \$587,992
	HANDLE CREDIT	\$14,797,179 \$221,957	\$9,278,784 \$139,182	\$7,979,925 \$119,699	\$4,028,793 \$60,432	\$9,157,260 \$47,359		\$35,213,148 \$528,197
	HANDLE CREDIT	\$15,644,542 \$234,668	\$9,565,028 \$145,475	\$8,284,869 \$124,273	\$4,028,793 \$60,432	\$1,870,777 \$28,062		\$39,394,009 \$590,910
	HANDLE CREDIT	\$14,369,012 \$215,535	\$8,751,621 \$131,274	\$7,582,260 \$113,734	\$5,797,749 \$86,966	\$4,162,489 \$62,738		\$40,683,125 \$610,247
TOTAL YONKERS RACEWAY	HANDLE CREDIT	\$60,432,453 \$906,486	\$35,611,810 \$534,176	\$31,996,367 \$479,976	\$12,630,684 \$190,360	\$13,756,461 \$206,348	\$0 \$0	\$154,489,775 \$2,317,346
FINGER LAKES	HANDLE CREDIT	\$10,794,795 \$48,641	\$3,736,728 \$16,836	\$2,733,152 \$12,316	\$10,020,328 \$45,152	\$21,321,452 \$96,075	\$45,545,255 \$205,228	\$94,151,714 \$424,250
	HANDLE CREDIT					\$6,006,671 \$60,067		\$6,006,671 \$60,067
SARATOGA RACEWAY	HANDLE CREDIT					\$205,075 \$1,800	\$17,200,132 \$150,964	\$17,405,207 \$152,764
	HANDLE CREDIT						\$9,580,292 \$167,032	\$9,580,292 \$167,032
BATAVIA Downs	HANDLE CREDIT	\$3,593,736 \$24,305	\$1,657,030 \$11,207	\$1,752,014 \$11,649	\$1,735,234 \$11,736	\$541,827 \$3,664		\$9,279,841 \$62,761
	HANDLE CREDIT						\$1,325,679 \$523,224	\$289,913,500 \$3,184,220
BUFFALO RACEWAY	HANDLE CREDIT	\$74,820,988 \$979,432	\$41,005,566 \$562,221	\$36,489,533 \$504,141	\$24,446,246 \$247,248	\$41,831,486 \$367,954		\$289,913,500 \$3,184,220
	HANDLE CREDIT							
MONTICELLO RACEWAY	HANDLE CREDIT							
	HANDLE CREDIT							
TOTAL HANDLES		\$74,820,988	\$41,005,566	\$36,489,533	\$24,446,246	\$41,831,486	\$1,325,679	\$289,913,500
TOTAL CREDITS		\$979,432	\$562,221	\$504,141	\$247,248	\$367,954	\$523,224	\$3,184,220

SOURCE: New York State Department of Taxation and Finance  
Annual Statistical Review of Pari-Mutuel Tax Operations  
for Calendar Year 1990

1990 SIMULCAST REPORT STAFF

EDITOR:

Steven H. Richman  
Chief of Off-Track  
Betting Operations

COORDINATORS:

John M. Dailey Director of Racing and OTB  
Arthur Schechter Chief of Audits & Investigations  
Eileen M. Clarke-Brady Assistant Chief of OTB Operations

WRITERS AND RESEARCHERS:

John M. Dailey Director of Racing and OTB  
James J. Gallagher Chief of Racing Operations  
Steven H. Richman Chief of OTB Operations  
Arthur Schechter Chief of Audits & Investigations  
Eileen M. Clarke-Brady Assistant Chief of OTB Operations

Margaret W. Anderson OTB Operations Analyst  
Milton Levine OTB Operations Analyst  
Joseph Lynch OTB Operations Analyst  
Thomas J. Martin OTB Operations Analyst  
Joseph P. Sorbello OTB Operations Analyst

Ismet Apdiroglu Associate Accountant  
Louis T. Paruolo Associate Accountant  
Winnifred E. Donohue Senior Accountant  
David Hee Senior Accountant

EDITORIAL SUPPORT:

William A. Creighton Finance Officer  
Frank R. Massimo Office Services  
Arvind S. Patel OTB Data Processing  
Ronald S. Sommer Assistant to the Executive Director

TECHNICAL SERVICES:

Victoria J. Bailey  
Rae S. Gordon  
Elena Mercado  
Justa G. Buso

