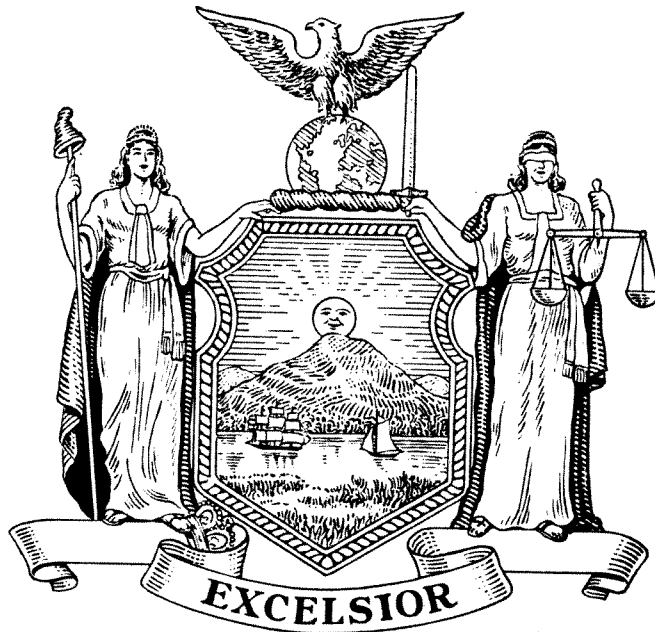


**STATE OF NEW YORK
SIMULCAST REPORT
1987**



**NEW YORK STATE
RACING & WAGERING BOARD**

MARIO M. CUOMO
Governor

RICHARD F. CORBISIERO, JR.
Chairman

JOSEPH P. NEGLIA
Member



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March 31, 1988

To the Honorable Mario M. Cuomo, Governor:

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 fourth annual Simulcast Report of the Racing and Wagering Board.

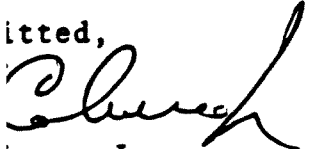
Nineteen hundred and eighty-seven was another record setting year. New York State's total wagering on and off-track reached a new record high of almost \$3.5 billion, an increase of \$132 million or 3.94% over 1986. The Board has identified simulcasting as a significant factor in the continued growth of statewide handle. This third full calendar year for the simulcasting of horse races for pari-mutuel purposes saw many changes in both the way simulcasting was conducted and its results, which are described in detail in this report.

The racing and wagering industry is 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. However, the industry continues to be plagued by significant differences among its various components. The Board has devoted considerable time and efforts to mediate these disputes. The acrimony which characterizes many of the relationships within the racing and wagering community can only have the effect of inhibiting its future growth.

The Board 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. Future legislation should be directed 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.

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TABLE OF CONTENTS

	<u>PAGE</u>
PREAMBLE	1
DEFINITIONS	3
BACKGROUND SUMMARY: SIMULCASTING 1979 - 1986	7
A. Simulcast Operations by Off-Track Betting Corporations and Race Tracks Before July 1, 1984 (Pre-Article X)	8
B. Simulcast Operations by Off-Track Betting Corporations and Race Tracks During 1984	9
C. Simulcast Operations by Off-Track Betting Corporations and Race Tracks During 1985	10
D. Simulcast Operations by Off-Track Betting Corporations and Race Tracks During 1986	12
APPLICATION PROCESS AND GUIDELINES	15
SIMULCAST FACILITY LICENSING - 1987	19
STATUTORY AMENDMENTS - 1985	20
STATUTORY AMENDMENTS - 1986	22
CONSULTATION PROCESS: 1987 SIMULCAST REPORT	23
SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS AND RACE TRACKS DURING 1987	26
A. Western Regional Off-Track Betting Corporation	28
B. Capital District Regional Off-Track Betting Corporation	36
C. Catskill Regional Off-Track Betting Corporation	48
D. Suffolk Regional Off-Track Betting Corporation	51
E. Nassau Regional Off-Track Betting Corporation	58

F. New York City Off-Track Betting Corporation	62
G. NYRA/Saratoga to NYRA/Aqueduct	71
H. NYRA to Finger Lakes Race Track	72
I. NYRA to Saratoga Raceway	73
J. NYRA to Yonkers Raceway	75
SIMULCASTING OF NEW YORK RACES TO OTHER STATES	77
A. Connecticut OTB	77
B. Nevada	81
C. Special Events	81
INTERFACING OF OTB WAGERS WITH TRACKS	83
INTERFACE TECHNIQUES BETWEEN TRACKS	86
TRANSMISSION AND SECURITY OF SIMULCAST TELEVISION SIGNALS	88
COST OF SIMULCASTING VIA SATELLITE FROM A TRACK	93
ADDITIONAL BETTING FROM SIMULCASTING	94
RECOMMENDATIONS	100
CONCLUSION	109
APPENDICES (A-1 through A-10)	111
1987 SIMULCAST REPORT STAFF	113

PREAMBLE

Nineteen hundred and eighty-seven was the third full calendar year in which comprehensive statewide simulcasting of horse races within New York State occurred. "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 - June 30, 1985, pursuant to Chapter 363, 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. In extending the provisions of Article X, 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 holds the potential for strengthening and furthering these economic contributions and that it is in the best interests of the state to continue to encourage simulcasting.

On December 30, 1986, Governor Cuomo signed into law Chapter 919 of the Laws of 1986. This newly enacted law amended certain provisions of the simulcast statute (Article X) to expand the type of services and amenities off-track betting corporations could offer in designated simulcast facilities. It also increased the opportunities for the expansion of simulcasting by further limiting the occasions when track consents are required. The specific provisions of Chapter 919 are discussed later in this report.

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 racetracks 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 ("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 it deems appropriate. In accordance with the statutory mandate, the Board respectfully submits this, its fourth report, for the year ending December 31, 1987.

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 racetrack holding the races from which simulcasts originate.

There are three types of simulcast receiving facilities - an OTB branch (including an OTB telebranch and an enhanced OTB

telebranch), a receiving track or a simulcast theater (including demonstration projects).

A licensed OTB branch, the ordinary operating component of an OTB corporation, is authorized to display the simulcast signal.

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, restrooms, food and non-alcoholic beverage service.

Chapter 919 of the Laws of 1986 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. A total of 16 such enhanced branches are authorized with three each in multi-county OTB regions (Western, Capital, Catskill and New York City) and two in single county OTB regions (Nassau and Suffolk). The statute set forth the minimum seating requirements in a restaurant setting for this new type of facility.

A receiving track is a licensed pari-mutuel racetrack 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 in-state 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. To date, no applications for any of these licenses have been made.

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 is by agreement, and while some of the agreements still calculate on the basis of incremental handle, the computation of incremental 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.

BACKGROUND SUMMARY: SIMULCASTING 1979 - 1986 7

New York has been a leader in the development of simulcasting. Beginning in 1979, the state undertook various experiments and test projects relating to simulcasting, including the first comprehensive statewide experimental program during 1984-1985.

For the purpose of understanding what the state has done in the past, the following information summarizes New York's efforts during the period of October 1979 through December 1986.

SIMULCAST OPERATIONS BY OFF-TRACK BETTING CORPORATIONS AND
RACETRACKS BEFORE JULY 1, 1984 (PRE-ARTICLE X)

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 audiovisual 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 their 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). Subsequent simulcasts to these locations have been treated as regular simulcasts, under the provisions of Article X.

Two substantial ongoing simulcast operations of New York racing to points outside the state have also been conducted. The first involves the ongoing transmission of live audiovisual signals from New York thoroughbred and harness tracks to the State of Connecticut for its off-track betting system. This system, operated in part by General Instrument, AmTote Systems Division, first received televised pictures of New York Racing Association (NYRA) thoroughbred programs and harness racing from Roosevelt and Yonkers Raceways in October, 1979 at one facility,

a new "Teletrack", located in New Haven.

The only other state receiving daily simulcasts of New York's races is Nevada. Beginning in June, 1983, NYRA and Caesars Palace entered into an agreement to simulcast NYRA racing to licensed race books at Caesars Palace and other locations in the State of Nevada. In June, 1984, Yonkers and Roosevelt Raceways' harness simulcasts were also made available to licensed race books in Nevada. A detailed discussion of the New York - Nevada arrangements is contained hereinafter.

In addition, on numerous special 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, which must comply with the provisions of the federal Interstate Horseracing Act of 1978.

SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS AND
RACETRACKS DURING 1984

After the enactment of the experimental simulcast statute in July, 1984, all of the state's off-track betting corporations and six of the state's ten tracks participated in the experiment.

A total of 55 simulcast licenses were issued, four to tracks, and 51 to off-track betting branches. (The two tracks which only transmitted simulcasts were not required to be licensed under terms of the law.)

The first experiment was conducted by NYRA with simulcasts of its Saratoga races to its Aqueduct track beginning August 1, 1984. During August, the New York City, Nassau, Suffolk and Catskill OTB regions followed with simulcasts of both the Saratoga thoroughbred races, and Roosevelt Raceway harness races. Eventually, during 1984, the Capital and Western regions and Saratoga Raceway, Finger Lakes Race Track and Buffalo Raceway joined the experiment.

All of the simulcasting was done by agreement between the tracks and OTB corporations. The tracks charged the OTB corporations an additional percentage of handle (approximately 4%) above the regular statutory percentages (approximately 5%). This was based upon a computation of additional incremental handle caused by simulcasting. Thus, for this incremental handle, the OTB corporations paid the tracks approximately 9%, rather than the usual 5%.

Track to track simulcasting was also based on contractual agreements. Saratoga Raceway, Finger Lakes Race Track and Buffalo Raceway all simulcast NYRA races and paid about 7.1% of their handle to NYRA.

SIMULCAST OPERATIONS BY OFF-TRACK BETTING CORPORATIONS AND
RACETRACKS DURING 1985

Nineteen hundred and eighty-five was the first complete calendar year in which comprehensive statewide simulcasting of

horse races within New York State occurred. During the course of that year, the Legislature passed and the Governor signed into law a five-year authorization for comprehensive statewide simulcasting through June 30, 1990.

The Board issued a total of 84 simulcast facility licenses in 1985; 80 to off-track betting corporations and four to racetracks. Included therein was the state's first simulcast theater license. It was issued to the Capital District Regional Off-Track Betting Corporation for its simulcast theater within the Teleplex Racing Center, Albany, New York. This simulcast theater opened to the public for wagering on October 19, 1985.

The 1985 statewide simulcast handle totaled \$395.2 million, of which \$331.2 million was wagered at off-track betting facilities, while \$64 million was wagered at track to track simulcast locations. All simulcasting between sending tracks and receiving tracks, as well as to off-track betting corporation facilities, was done pursuant to contractual agreements between the respective parties. The compensation paid to the sending tracks following the five-year renewal of the statutory authorization was somewhat less than it was under the one year experiment (pre-July, 1985).

The New York City, Nassau, Suffolk and Catskill Regional Off-Track Betting Corporations considered that their respective 1985 simulcast operations were, at the least, not a losing proposition. The Capital District Regional Off-Track Betting

Corporation, as well as Finger Lakes Race Track, Saratoga Raceway and NYRA's simulcasts to Aqueduct from Saratoga, were successful. Both the Western Regional Off-Track Betting Corporation and Buffalo Raceway concluded that their experiences with simulcasting in 1985 were not financially successful.

With the enactment of the 1985 Omnibus Racing Legislation, all parties hoped that the statutory amendments would enhance the success of simulcasting and result in the overall improvement of the racing, pari-mutuel wagering and breeding industries.

SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS AND RACETRACKS DURING 1986

During 1986, regular track to track simulcasting was continued by Finger Lakes Race Track and Saratoga Raceway on NYRA races, as well as Aqueduct's simulcasting of the Saratoga 24-day meeting. Yonkers Raceway, having contracted for necessary consents of the New York City and Catskill Regional Off-Track Betting Corporations, in conjunction with its own races to them, began simulcasting NYRA races on March 24, 1986. (The opening date was delayed until the track and its horsemen reached agreement on the horsemen's purse share.)

Thereafter, Buffalo Raceway, which had ceased simulcasting NYRA races early in 1985, did simulcast these races for nine days during the Erie County Fair when the track was not conducting harness racing.

During 1986, simulcasting of in-state races by all off-track betting corporations continued, on an expanded basis, on races from NYRA, Yonkers and Roosevelt Raceways. Capital District Regional OTB continued to simulcast Finger Lakes races on NYRA dark days and Saratoga Raceway races.

Nineteen eighty-six saw several new developments. When a strike by mutuel clerks at Roosevelt Raceway closed that track during the first week of January, arrangements were quickly made to open Monticello Raceway and simulcast its races from January 3 through January 6 instead. Off-track betting on Monticello races during the period jumped from an average \$112,000 per day to \$590,000 per day.

During the early Yonkers and Roosevelt Raceways meetings, both tracks limited their simulcasting to off-track betting corporations until firm agreements on compensation were reached. As a result, there was no simulcasting of Roosevelt Raceway to Nassau OTB during 1986, or to Suffolk OTB until August, 1986. Yonkers denied the signal to New York City OTB from January 22 until March 1, to Suffolk OTB from January 22 to February 3, and to Catskill OTB from January 7 to March 7.

On April 12, 1986, New York City Off-Track Betting Corporation opened its first simulcast theater. For the rest of the year, the theater primarily offered simulcasts of NYRA races in the afternoon and Roosevelt/Yonkers races at night. The total handle was \$26.4 million for a daily average of close to

\$100,000. (The state's first simulcast theater in Albany operated for the full year and averaged \$71,000 in handle per day.)

Also in April, Finger Lakes began a full season of daily simulcasting to the Western and Capital regions. For the year, combined on-track and off-track betting on Finger Lakes races increased by \$24 million to \$124 million, an increase of almost 25%.

On May 17, 1986, the state's third simulcast theater was opened in Suffolk County. Through December 31, \$11 million was wagered there for a daily average of almost \$50,000.

In July, the downstate off-track betting regions began interfacing their "dark day" pools at Finger Lakes and were able to offer the same betting pools available on-track. This, coupled with increased simulcasting, resulted in substantial increased betting.

In September, the new quarterhorse racetrack at Suffolk Meadows began simulcasting its races to the Nassau, Capital and Western OTB regions. For the 18 days, the total off-track handle was \$1.5 million, averaging \$82,000 per day.

Finally, during November and December, Batavia Downs and Buffalo Raceway inaugurated simulcasting to OTB branches in the Western and Capital regions. For this period, simulcast handle totaled \$5.5 million, increasing daily off-track betting by an

estimated \$50,000 (31%) from \$160,000 to \$210,000.

Also during 1986, NYRA simulcast some of its feature races to 35 out-of-state tracks which handled \$24.7 million on those races and paid NYRA \$1.8 million. Roosevelt and Yonkers Raceways simulcast a few races to five tracks in other states yielding nominal results.

APPLICATION PROCESS AND GUIDELINES

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

Applications for 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. 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 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, racetracks, off-track betting corporations and/or local governments).

In addition, Section 1010 mandates that the simulcast plan of operation shall include provision for job security for racetrack and OTB corporation employees within the region 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 District Regional 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 sought 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.) An interim procedure was established. The appropriate local governments' code enforcement officer was requested to inspect the facility and confirm its compliance with the State's Uniform Code.

Currently, the Board, in conjunction with the Executive Chamber and appropriate Department of State subdivisions (Codes Division, Office of Fire Prevention and Control, and Counsel's Office) are reviewing the potential means and methodologies available to insure the public's safety in all pari-mutuel betting facilities in New York State.

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 were required to submit an outline of 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 reviewed a submission and made a determination thereon. In several instances, temporary licenses were 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 was critical in making a determination to authorize a specific simulcast operation. Of course, a speedy submission of the necessary written materials has always been 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 and July 1, 1987. Under

this procedure, 156 simulcast facility licenses were issued and a total of \$78,000 in fees was received and remitted to the State's general fund as of December 31, 1987.

A breakdown by applicant is set forth below:

1987 - 1988 LICENSING YEAR

<u>APPLICANTS</u>	<u>NUMBER OF LICENSES ISSUED</u>	<u>FEEES PAID</u>
New York City OTB	39	\$19,500
Nassau OTB	8	4,000
Suffolk OTB	10	5,000
Catskill OTB	15	7,500
Capital OTB	38	19,000
Western OTB	42	21,000
New York Racing Association	1	500
Finger Lakes Race Track	1	500
Yonkers Raceway	1	500
<u>Saratoga Raceway</u>	<u>1</u>	<u>500</u>
TOTAL (July 1 - Dec. 31, 1987)	156	\$78,000

Nine simulcast facility licenses had also been issued during the first half of 1987 for the prior licensing year, generating \$4,500 in fees.

Therefore, during calendar year 1987, a total of 165 simulcast facility licenses were issued and fees totaling \$82,500 were received by the Board and paid to New York State's general fund, pursuant to Section 1003 of the Racing Law.

STATUTORY AMENDMENTS - 1985

Legislation (Chapters 286 and 287, Laws of 1985) enacted in July, 1985, amended the Racing Law and empowered the Board to prescribe rules and regulations to govern certain activities authorized by the July, 1985 amendments. These included courier

betting, licensing of all participants in simulcasting and suspension of the OTB surcharge on certain telephone betting accounts.

The Board was empowered to prescribe rules to govern the conduct of employees who provide the courier betting service within the designated locations at tracks or OTB facilities. Courier betting has not yet been requested at any on or off-track wagering facility. However, the Board has adopted rules to govern such activity in the event that an authorized entity so requests. Accordingly, the Board has recommended legislation to empower it to license all participants in off-track betting (see Recommendation #1).

In its 1984 Simulcast Report, the Board recommended that it be authorized to license any person, association or corporation participating in simulcasting, including those who create, distribute, transmit or display simulcast signals. The Legislature and the Governor accepted that recommendation. The Board had begun the process of drafting rules and regulations to govern this procedure, including defining those persons, associations or corporations who must be licensed under the provisions of Section 1003(5) of the Racing Law. However, it became clear that licensing of only OTB simulcast facilities was unworkable.

The Legislation added an entirely new Section 1012 to the Racing Law. It authorizes a regional off-track betting

corporation to suspend the collection of the surcharge imposed under Section 532 on winning wagers placed on OTB telephone accounts with a minimum balance of not less than \$500 at the time of the wager. The consent of the track on which such telephone wager is accepted is required. In 1985, no OTB corporation applied to exercise this power. Several corporations utilized this provision during 1986 and 1987. Each corporation and track entered into a consent agreement. The agreements provided that the surcharge would be suspended on telephone accounts with a minimum balance of not less than \$1,000 at the time of the wager.

The Board also rendered reports related to this subject on January 31, 1987, to the Director of the Budget, the Chairman of the Senate Finance Committee and the Chairman of the Assembly Ways and Means Committee. The 1985 law required the Board to report on how the state's seven harness racetracks and the Finger Lakes Racing Association utilized the tax credits and other benefits authorized by the 1985 amendments. This detailed report also set forth the Board's findings and recommendations in accordance with the statutory mandate.

STATUTORY AMENDMENTS - 1986

The legislation governing simulcasting remained relatively constant during 1986. Chapter 872 of the Laws of 1986 (effective August 26, 1986) increased the number of OTB branches which receive the live audio call of NYRA races. Substantial changes affecting 1987 simulcasting were enacted on December 30, 1986 in

Chapter 919 of the Laws of 1986. This legislation permitted all OTB regions to accept wagers on the "Breeders' Cup" races as a single out-of-state special event, allowed the state's tracks to also accept wagers thereon, authorized up to three OTB simulcast branches per region to sell liquor on premises and limited the requirement of track consent to simulcast theaters within a 40-mile radius of the track.

CONSULTATION PROCESS - 1987 SIMULCAST REPORT

*change w/Breeder
Cup*

In the course of reviewing 1987 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's 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.

In addition, on March 15, 1988, the Chairman of the Racing

Informal meetings

and Wagering Board, together with the Director of Wagering Systems and the Chief of Off-Track Betting Operations, testified before the Senate's Committee on Environmental Conservation. In its testimony, the Board described its 1988 Legislative Program and the need for prompt enactment into law. The program bills relate to the enhancement of the Board's regulatory authority, the promotion of integrity and ethics in all sectors of the industry and the expansion of certain specified aspects of selected simulcasts. In addition, the Chairman discussed the significant problems which confront the racing and wagering industry.

On March 22, 1988, the Chairman and members of the Board's staff met informally with the members and staff of the New York State Assembly's Standing Committee on Racing and Wagering. During this session, the Chairman restated the Board's ongoing concern for the continued well-being of the industry and the continued lack of cooperation and understanding which persists throughout all the segments of the racing and wagering community. He also reported on the Board's vigorous efforts to promote the public's confidence in, and insure the integrity of, all segments of racing and wagering.

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 between each of 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 is presently conducting an in-depth review of the report. This report will engender a broad discussion of the issues presented. It may serve as the basis for making public policy decisions and shape the future of New York's racing and wagering industry.

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SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS

AND RACETRACKS DURING 1987 8

John Dandy

During 1987 regular track to track simulcasting of NYRA races was continued by Yonkers Raceway and Saratoga Raceway for the full year, by Finger Lakes for part of the year (91 days), as well as Aqueduct's simulcasting of the Saratoga 24-day meeting.

Buffalo Raceway, which had ceased simulcasting NYRA races early in 1985, and then simulcast those races for nine days during the Erie County Fair, when the track was not conducting harness racing in 1986, did no simulcasting at all in 1987.

During 1987 simulcasting of in-state races by all off-track betting corporations continued on races from NYRA, Yonkers and Roosevelt Raceways. Capital District Regional OTB continued to simulcast Saratoga Raceway races and more days of simulcasting of Batavia Downs and Buffalo Raceway's harness races took place in the Capital and Western regions.

During early 1986 Yonkers and Roosevelt Raceways had restricted their simulcasting to off-track betting corporations until firm agreements on compensation were reached. During 1987 no limitations were imposed by these tracks but only off-track handle on Yonkers appreciated substantially.

On March 24, 1987, New York City Off-Track Betting Corporation opened its second simulcast theater (the first having

opened in 1986). Simulcasts of NYRA races in the afternoon and Roosevelt/Yonkers races at night were the primary offerings. The total handle for both theaters was \$58.1 million for a daily average exceeding \$160,000. (In 1987, the one theater had averaged \$100,000.) (The state's first simulcast theater, in Albany, operated for the full year and averaged \$80,000 in handle per day while Suffolk's theater also averaged \$80,000, operating the entire year.)

In April, Finger Lakes began its second full season of daily simulcasting to the Western, Capital and Catskill regions and on NYRA "dark days" to the other OTB regions. For the year, off-track betting on Finger Lakes races increased \$31 million to \$106 million, an increase of almost 41%!

Suffolk Meadows, the "new" quarter horse track which conducted racing in 1986, failed to reopen in 1987. (For 18 days in 1986 limited simulcasting of its races had averaged \$82,000 per day.)

Also during the year NYRA simulcast some of its featured races to 60 out-of-state tracks which handled \$35.4 million on those races and paid NYRA \$2.5 million. Roosevelt and Yonkers simulcast a few races to tracks in other states yielding nominal results.

A serious disruption of Connecticut's off-track betting (and, therefore, simulcasting) of Roosevelt and Yonkers races occurred.

in midyear, 1987, when the horsemen's association at those tracks refused to give its consent (required by Federal Law) to the renewals of those contracts. As a result an estimated \$1.4 million (\$700,000 in purses; \$700,000 in track revenues) was irretrievably lost.

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 handle off-track betting. The two major cities in the Western OTB area, Buffalo and Rochester, also participate as full members of OTB. One branch was added during the year in Wyoming County, which last had an operating branch in 1984. This brought the total number of branches in Western to 52. In addition, three branches were relocated during the course of the year, including a newly constructed telebranch in Gates, a Rochester suburb. ✓ ①

Yonkers combined
Western OTB conducted 177 simulcast operations during 1987, involving simulcasts at 40 branches from the New York Racing Association (NYRA), Finger Lakes Race Track, Batavia Downs, Buffalo, Roosevelt and Yonkers Raceways. ✓ ②

Within its region, Western OTB contains a thoroughbred track, Finger Lakes Race Track, and two harness tracks, Buffalo Raceway and Batavia Downs. Western OTB continued its aggressive approach to simulcasting in 1987. Simulcast facilities expanded from 30 ✓ ③

branches at the end of 1986 to 40 branches in 1987. Wagering on simulcast races increased 146% from 1986 to 1987.

While many tracks in the state continued or expanded off-track simulcast activity, Batavia Downs ended simulcasting to Western OTB during its summer and fall 1987 meet. As a result, there was a decline in off-track betting handle. The experiment by Batavia was a failure since there was no increase in on-track handle or attendance.

In 1987, Western OTB handled \$138.1 million on thoroughbred races and \$49.4 million on harness races for a total of \$187.6 million, an increase of \$19.9 million or 11.8% over 1986. The corporation attributes this increase to its extensive expansion of simulcasting. This total accounts for 9.8% of all the New York State off-track betting handle in 1987. Western ranks fourth in the state in terms of total betting handle. At year's end, Western was receiving simulcasts in 77% of its branches as compared to 58% in 1986. Of its total handle in 1987, \$132.2 million or 70.5% was wagered in simulcast facilities.

For the simulcast signal from Batavia Downs, Buffalo, Yonkers and Roosevelt Raceways, Western OTB paid a total of \$359,000 to simulcast vendors. The cost of the simulcast signal from Finger Lakes Race Track and NYRA was included in the commissions paid to the tracks by Western OTB. As part of its 1987 simulcast costs, Western also purchased 50 new 25" and three new 45" television sets for its simulcast facilities at a total cost of \$40,600.

Western's 1987 handle for NYRA was \$79.6 million, an increase of \$6.8 million or 9.3% over 1986. Simulcast locations, of which 39 were operational for varying numbers of days during the year, accounted for \$64.5 million or 81.1% of total NYRA sales, an increase of \$38.7 million or 150% over 1986. The daily average handle for the simulcast locations was \$7,157 per branch,

Western's 1987 handle for Finger Lakes Race Track was \$52 million, an increase of \$9.7 million or 22.9% over 1986. Simulcast locations, of which 40 were operational for varying numbers of days during the year, accounted for \$42.5 million or 81.8% of the total Finger Lakes sales, an increase of \$21.9 million or 106.3% over 1986. The daily average handle for simulcast locations was \$6,990 per branch.

Western's 1987 handle for Buffalo Raceway was \$26 million, an increase of \$5.5 million or 26.8% over 1986. Simulcast locations, of which 32 were operational for varying numbers of days during the year, accounted for \$18.7 million or 71.9% of the total Buffalo Raceway sales, an increase of \$15.8 million or 544.8% over 1986. The daily average handle for the simulcast locations was \$6,429 per branch.

Western's 1987 handle for Batavia Downs was \$20.2 million, a decrease of \$3.3 million or 14% compared to 1986. Simulcast locations, of which 19 were operational for varying numbers of days during the year, accounted for \$5.2 million or 26% of the total Batavia Downs sales, an increase of \$1.7 million or 48.6%

over 1986. The daily average handle for the simulcast locations was \$6,932 per branch.

Yonkers Raceway conducted both afternoon and evening programs during various periods in 1987. Western OTB's 1987 handle for Yonkers Raceway was \$1.4 million, an increase of \$458,000 or 47.8% over 1986. Simulcast locations, of which 39 were operational for varying numbers of days during the year, accounted for \$924,000 or 65.3% of the total Yonkers sales, an increase of \$587,000 or 174.2% over 1986. The daily average handle for the simulcast locations was \$2,553 per branch.

Western's 1987 handle for Roosevelt Raceway was \$591,000, an increase of \$68,000 or 13% over 1986. Simulcast locations, of which six were operational for varying numbers of days during the year, accounted for \$190,000 or 32.1% of the total Roosevelt sales, an increase of \$88,000 or 86.3% over 1986. The daily average handle for the simulcast locations was \$5,267 per branch.

During 1987, the daily average handle for the simulcast locations declined for most tracks, probably due to the large increase in the number of simulcast branches. At the same time, the percentage of dollars wagered at simulcast branches increased substantially. This illustrates the dramatic effect of cannibalization by OTB simulcast branches, even on each other.

Western paid NYRA \$1.9 million in statutory payments and \$679,000 in simulcast contractual payments. Finger Lakes was

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increase of 2/0 or
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*Simulcast tax credits
Surcharge generated for local grants.*

paid \$2.9 million in statutory payments and \$400,000 in simulcast contractual payments. Buffalo Raceway was paid \$2.3 million in statutory payments and \$123,000 in simulcast contractual payments. Batavia Downs was paid \$2.5 million in statutory payments. No simulcast contractual payments were made. Roosevelt was paid \$12,800 in statutory payments and \$1,900 in simulcast contractual payments. Yonkers was paid \$30,000 in statutory payments and \$4,600 in simulcast contractual payments.

For the first time, Western experimented with vending machines in selected simulcast branches. The machines dispense hot and cold beverages, candy, snacks and pastry. These amenities are allowed only in simulcast branches. The machines were installed in three different phases, beginning in March, 1987. Ultimately, Western had vending machines in ten simulcast branches. The total sales from the vending machines in 1987 was \$74,000. This generated commissions of \$17,000 for Western. The costs of electrical and plumbing hookups were \$4,700. Based on the initial success of this experiment, Western is considering the installation of vending machines in most of its simulcast branches.

In 1987, Western conducted several promotions, with both the regional tracks and independently, to promote racing and generate good will.

During 1987, Western OTB vigorously pursued the acquisition of branches through a combination of purchasing existing

facilities or constructing new facilities on their own land. Western believes that ownership, rather than leasing, results in lower operating costs and a greater degree of stability in branch operations.

For the first time in its history, Western OTB constructed a new branch facility from the ground up in the Town of Gates, near Rochester. During 1988, Western will begin construction on a similar facility in the Town of Cheektowaga in the Buffalo area. The two projects represent a total investment of nearly \$1.5 million.

144

Western has acquired a total of 13 properties through 1987 at a total cost of \$4.8 million, including costs for land, building, renovation and improvements. Western OTB plans to continue its acquisition program in 1988, when purchase, rather than lease opportunities, are beneficial to the corporation.

In the last quarter of 1987, Western OTB began to withhold certain monies from its distributions to participating governments. Western claimed that this practice was permitted by law and necessary to enable it to pursue its capital acquisitions and improvements program. Recently, this practice has been questioned by the Rochester Democrat and Chronicle as well as several elected officials of participating local governments. Both the State Comptroller's office and the Board are currently reviewing this entire matter. (A determination will be made in the near future.)

During 1987, Western's Board of Directors authorized the sale of \$1.5 million in bonds and notes for the acquisition and renovation of property in the Town of Irondequoit, near Rochester, for an enhanced telebranch. These bond anticipation notes were sold at a private sale, after approval by the State Comptroller and the State Board, at an annual interest rate of 4.875%.

In addition, Western's Board authorized the sale of an additional \$2,475,000 in bonds or notes for further acquisitions and construction. Before any of this financing proceeds, the State Board must give its approval, and if a private sale is contemplated, the approval of the State Comptroller is also required. To date, no application for approval has been made to this Board.

Plans for simulcast theaters in Western New York have progressed during 1987. A specific proposal for construction of a simulcast theater in Niagara Falls has been approved by Western's Board of Directors. The required resolutions of approval by the City of Niagara Falls and County of Niagara have been obtained. The Corporation is currently negotiating with the regional tracks for the consents mandated by statute. In addition, Western is discussing a possible joint venture with NYRA.

In the City of Buffalo, intensive site and architectural studies are currently underway for a proposed downtown simulcast

theater. This project would be a cooperative effort between Western OTB and the City of Buffalo's Economic Development Program. To date, no final site has been selected.

Western's Board has also authorized a simulcast theater for the City of Rochester. Preliminary discussions with the city have occurred. No substantive action has resulted to date.

However, the year 1987 was not without problems for Western OTB. Among the most serious was an increase in reported criminal activity at or near OTB facilities. Several examples of reported incidents follow.

A major bookmaker was found to be operating in Buffalo area branches. The perpetrator was arrested in October, 1987. Following an indictment and guilty plea to Possession of Gambling Records 2nd Degree, a \$500 fine was imposed. In addition, Western OTB banned this person from all of its facilities. The Buffalo Police Department has identified at least six OTB branches wherein suspected bookmakers continue to operate.

A number of significant losses took place at various OTB facilities during the course of the year. The most significant occurred at Western's Marway Circle simulcast branch in the Town of Gates where \$8,200 was missing. The police investigation indicated that it was an "inside job". However, no arrests were made. The manager was held liable for this shortage, in accordance with corporate policy. An armed robbery was reported

in late December at the Bull's Head branch in Rochester. The unidentified perpetrator obtained more than \$700 at gunpoint.

The Board is deeply concerned with this security problem. It has asked Western OTB to improve its facilities and enhance security to prevent repetition. It should be noted that Western OTB does not have a security specialist on its staff. The Board will continue to monitor closely the situation.

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. Fourteen counties, as well as the City of Schenectady, participate in off-track betting. Capital OTB started 1987 with 52 branches and one simulcast theater. Capital OTB closed two branches in 1987; South Pearl Street (Albany) in January and Valatie in May. The South Pearl Street location was purchased by Albany County in order to build the Albany County Civic Center. Capital OTB planned to relocate this facility in the first half of 1988. In July, 1987, St. Lawrence County joined Capital OTB. Branches in St. Lawrence County were opened in Ogdensburg, in July, and Massena, in September, 1987.

Capital OTB conducted 178 simulcast operations. Thirty-seven branches and one simulcast theater simulcast races

from the New York Racing Association (NYRA). Four branches and the simulcast theater simulcast harness races from Saratoga Raceway. Thirty-six branches and the simulcast theater simulcast races from Finger Lakes. Eleven branches and the simulcast theater simulcast races from Yonkers and Roosevelt Raceways. Twenty-nine branches and the simulcast theater displayed races from Batavia Downs. Ten branches and the simulcast theater displayed races from Buffalo Raceway. Thirty-two branches and the simulcast theater displayed races from Monticello Raceway.

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

In 1987, Capital OTB continued to operate the first simulcast theater in New York State. This simulcast theater displayed races from NYRA, Finger Lakes, Batavia Downs, Saratoga, Buffalo, Yonkers, Roosevelt and Monticello Raceways. 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 winning tickets. This theater accommodates 830 customers, has all the amenities of a racetrack and serves food and alcoholic beverages.

In 1987, Capital OTB handled \$167.5 million on thoroughbred races and \$42.4 million on harness races for a total handle of \$209.9 million, an increase of \$16.5 million or 8.5% over 1986.

Capital OTB ranks second in the state in terms of total betting handle with 11% of the statewide handle. Of Capital OTB's 1987 total handle, \$144.2 million or 68.7% was wagered at simulcast facilities. Total revenue from all concession operations at Capital OTB in 1987 was \$520,000, of which \$356,000 resulted from the simulcast theater.

Capital OTB's 1987 handle for NYRA was \$134.9 million, an increase of \$6 million or 4.7% over 1986. Simulcast locations accounted for \$99.5 million of the \$134.9 million in total NYRA sales, an increase of \$16.6 million or 20% over 1986. The daily average handle for these simulcast locations was \$9,404 per branch. Capital OTB paid NYRA \$3.7 million in statutory payments in 1987 and an additional \$925,000 in simulcast contractual payments.

It should be noted that, of Capital OTB's \$134.9 million NYRA handle, \$18 million was wagered on Saratoga Race Track's August meet. This was an increase of \$3.5 million or 24.1% over 1986. Simulcasting within the region accounted for \$13.6 million of the \$18 million in total Saratoga thoroughbred sales. The daily average handle for Capital OTB branches simulcasting Saratoga Race Track was \$15,780 per branch.

Capital OTB's 1987 handle for Saratoga Raceway was \$16.3 million, an increase of \$466,000 or 2.9% over 1986. Simulcast locations accounted for \$10 million of the \$16.3 million in total Saratoga sales, an increase of \$1 million or 11.1% over 1986.

The daily average handle for these simulcast locations was \$13,215 per branch. Capital OTB paid Saratoga Raceway \$4.3 million in statutory payments in 1987 and an additional \$99,000 in simulcast contractual payments.

Capital OTB's 1987 handle for Finger Lakes was \$23.7 million, an increase of \$4.3 million or 22% over 1986. Simulcast locations accounted for \$19 million of the total Finger Lakes sales, an increase of \$5 million or 35.7% over 1986. The daily average handle for these simulcast locations was \$3,152 per branch. Capital OTB paid Finger Lakes \$825,000 in statutory payments and \$300,000 in simulcast contractual payments.

Capital OTB's 1987 handle for Yonkers Raceway was \$10.6 million, an increase of \$1 million or 10.5% over 1986. Simulcast locations accounted for \$8.2 million of the \$10.6 million in total Yonkers sales, an increase of \$1.1 million or 15.1% over 1986. The daily average handle for these simulcast locations was \$7,583 per branch. Capital OTB paid Yonkers \$237,000 in statutory payments and \$58,000 in simulcast contractual payments.

Capital OTB's 1987 handle for Roosevelt Raceway was \$5.6 million, an increase of \$905,000 or 19.4% over 1986. Simulcast locations accounted for \$4.3 million of the \$5.6 million in total Roosevelt sales, an increase of \$703,000 or 19.7% over 1986. The daily average handle for these simulcast locations was \$5,644 per branch. Capital OTB paid Roosevelt \$128,000 in statutory payments and \$51,000 in simulcast contractual payments.

Capital OTB's combined 1987 handle for Yonkers and Roosevelt Raceways was \$16.1 million, an increase of \$1.9 million or 13.4% over 1986. Simulcast locations accounted for \$12.5 million of the \$16.1 million in total Yonkers and Roosevelt sales, an increase of \$2.3 million or 22.5% over 1986. The daily average handle for these simulcast locations was \$6,786 per branch. Capital OTB paid Yonkers and Roosevelt \$365,000 in statutory payments and \$108,000 in simulcast contractual payments.

In 1987, Capital OTB had a written contract with Roosevelt Raceway for simulcasting. While there is no written contract with Yonkers Raceway, a verbal agreement is in place with terms similar to Roosevelt's contract.

Capital OTB's 1987 handle for Batavia Downs was \$1.6 million, an increase of \$407,000 or 33.1% over 1986. Simulcast locations accounted for \$971,000 of the \$1.6 million in total Batavia sales, an increase of \$601,000 or 162.4% over 1986. The daily average handle for these simulcast locations was \$2,295 per branch. Capital OTB paid Batavia \$45,000 in statutory payments and there were no simulcast contractual payments.

Capital OTB's 1987 handle for Buffalo Raceway was \$1.8 million, an increase of \$267,000 or 17.6% over 1986. Simulcast locations accounted for \$1.4 million of the \$1.8 million in total Buffalo sales, an increase of \$834,000 or 151% over 1986. The daily average handle for these simulcast locations was \$2,234 per branch. Capital OTB paid Buffalo \$49,000 in statutory payments

and \$25,000 in simulcast contractual payments.

Capital OTB's combined 1987 handle for Batavia Downs and Buffalo Raceway was \$3.4 million, an increase of \$674,000 or 24.5% over 1986. Simulcast locations accounted for \$2.4 million of the \$3.4 million in total Batavia and Buffalo sales, an increase of \$1.5 million or 160% over 1986. The daily average handle for these simulcast locations was \$2,258 per branch. Capital OTB paid Batavia and Buffalo \$94,000 in statutory payments and \$25,000 in simulcast contractual payments.

Capital OTB's 1987 handle for Monticello Raceway was \$1.2 million, an increase of \$909,000 or 270.7% over 1986. Simulcast locations accounted for \$892,000 of the \$1.2 million in total Monticello sales, an increase of \$673,000 or 306.5% over 1986. The daily average handle for these simulcast locations was \$1,531 per branch. Capital OTB paid Monticello \$33,500 in statutory payments and there were no simulcast contractual payments. Capital OTB handled Monticello for 52 days in 1987 compared to 15 days in 1986, which accounts for the large increases in total and simulcast handles.

In August, 1987, Capital OTB opened the Amsterdam Racing Center, one of two telebranches opened during the year. Renovation costs for this facility were \$877,000. This facility offers deli food service, table service, but no alcoholic beverages, and a simulcast viewing area. The daily average handle was \$18,135 for the five months of operation. The daily

average handle increased \$5,877, or 47.9% since this facility has been converted to a telebranch. During 1987, concession sales averaged over \$500 a day.

In November, 1987, Capital OTB opened another telebranch, the Plaza East Racing Center in Utica, New York. Renovation costs for this facility were \$530,000. This facility offers deli food service, table service, with no alcoholic beverages, and a simulcast viewing area. The daily average handle, for the short period of operation in 1987, was \$18,663. The daily average handle increased \$5,270, or 39.9% since this facility has been converted to a telebranch. Concession sales averaged over \$250 per day for the 35 days this facility operated.

With these two facilities and a site in Gloversville (opened in late February, 1988), Capital OTB has established its basic design for new OTB facilities within its region. In each of these facilities, as well as some other branches, Capital OTB has installed a bar area. Capital has included this in its facilities in hopes of a change in the current law to allow alcohol to be served in all OTB branches.

In October, 1987, Capital OTB offered a new type of food service, vending machines. Capital OTB authorized vendors to install soda, snack and coffee machines in 11 of their simulcast locations: Woodlawn (Schenectady), Second Avenue (Troy), Sixth Avenue (Troy), Herkimer, Johnstown, Bridgeport, Black River Blvd. (Rome), Columbia/Washington (Utica), New Lebanon, Latham and East

Greenbush. Concession sales for 1987 were \$6,300, of which Capital OTB receives 12% (approximately \$750).

In order to finance these and other projects, Capital OTB has taken out several commercial loans. Capital OTB presently has five outstanding obligations:

<u>BANK</u>	<u>LOAN AMOUNT</u>	<u>OUTSTANDING BALANCE</u>	<u>PURPOSE</u>
Norstar Bank	\$6,500,000	\$6,250,000	Leasehold improvements
Union National Bank	\$ 35,000	\$ 23,333	Transportation equipment
M&T Bank	\$ 342,356*	\$ 313,827*	Restaurant and television equipment
Norstar Bank	\$ 590,000	\$ 542,687	Mortgage (Imperial Racing Center)
Xerox Corp.	\$ 157,194	\$ 100,320	Copiers

(*Includes principal and interest)

The rate of interest for the two Norstar Bank loans is 75% of the prime rate adjusted quarterly. There is a 12% maximum and a 6% minimum rate of interest. The rate of interest for the Union National Bank loan is the bank's prime lending rate. The outstanding obligations to M&T Bank are conditional sales contracts with interest rates that vary from 8.75% to 10.5%. The Xerox Corporation note has a fixed interest rate of 9%.

In 1987, Capital OTB had two major computer problems, an improper reopening of a pool and a tote system failure due to the

processing of a winning Pick-6 ticket. As a result of these two problems, Control Data Corporation (CDC), Capital OTB's computer vendor, made certain program changes that have improved the operation of the tote system. Pursuant to Board directives, Capital OTB personnel are no longer able to reopen pools. In addition, Pick-6 winning tickets are now processed in ten seconds.

In 1987, Capital OTB reached a new five year agreement with CDC for computer services. Capital OTB's payment is based on a percentage of handle, that decreases as the handle increases. Capital believes that this contract will save the corporation hundreds of thousands of dollars as its handle increases.

CONCEPT OF A TELEPLEX RACING CENTER - 1987 UPDATE

The Teleplex Racing Center consists of a single building and contains two OTB facilities. The first facility, known as a telebranch, seats 270 people, offers food and non-alcoholic beverages and has no established dress code. The telebranch does not charge an admission fee and winning wagers are subject to the 5% OTB surcharge. Deli style food service, offered here, yields daily average sales of \$650. The other facility, a simulcast theater, has an admission charge of \$3 per person. Winning wagers on in-state simulcast races are not subject to the 5% OTB surcharge. All non-simulcast races and out-of-state special events are subject to the 5% OTB surcharge. This entertainment

center includes food, alcoholic beverages, sports information, special sporting events and assorted patron amenities. A dress code has been established. During 1987, concession sales averaged \$2,800 a day.

The Teleplex Racing Center has a daily average handle of \$123,615, consisting of \$79,027 a day in wagers in the simulcast theater and \$44,588 a day in the telebranch. Approximately 21.4% of Capital OTB's total handle results from wagers placed at this unique facility.

This exciting concept has shown that OTB, by improving its method of operation and increasing services to the public, can attract substantial additional business. This concept is evident in Capital OTB's improvements at the simulcast theater. In 1987, Capital OTB spent \$800,000 on capital improvements, of which \$700,000 was spent to add 250 seats in a new balcony section.

Capital OTB has sought to attract new business through creative promotions. In 1987, Capital OTB displayed numerous closed circuit boxing events, conducted handicapping seminars and offered reduced admissions. Art exhibitions and various charitable events were also held at the simulcast theater. All of these activities brought in potential customers who may not have been aware of this innovative facility.

Capital OTB's promotion campaign has not been without problems. One of its promotions was abused by certain simulcast

theater employees. These employees improperly used promotional betting coupons in order to achieve an unlawful financial gain. The employees involved have been terminated and full restitution is expected from either persons involved or Capital's insurance policies.

The simulcast theater has generated additional revenue for state and local governments. Capital OTB collected \$305,000 in admission fees and paid \$11,800 in state admission taxes. Pursuant to Section 1009(10) of the Racing Law, Capital OTB paid the City of Albany \$287,000 in 1987. 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.

ENHANCED TELEBRANCHES - 1987 UPDATE

Capital OTB operates three enhanced telebranches in different counties. The Imperial Racing Center, located in Schenectady, New York, was purchased, renovated and equipped for approximately \$1.2 million. Within this facility, patron services have been allocated in a manner which distinctly compliments 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 \$25,785 and concession sales of \$1,100 a day for 1987. While most of the news from this location is positive, there was one disturbing event. On February 4, 1987, the Board approved a Stipulation of Settlement in regard to allegations that alcoholic beverages were sold at the Imperial Racing Center without Board authorization. Said settlement provided that Capital OTB would not contest the allegation and pay a \$5,000 penalty to the State of New York.

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 1987, Charlestown had a daily average handle of \$10,791. Concession sales averaged \$175 a day.

In April, 1987, Capital OTB opened the Troy Atrium Racing Center with renovation costs of \$863,000. This facility offers deli food service as well as table service, a bar, sports information and comfortable simulcast viewing areas. The daily average handle for the nine months of operation in 1987 was \$17,708. The daily average handle increased \$12,685, or 252.5% since this facility has been converted to a telebranch. Concession sales averaged \$800 a day.

CATSKILL REGIONAL OFF-TRACK BETTING CORPORATION

Catskill Regional Off-Track Betting Corporation, located in southeastern New York State, is comprised of 13 counties, eight of which handle off-track wagering. The Catskill Region extends from Elmira on the west to Norwich on the north, east to Pawling and south to Pearl River. Catskill OTB had 30 branches operating in 1987, one less than the previous year, and conducted 75 simulcast operations.

Once again, Catskill operated 15 simulcast branches in 1987, simulcasting New York Racing Association (NYRA) races six days a week and Finger Lakes events on NYRA dark days. Monticello, Yonkers and Roosevelt Raceways were simulcast during the evening hours as well as some matinees. The simulcasting of Monticello races commenced on a trial basis on September 18.

The race tracks situated in the Catskill region are Monticello and Yonkers Raceways, both of which are located in non-participating counties.

In 1987, Monticello Raceway authorized the simulcasting of its races throughout Catskill and permitted the simulcasting of Yonkers and Roosevelt into the Middletown OTB simulcast branch. This was a major change in Monticello's traditional position.

In 1987, Catskill OTB's handle was \$132.6 million, an increase of \$15.1 million, or 12.9% over 1986. Of that total, \$87.6 million was wagered on the thoroughbreds and \$45 million on

the harness races. The total handle for Catskill OTB represents 7% of all the New York State off-track betting handle in 1987. Catskill ranks sixth in the state in terms of total betting handle. Of Catskill OTB's total handle, \$103.2 million or 77.8% was wagered at simulcast branches. This represents an increase of \$22.7 million or 28.2% over 1986.

The simulcasting of NYRA races into 15 branches reflected a handle of \$58.1 million, an increase of \$5.2 million or 9.8% over 1986. The daily average simulcast handle per branch was \$12,751, a 13.9% increase over 1986. The 15 non-simulcast branches handled \$16.8 million on NYRA. Finger Lakes accounted for \$6.9 million in simulcast handle, an increase of \$4.1 million or 146.4% over 1986; non-simulcast handle totaled \$567,000. The daily average simulcast handle for Finger Lakes was \$2,683 per branch, a 73.5% increase over 1986.

Harness simulcast handle at 15 branches amounted to \$38.2 million in 1987, while the 15 non-simulcast branches had a harness handle of \$6.8 million. The harness simulcast handle increased \$13.4 million or 54% over 1986. Monticello, which was simulcast for only 63 programs from September 18 through December 27, accounted for \$2.5 million, a daily average simulcast handle of \$2,677 per branch. Yonkers simulcasting accounted for \$17.2 million, a daily average of \$6,211 per branch. Roosevelt's simulcast handle accounted for \$18.5 million, a daily average of \$7,003 per branch in 1987, indicating that Yonkers Raceway does

indeed draw Catskill's customers while Yonkers conducts harness racing.

Catskill OTB's simulcast expenses increased in 1987. By track, Catskill paid NYRA \$3.8 million in statutory payments and \$135,000 in simulcast contractual payments; Finger Lakes, \$182,000 in statutory payments and \$50,000 in simulcast contractual payments; Monticello, \$65,000 in statutory payments and \$10,000 in simulcast contractual payments; Yonkers, \$315,000 in statutory payments and \$75,000 in simulcast contractual payments and Roosevelt, \$300,000 in statutory payments and \$75,000 in simulcast contractual payments.

In 1987, after application to and approval by the Board, Catskill added restroom facilities and vending machines to two more simulcast branches, for a total of six facilities with these amenities. The vending machines, which dispensed candy, cookies, potato chips and beverages, yielded \$6,800 in commissions in 1987 to Catskill OTB. There did not appear to be any effect on handle in branches with these vending machines. However, customers do tend to remain in the branches between the races rather than leave to look for snacks or beverages elsewhere.

Catskill OTB currently owns one property, the Pawling simulcast branch. Located on the eastern side of Route 22 in the southern part of Pawling, this branch is on a 2 1/2 acre parcel with over 5,000 square feet of floor space and cost Catskill OTB \$450,000. The corporation plans to emulate the Pawling operation

wherever possible. Locations being considered for similar facilities are Middletown, Suffern and Spring Valley.

Special demonstration projects for simulcasting into privately owned hotels in Sullivan and Ulster Counties have not yet been implemented. These facilities would be for the exclusive use of "registered guests only" at the participating hotels. The Concord Hotel in Kiamesha Lake has been designated by the Catskill Hotel Association to be the first site. However, the project, to be operated by Catskill OTB, has been blocked by Monticello Raceway's refusal to give its required consent. In anticipation of future hotel simulcasting, Catskill OTB invested \$10,000 in direct expenses in 1987.

SUFFOLK REGIONAL OFF-TRACK BETTING CORPORATION

Suffolk Regional Off-Track Betting Corporation, located in Suffolk County, had 23 branches operating in January, 1987. They closed two branches during the year, and ended the year with 21 branches. Suffolk OTB conducted 47 simulcast operations. Nine branches and the simulcast theater simulcast races from the New York Racing Association (NYRA) and eight of these and the simulcast theater displayed races from Yonkers and Roosevelt. The ten NYRA simulcast facilities also simulcast Finger Lakes on 33 NYRA dark days from April 7 to December 1 (excluding April 14 and 21). A Monticello matinee was simulcast into nine branches on December 23. The simulcast theater did not show this matinee.

In 1987, Suffolk handled \$137.2 million on thoroughbred races and \$58.1 million on harness races, for a total of \$195.3 million, an increase of \$28.3 million or 17% over 1986. This total amount accounts for 10.2% of all the New York State off-track betting handle in 1987. Suffolk OTB ranks third in the state in terms of total betting handle.

The simulcasting of NYRA races into ten Suffolk OTB facilities, including one simulcast theater, accounted for \$83.1 million or 65% of the NYRA handle in Suffolk OTB, an increase of \$17.4 million, or 26.4% over 1986. The daily average handle for the simulcast locations was \$27,322 per branch. The additional payment to NYRA for simulcasting guarantees NYRA approximately 6.5% of simulcast handle, including statutory track commissions. Under the terms of this agreement, which expires at the end of the Aqueduct Spring 1988 meet, simulcast contractual payments paid to NYRA were \$1.3 million; statutory payments were \$4.2 million.

Harness races from Roosevelt and Yonkers were simulcast into eight branches and one simulcast theater during 1987. Roosevelt and Yonkers Raceways' handle at the simulcast facilities was \$45.8 million or 81.4% of Suffolk's handle at those tracks. Harness simulcast handle increased \$12.9 million or 37.6% over 1986. Evening harness racing from Roosevelt averaged \$12,026 per simulcast program, an increase of \$3,540 or 39.7% over 1986. The simulcast of the Roosevelt matinee averaged \$5,259 per branch, an

increase of \$677 or 14.7% over 1986. Contractual disputes in 1986 halted Roosevelt simulcasts into Suffolk branches, and reduced Roosevelt handle.

Evening simulcasting of Yonkers races resulted in an average handle of \$13,989 per branch, an increase of \$440 or 3.2% over 1986. The simulcasts of the Yonkers matinees averaged \$6,831 per day, an increase of \$2,483 or 57.1% over 1986.

Suffolk paid \$115,000 to Roosevelt and \$130,000 to Yonkers in simulcast contractual payments. In addition, the simulcast handle resulted in a statutory payment of \$1.8 million to the two tracks.

Finger Lakes racing was simulcast into nine branches and the simulcast theater for 33 NYRA dark days. This generated handle of \$1.9 million, a daily average of \$5,726 per simulcast branch. Finger Lakes simulcast handle increased \$1 million or 121% over 1986. Suffolk paid Finger Lakes a total of \$31,250 in simulcast contractual payments, and \$117,000 in statutory payments. Simulcasting from Monticello on December 23 accounted for \$35,000 in handle, an average of \$3,896 per branch. Suffolk paid \$1,523 in statutory payments. There was no simulcast contractual payment.

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 the Roosevelt

and Yonkers simulcast. Suffolk paid \$402,000 in 1987 for this service. This vendor also provided the downlink for all other simulcasts at Suffolk facilities.

At the time the 1986 report was written, Suffolk was negotiating a lease for a combined simulcast theater and simulcast branch in West Islip. However, community opposition forced the corporation to abandon this plan. Instead, they closed the Sun Vet simulcast branch and opened a telebranch two miles west, in Bohemia. This 4,000 square foot branch has five vending machines which serve sandwiches, snacks, coffee, soup, soda, candy and cigarettes, in a portion of the branch furnished with tables and chairs. There are seats for approximately 60 people in two areas with large-screen televisions and several small-screen televisions throughout the branch. There are also public restrooms.

Simulcast handle at the Sun Vet branch averaged \$34,165 per day through May 31, 1987. The daily average simulcast handle in Bohemia was \$39,216 for the period from June 1 to December 31. The daily average simulcast handle at Bohemia increased 14.8% over the 1987 daily average simulcast handle at Sun Vet.

The landlord paid the cost of tile floors, restrooms and partitions. Cashier stations, betting tables, the back room, and finishing touches cost approximately \$50,000. The vending machines were supplied by the vendor selected by Suffolk County for use in its government offices. The vendor paid Suffolk

\$2,250 from June 1, 1987 through December 31, 1987.

Bettors are enthusiastic about the Bohemia telebranch. Suffolk currently plans to open more of these branches in West Islip and Shirley, relocating existing parlors. They also are negotiating for the relocation of the Copiague branch.

In November, 1987, after more than a year of investigation, Newsday published a three-part story about downstate off-track betting corporations which focused primarily on Suffolk. The article questioned hiring practices in the corporation, and the "perks" given to some OTB officials, among other things. The Suffolk County Legislature, in response to the Newsday allegations appropriated \$100,000 for an audit of the corporation. However, the scope of the audit has not yet been determined, nor has an auditor been selected.

In addition, the Board has recommended a series of legislative proposals designed to improve and enhance the integrity of OTB operations (see: Recommendation #1).

TEL-A-RACE - 1987 UPDATE

Suffolk's simulcast theater, called "Tel-A-Race", opened in May, 1986, and was described in the 1986 simulcast report. The simulcast theater has been very successful. In 1987, handle totaled \$28.8 million or \$81,135 per day, an increase of \$30,135 per day, or 59% over 1986. Some of this increase is due to the fact that there was continuous simulcasting from all New York

State tracks in 1987. In 1986, disputes with Roosevelt and Yonkers halted simulcasting during the year. NYRA handle in 1987 totaled \$19 million or \$62,552 per day, compared to \$7.6 million or \$36,715 per day in 1986. This represents an increase of \$11.4 million or 150% in total handle. The daily average handle was \$25,837, a 70.4% increase over 1986. At Roosevelt and Yonkers, with matinees included, 1987 handle totaled \$9.2 million, or \$24,421 per day, compared to \$3.3 million or \$16,867 per day in 1986, an increase of 178% in total handle, and \$7,554 or 44.8% in daily average handle. It is interesting to note that harness racing at Roosevelt accounts for an average of \$17,794 per night, while Yonkers average handle is \$32,054 per night. Apparently, simulcast theater bettors go to the track when the nearby track is open.

Finger Lakes handle was \$302,000 or \$9,445 per day, compared to \$120,000 or \$5,777 per day in 1986. This represents an increase of \$182,000 or 152% in total Finger Lakes handle, or \$3,668 or 63.5% in daily average handle. Daily average handles have been indicated throughout this section because Tel-A-Race was open for only eight months in 1986 as compared to 12 months in 1987. A comparison of total track handle for the two years is not valid.

The balance of handle at Tel-A-Race was comprised of out-of-state special events. The simulcast theater is closed during the day on NYRA dark days when Finger Lakes in-state

simulcasts are not available.

Admission income in 1987 totaled \$285,049. This was comprised of \$68,274 in admissions at \$3 each to May 1, an average of 196 people per day. On May 1, the price rose to \$5 per admission but the corporation included a NYRA program with this admission. This generated \$204,000 in admissions income, an average of 168 people per day. In addition, 72 senior citizen passes at \$75 per pass and 48 season passes at \$150 per pass were sold for a total of \$12,600. The sale of newspapers, Daily Racing Form, Sports Eye and "tip" sheets, together with jacket rentals, generated \$58,000 in additional income.

Under the lease arrangement, the food and liquor vendor is paying \$3,500 per month to the corporation. However, the restaurant has not been generating enough income to justify the rent, and the vendor has fallen behind on his rent payments. The vendor owns all the kitchen equipment and the corporation is negotiating termination of the lease, with some arrangement being made with regard to the equipment. The corporation is currently seeking a new restaurant concessionaire. The restaurant seats 54 at tables and 28 in the lounge area. At present, the restaurant has a minimum charge of \$10 at the tables.

In spite of their temporary problems with the food vendor, corporate officials are very pleased with the results at Tele-A-Race and the betting public seems to have accepted the concept with enthusiasm. In large measure due to the absence of

the surcharge, big bettors who previously wagered at other simulcast locations often wager at the simulcast theater.

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 1987 with the same 20 branches in operation. Nassau OTB conducted 21 simulcast operations in 1987. Eight branches simulcast thoroughbred races from the New York Racing Association (NYRA). Six of the branches that simulcast thoroughbred races also simulcast harness races from Yonkers Raceway. Seven simulcast branches displayed harness races from Monticello Raceway for one day in December.

Two tracks, NYRA's Belmont Park and Roosevelt Raceway, are located in Nassau County. Within its region, Nassau OTB handles wagers on the three NYRA tracks (Belmont, Aqueduct, Saratoga) and three harness tracks (Roosevelt, Yonkers, Monticello). Because of the statutory track consent requirements, Nassau OTB has been greatly limited in obtaining agreements for simulcasting due to the proximity of their branches to the tracks. It should be noted that once again Roosevelt Raceway was not part of Nassau OTB's simulcast handle for 1987.

In 1987, Nassau OTB handled \$140.3 million on thoroughbred races and \$39.9 million on harness races for a total of \$180.2 million, an increase of \$14.9 million or 9% over 1986. This

total amount accounts for 9.4% of all the New York State OTB handle in 1987. Nassau OTB ranks fifth in the State in terms of total betting handle. Of Nassau OTB's 1987 total handle, \$67.9 million or 39.7% was wagered at simulcast facilities.

The simulcasting of NYRA races into eight Nassau OTB branches showed a 1987 total simulcast handle of \$55.1 million, an increase of \$10.5 million or 23.5% over 1986. The daily average handle for these simulcast locations was \$22,671 per branch. This accounted for 39.3% of the NYRA handle at Nassau OTB. The simulcasting of harness races from Yonkers, including 16 matinees, into six branches showed a 1987 total simulcast handle of \$12.7 million, an increase of \$8.2 million or 182.2% over 1986. The daily average handle for these simulcast locations was \$10,990 per branch. The simulcasting of harness races from Monticello into seven branches on one day in 1987, showed a total simulcast handle of \$25,000, a decrease of \$92,000 or 78.6% compared to 1986's total betting handle. The daily average handle for these simulcast locations was \$3,511 per branch. Nassau OTB did not simulcast any races from Finger Lakes in 1987.

Nassau OTB's contract with NYRA obligated them to pay NYRA 1.5% of net handle above Nassau OTB's effective average statutory rate (as defined by contract), but not more than 6.5% of the statutory rate, at all of its simulcast branches. Based on this contract, Nassau OTB paid NYRA \$802,000 in simulcast contractual payments and \$2.8 million in statutory payments for the eight

branches.

Nassau OTB's contract with Yonkers Raceway was calculated on an ascending scale. Compensation was 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 agreement, Nassau OTB paid Yonkers Raceway \$69,000 in simulcast contractual payments and \$597,000 in statutory payments for their six branches.

Nassau OTB's contract with Monticello Raceway called for no simulcast contractual payments. However, Nassau OTB paid \$1,000 in statutory payments for the one day of simulcasting.

Nassau OTB's simulcast vendor was paid a total of \$123,000 in 1987. Nassau OTB's lease and purchase of two satellite receivers for \$23,000 brings their total number of receivers owned to nine.

Nassau OTB's commitment to screen activated machines (SAM's) is continuing to progress at a steady pace. With the exception of two machines at Suffolk's Tel-A-Race, Nassau is the only OTB corporation to use the SAM's in the state. At the close of 1987, 12 OTB branches had approximately 116 of these machines which accounted for 16% of Nassau's total handle and 35% of its transactions. Nassau OTB plans to install a total of 150 SAM's in its branches. Nassau experienced problems with the SAM's on two occasions. In October, 1987, a machine in the Carle Place

branch malfunctioned and incorrectly issued a voucher to a customer for over \$5 million. In early January, 1988, a similar incident occurred at the same parlor when a machine issued a voucher to a customer for over \$3 million. Nassau OTB and its tote operator estimate that actual liability for these two incidents approximates \$32,000. Nassau OTB's computer vendor, Autotote, has reprogrammed its system and installed safeguards to prevent this from recurring.

Simulcast operations at Nassau OTB remain limited because of the statutory track consent requirement, the close proximity of Nassau OTB's branches to local tracks and to self-serving interests. Roosevelt Raceway, despite its status as a Nassau OTB regional track, refused to simulcast into Nassau branches during any part of 1987. Nassau OTB, in turn, denied Roosevelt Raceway consent to conduct track to track wagering on NYRA.

In the area of improvements and capital investments, Nassau OTB spent a quarter of a million dollars renovating and relocating its Green Acres branch. This was done with the expectation of making this a simulcast branch. However, permission was denied by both NYRA and Yonkers.

A new concept has been suggested by corporate management. Nassau OTB would like authorization to install a combined telephone and video display screen unit in various locations. This "Direct Line System" will operate as a direct telephone line into the telephone betting facility at Suffolk OTB's

headquarters. The video screen will display updated racing information such as current odds, late scratches, jockey changes, and race profiles. No simulcasts will be available through the Direct Line System. This concept is currently under review by the Board and other interested state agencies.

Three of Nassau's simulcast branches appear to have been used by persons involved in the suspicious fourth race at Yonkers on November 14, 1987. An unidentified person systematically went from the Levittown branch to the Farmingdale branch and then to a number of Suffolk OTB branches. At each location, a large amount of money was bet on various combinations of the triple. That person ended the day by placing more bets at the Oceanside simulcast branch. The triple, which should have paid approximately \$1,000, paid only \$192. The next day, many of the winning tickets were cashed at the Farmingdale branch. This matter is the subject of an active investigation by the Board and other law enforcement agencies.

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, The Bronx and Queens). NYCOTB operated 110 branches at the beginning of 1987 and ended the year with 106 branches. One hundred thirty-one simulcast operations were conducted during 1987. Twenty-one branches plus two simulcast theaters simulcast races from the New York Racing

Association (NYRA) at Aqueduct and Belmont. Thirty-four branches plus two simulcast theaters handled NYRA's Saratoga races during the month of August. Twenty-six branches plus one simulcast theater simulcast Finger Lakes on NYRA dark days, 12 branches plus two simulcast theaters displayed races from Yonkers, 15 branches plus two simulcast theaters simulcast races from Roosevelt and 27 branches plus one simulcast theater displayed 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), Roosevelt, Yonkers and Monticello Raceways.

In 1987, NYCOTB handled \$805.7 million on thoroughbred races and \$197.7 million on harness races, for a total exceeding \$1 billion. This total accounts for 52.4% of the money wagered off-track in the state. Total corporate handle for 1987 increased by \$58.6 million, or 6.2% over 1986. NYCOTB ranks first in the state in terms of total betting handle.

The total 1987 simulcast handle for NYCOTB was \$378.2 million, which is 37.7% of total corporate handle. This is an increase of \$82.8 million, or 28% over 1986.

The simulcasting of NYRA races into 21 NYCOTB branches and two simulcast theaters (plus 12 more branches during the four week Saratoga meet) showed a 1987 total simulcast handle of

\$258.1 million, an increase of \$66 million, or 34.4% over 1986. The daily average simulcast handle was \$37,009 per branch. The simulcasting of Finger Lakes races into NYCOTB branches for 33 days showed a 1987 total simulcast handle of \$7.6 million, or 55.1% over 1986. The daily average simulcast handle was \$8,212 per branch.

The evening harness program from Yonkers and Roosevelt Raceways into 16 branches during the year showed a 1987 total simulcast handle of \$108.1 million, an increase of \$13 million, or 13.7% over 1986. The evening daily average simulcast handle for both tracks was \$19,134 per branch. The 1987 evening simulcast handle for Roosevelt was \$59.4 million, with a daily average handle of \$20,982 per branch. For Yonkers, the 1987 evening simulcast handle was \$48.6 million, with a daily average handle of \$17,275 per branch.

The intermittent matinee harness program from Yonkers and Roosevelt Raceways into 28 branches during the year showed a 1987 total simulcast handle of \$4 million, a decrease of \$800,000 or 16.7% from 1986. The daily average simulcast handle for both tracks was \$6,597 per branch. The 1987 intermittent matinee simulcast handle for Roosevelt was \$1.1 million, with a daily average handle of \$6,758 per branch; for Yonkers it was \$2.9 million, with a daily average handle of \$6,449 per branch. It should be noted that branches taking simulcast programs may differ on given days.

NYCOTB's contract with NYRA provides that NYRA receives simulcast contractual payments based on a comparison of current handle against a borough base from calendar year 1984. Payments are a straight 4% of this daily incremental simulcast net handle. A simulcast theater pays 6.5% inclusive of statutory commissions on a daily net handle of NYRA wagers. Based on these contracts, NYCOTB paid NYRA \$1.9 million for 1987 simulcast programs. Statutory payments amounted to \$12.5 million.

NYCOTB paid Finger Lakes \$54,000 in simulcast contractual payments and \$241,000 in statutory payments for 1987.

Under the five-year contract with Roosevelt Raceway (expiring June 30, 1990), NYCOTB has an ascending scale arrangement, whereby wagers placed after 7 p.m. are calculated on a percentage of a predetermined handle figure. The percentage increases as handle decreases. As a result of this arrangement, NYCOTB paid Roosevelt Raceway \$276,000 in simulcast contractual payments and \$2.2 million in statutory payments for 1987.

Under the five-year contract with Yonkers Raceway (expiring June, 1990), NYCOTB has an ascending scale arrangement whereby wagers placed after 7 p.m. are calculated on a percentage of a predetermined handle figure. In no event does NYCOTB pay Yonkers less than \$750 for each evening of simulcasting, excluding Sundays. As a result of this agreement, NYCOTB paid Yonkers Raceway \$218,000 in simulcast contractual payments and \$2.3 million in statutory payments for 1987. NYCOTB paid no simulcast

contractual payments to Monticello for 1987. However, \$18,232 was paid in statutory commissions for December 23 and 24, 1987.

The simulcast vendors for both thoroughbred and harness facilities were paid a total of \$1.5 million in 1987.

On Kentucky Derby Day, May 2, 1987, an AmTote system failure affected NYCOTB. The resulting computer outage halted pari-mutuel wagering both in the New York City and Catskill regions approximately 30 minutes prior to post time on the Derby. NYCOTB estimated that the total lost handle resulting from this system failure amounted to \$463,000, of which \$226,000 would have been wagered on the Derby, \$123,000 on the last NYRA race that day, and the remaining \$114,000 on the evening harness program. In spite of this problem, total corporate handle was \$3.5 million for the day.

NYCOTB ran several highly successful promotion campaigns in 1987. One of them was the promotion of telephone betting in conjunction with the Breeders' Cup, to enable new telephone betting customers to open an account using either a Visa or Mastercard. Within an hour of placing the initial phone call to open an account, the bettor could wager on the Breeders' Cup or any other races NYCOTB was handling that day. Outstanding results were achieved, with over 850 new telephone accounts opened as a result of this promotion. Due to this success NYCOTB has considered a continuation of the program.

Another successful promotion was in conjunction with Ed Corp., a corporation which runs a "school of racing". This is a series of courses on various levels of handicapping, conducted by well-known handicappers and columnists at NYCOTB simulcast theaters. Courses were open to the public, after payment of a registration fee, part of which is paid to Ed Corp. Expenses incurred by NYCOTB for this promotion exceeded the \$13,813 received in tuition/registration fees. NYCOTB felt that the publicity value of free advertising (estimated at over \$51,000) provided by the New York Daily News to promote the school, more than made up for overhead costs. Response to and enrollment in the handicapping program was very good.

The installation of vending machines into four simulcast branches in 1987 generated \$5,502 in income.

On Monday, October 19, 1987, there was a robbery at a branch in Brooklyn. An armed gunman approached the female branch manager in the public area of the branch. He then took her into the secured area of the branch where he made off with approximately \$20,000 from the vault. He choked the branch manager until she fainted. The branch manager was taken to the hospital where she was treated for back injuries and trauma. The matter was, and continues to be, investigated by the New York City Police Department.

Plans call for expansion of simulcast locations in three

boroughs: The Bronx, Manhattan and Staten Island. However, due to the fact that NYRA will not allow simulcasts into certain areas of Brooklyn and Queens, the two most populous boroughs, NYCOTB's options are limited for increasing the number of simulcast branches there. NYCOTB also intends to pursue vigorously the elimination of illegal interception and use of simulcast signals.

NYCOTB'S INSIDE TRACK - 1987 UPDATE

NYCOTB's first simulcast theater, called the "Inside Track", continued to be a huge success in 1987. 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 in-state simulcast races is not applicable at this facility. A \$5 admission fee is charged.

During 1987, total handle rose approximately 58.3% over 1986 to \$40.8 million. The daily average thoroughbred handle was \$81,163 and the daily average harness handle was \$46,960. Per capita wagering was \$425 for thoroughbred and \$246 for harness. Total per capita wagering was \$671 for the Inside Track. On Breeders' Cup Day, November 21, 1987, the handle generated was \$154,665.

Revenue generated from the Inside Track amounted to \$2.8 million to the racing industry, \$562,000 to the State of New York

and \$1.6 million to New York City. Total revenue from all concession operations at the Inside Track amounted to \$175,000 in 1987.

The Inside Track was the subject of intense scrutiny by the Board following the suspicious fourth race at Yonkers on November 14, 1987. In that race, Falcon's Mann won at odds of 18-1, setting up a triple payoff which turned out to be suspiciously low in view of the odds. The betting patterns on this race were reviewed. Bettors at the Inside Track placed over \$1,800 in the triple and win pools, and their ultimate return on these wagers was about \$70,000. Significant media coverage was given to this race and the subsequent investigations and hearing conducted by the Board.

The Board has suspended and/or revoked the licenses of a number of participants in that race. The Board, in conjunction with other enforcement agencies, is continuing its investigation into related matters, including procedures at NYCOTB's Inside Track.

NYCOTB'S SELECT CLUB CONCEPT

NYCOTB opened its second simulcast theater on March 24, 1987. This new theater, called "Skyward - The Select Club" is at 165 Water Street in lower Manhattan. It accommodates 350 patrons. Full restaurant service, including alcoholic beverages, is available in a modern attractive setting. Track prices are paid

on in-state simulcast races. Total handle at this new facility in 1987 was \$17.1 million, with a daily average thoroughbred handle of \$39,608 and a daily average harness handle of \$11,306. Daily per capita wagering for thoroughbred races was \$333 and \$96 for harness races. Total daily per capita wagering was \$429 for the Select Club.

Revenue generated from the Select Club amounted to \$1.2 million to the racing industry, \$236,000 to the State of New York and \$290,000 to New York City. A \$5 admission fee is charged. Total revenue from 1987 admissions was \$164,000, of which \$6,400 was paid in State admission taxes. Total revenue from all concession operations at the Select Club amounted to \$131,000 in 1987.

The Select Club has not yet fulfilled its expectations for attendance and handle. There are still a number of things that are under review, particularly the type of food offered, the price structure and the need to more effectively market this facility. It is expected that patronage will gradually increase in 1988, as the public becomes more familiar with the location and service offered, and changes are made in the restaurant operation to accommodate patron desires in terms of food.

The year 1988 could very well see an increase in New York City Off-Track Betting Corporation's total handle to new record levels.

TRACK TO TRACK SIMULCASTING WITHIN NEW YORK STATE

NEW YORK RACING ASSOCIATION (NYRA) - SARATOGA TO AQUEDUCT

NYRA's 1987 Saratoga thoroughbred meet covered a 24-day period between August 5 and August 31, 1987. The 1987 total attendance for the simulcast dates at Aqueduct was 172,016 as compared to the 1986 total attendance of 150,455, an increase of 21,561 or 14.3%. The total simulcast handle was \$30.4 million as compared to \$28.1 million in 1986, an increase of \$2.3 million or 8.2%. During this period, daily average attendance was 7,167 per day (5,923 in 1986) and daily average handle was \$1.3 million (\$1.2 million in 1986), resulting in a \$187 daily average per capita betting handle as compared to \$197 in 1986.

During this period, Saratoga Race Track's on-track handle was \$84.5 million, an increase of \$8.5 million over the corresponding period in 1986, while the total on-track attendance increased 15,561, resulting in a daily average of \$3.5 million and 30,100 respectively.

NYRA retained \$4.5 million from the Saratoga to Aqueduct simulcast and \$176,000 from admissions, concessions and newsstand sales. The State of New York received \$848,000 in tax revenue, as compared to \$768,000 in 1986. The Thoroughbred Breeding and Development Fund received \$152,000 compared to \$140,000 in 1986. NYRA's horsemen received (as accrued purse obligations) \$1.1

million compared to \$1 million in 1986. Since simulcasting was from one facility of this franchised racing association to another of its track facilities, no contractual agreements were required.

In 1987, NYRA's "profit" from simulcasting from Saratoga to Aqueduct was \$2.3 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, \$2.3 million, is included in any other profit NYRA made during 1987, and is thereby subject to the State's special franchise tax on NYRA.

TRACK TO TRACK SIMULCASTING: NYRA TO FINGER LAKES RACE TRACK

Finger Lakes conducted simulcasting on NYRA races for 91 days during the periods January 1 through April 2, and December 7 through December 31, 1987. Finger Lakes Race Track had an agreement with its horsemen's association in 1987 to pay their purse account 1% from simulcasting. Simulcasting on NYRA races was permitted until the commencement of the racing season. Finger Lakes horsemen received (as accrued purse obligations) \$79,100 compared to \$68,900 in 1986.

As a result, the 1987 total attendance was 39,329 (91 days) compared to 52,566 (114 days) in 1986, a decrease of 13,237 or 25.2%. The total simulcast handle in 1987 was \$7.3 million as

compared to \$9.2 million in 1986, a decrease of \$1.9 million or 20.7%. Daily average attendance was 432 per day (461 in 1986), a 5.7% decrease. The daily average handle was \$79,783 (\$80,609 in 1986), a 1% decrease. Daily average per capita betting handle rose to \$186 from \$175 in 1986.

From simulcast handle, Finger Lakes retained \$659,000 and earned \$64,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$132,000 in tax revenue, and the Thoroughbred Breeding and Development Fund received \$36,000. NYRA received \$489,000 pursuant to a contract which provided that Finger Lakes pay 6.5% of the total simulcast handle. 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 \$45,000 pursuant to a consent agreement between Batavia Downs and Finger Lakes Race Track. Finger Lakes Race Track reported a net profit of \$173,000 from the NYRA simulcast.

TRACK TO TRACK SIMULCASTING: NYRA TO SARATOGA RACEWAY

Saratoga Raceway conducted 280 days of simulcasting NYRA races during 1987, compared to 286 days in 1986. The 1987 total attendance was 172,260 compared to 169,622 in 1986, an increase of 2,638 or 1.6%. The 1987 total simulcast handle was \$18.9

million compared to \$16.5 million in 1986, an increase of \$2.4 million or 14.5%. Daily average attendance rose from 593 in 1986 to 615 in 1987. The daily average handle was \$67,490 (\$57,753 in 1986). Daily average per capita betting rose to \$110 from \$97 in 1986. On-track harness handle decreased \$805,000 and attendance decreased 6,178 in 1987. Comparisons of the on-track harness dates show a daily average decline in attendance of 145, a 6.2% decrease from 1986, and a decline in daily average handle of \$14,104, a 6.8% decrease.

Saratoga Raceway retained \$1.7 million from its 1987 simulcasting of NYRA races, in addition to \$120,000 in concessions. Tax revenue to the State of New York was \$410,000, and the Thoroughbred Breeding and Development Fund received \$94,000. NYRA received \$1 million pursuant to a contract which provided that Saratoga Raceway pay NYRA 6.5% of the total simulcast handle.

Pursuant to a verbal agreement, Saratoga Raceway's horsemen received 1.5% of N.Y.R.A. 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 from simulcasting. Saratoga Raceway's horsemen received the sum of \$157,000 in 1987 from NYRA's track to track simulcasting.

TRACK TO TRACK SIMULCASTING: NYRA TO YONKERS RACEWAY

Yonkers Raceway conducted 304 days of simulcasting NYRA races during 1987, compared to 242 days in 1986. The 1987 total attendance was 569,342 compared to 325,256 in 1986, an increase of 244,086 or 75%. The 1987 total simulcast handle was \$94.2 million compared to \$56.7 million in 1986, an increase of \$37.5 million or 66.1%. Daily average attendance rose from 1,344 in 1986 to 1,872 in 1987, an increase of 39.3%. Daily average simulcast handle rose from \$234,217 in 1986 to \$300,903 in 1987, an increase of 28.5%

From the simulcast handle, Yonkers Raceway retained \$8.1 million and earned \$706,000 in ancillary income from admissions, concessions and programs. New York State received \$2.1 million in tax revenue, and the Thoroughbred Breeding and Development Fund received \$471,000. NYRA received \$6.1 million pursuant to a contract which provided that Yonkers Raceway pay NYRA 6.5% of the total simulcast handle. NYRA provided the uplink and transmission of the simulcast signal, while Yonkers Raceway was responsible for the transmission of wagering data to NYRA.

Pursuant to a contract 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 million in 1987 from NYRA's track to track simulcast. Yonkers Raceway reported a net income of \$4 million from the simulcast of NYRA races.

On August 6, 1987, Yonkers Raceway was notified by Catskill OTB that it was terminating the contract and withdrawing its consent to the NYRA simulcast. That termination became effective on February 6, 1988. The Board has conducted a hearing into this matter, which is also being litigated in Westchester and New York Counties.

These developments could lead to the end of the most successful simulcast project in New York State to date.

SIMULCASTING OF NEW YORK RACES TO OTHER STATES

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 (Board).

On October 20, 1979, the New Haven "Teletrack" began simulcasting New York races into that facility under terms of these agreements. The Teletrack, a theater-like facility, charges admission, affords seating, food service, odds boards, programs and a dining room. A very large projection screen shows the racing program, plus background material on racing. It attempts to simulate the on-track experience.

AmTote purchased an eight acre site in New Haven and constructed their Teletrack with parking facilities for 800 vehicles. The Teletrack accommodates approximately 2,300 patrons at 40 cash/sell windows. There is seating for 1,800 in the "Grandstand" on the first floor, with 29 windows available. The second floor is the "Clubhouse" consisting of the balcony,

seating 200, and the Ala Carte Restaurant, seating 165. The clubhouse is serviced by nine windows. On the third level are four V.I.P. rooms that accommodate a total of 100 patrons with two windows.

Patrons view NYRA simulcast races Wednesday through Monday and Yonkers/Roosevelt simulcast races Monday through Saturday on the 24'x32' projection screen, as well as on 18 monitors strategically placed throughout the facility.

A concessionaire operates the food and beverage service in the Teletrack and the fare ranges from hot dogs to full course meals. Alcoholic beverages are available.

Total handle in the State of Connecticut was \$193.8 million in 1987. The handle for the Teletrack alone was \$85.3 million, while the 15 branch offices and telephone betting had a total handle of \$108.5 million. The yearly average handle per branch (including telephone betting), was \$6.8 million compared with the yearly average of \$6.7 million at the 284 branches in New York State. New York City OTB Corporation had a total handle in excess of \$1.3 billion at 106 branches for a yearly average handle of almost \$9.5 million per branch.

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, internal security and maintenance personnel. AmTote paid approximately

\$500,000 for microwave transmission fees in 1987. Pursuant to agreements between the metropolitan harness tracks and the State of Connecticut, Connecticut pays a 5% commission on regular and multiple wagers and 7% on exotic wagers. In 1987, Roosevelt Raceway received \$868,000 and Yonkers Raceway received \$845,000 under these agreements.

NYRA has a separate contract with Connecticut, with different commission rates. In 1987, NYRA received \$6.8 million in commissions from Connecticut.

AmTote receives approximately 4% of the annual Connecticut handle. In 1987, the State of Connecticut paid AmTote \$7.8 million.

Connecticut OTB has live calls in nine of its 15 branches. These are located in Bridgeport, Meriden, Waterbury, Bristol, New London, Torrington, Killingly, Norwalk and Norwich.

On New York dark days, Connecticut accepts wagers on races run in other states. Until 1987, there was no simulcasting into the Teletrack on a regular basis except from New York State.

The Standardbred Owners' Association (SOA) would not consent to the simulcasting of Yonkers and Roosevelt Raceways' races to the State of Connecticut from August 3, 1987 through the end of the year.

As a result, Monticello Raceway began simulcasting its races

to the State of Connecticut on August 22 through December 24, 1987, a total of 65 days. Total simulcast handle was \$1.9 million for a daily average simulcast handle of \$141,000.

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 bets. This resulted in a total commission of \$400,000. Monticello paid \$160,000 for the transmission of the simulcast signal, which was provided by a new simulcast vendor. Monticello Raceway's profit from Connecticut wagering was \$240,000, which was evenly shared between the track and its horsemen.

As a result of the SOA's withholding of its consent to the simulcasting of Yonkers and Roosevelt Raceways races, Connecticut conducted wagering and simulcasting on races held outside New York State on 56 separate occasions. This practice continued into 1988.

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, 1983, NYRA and Caesars Palace of Las Vegas, Nevada, entered into an agreement to simulcast NYRA racing to the race book operation located in Caesars Palace Hotel.

This agreement gave Caesars the exclusive right to the signal in the State of Nevada and included the right to disseminate the signal to other locations in Nevada. There are presently 37 licensed race books receiving the NYRA signal in Nevada.

On January 1, 1985, a new contract between NYRA and Caesars Palace was signed. This contract, running until December 31, 1988, calls for NYRA to assume all transmission costs and for Caesars to pay a fixed fee of \$4,750 per day. NYRA received \$1.4 million under this agreement in 1987, while expending \$654,000 in transmission and decoder costs.

In 1987, there was no simulcasting of New York harness races to the State of Nevada.

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 1987 to out-of-state tracks. The guest or receiving track pays all charges to receive the race and pays NYRA 50% of its retained commission of the total pari-mutuel handle on that race. During 1987, NYRA entered into agreements to simulcast to 60 out-of-state tracks. The total handle was \$35.4 million, of which \$2.5 million was paid to NYRA. The horsemen were paid \$1 million (as accrued purse obligations) and the New York State Thoroughbred Racing Capital Investment Fund received \$751,000.

Similarly, Roosevelt and Yonkers Raceways simulcast a few of their feature races to six out-of-state tracks. The handle on these races was \$857,000, of which \$19,000 was paid to the tracks and horsemen, respectively.

John Daily

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 fifteen various pay-off prices throughout the state on each pari-mutuel pool in each race. Legislative policy directs uniform statewide pay-off prices. 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.

*Why no
Daily Double
Count
Chester*

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 each race, thereby substantially increasing their 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 reduced. 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 (OTB regular and multiple pools are closed one minute or more, and exotic pools are closed six minutes or more, before their closure on-track) the delay in cashing OTB winners appears to have been reduced to a minimum.

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 acted upon by the

industry.

INTERFACE TECHNIQUES BETWEEN 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 state-wide. Because the receiving tracks want to offer their bettors the opportunity to view current odds and to place 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 wire.

While no betting information is accumulated at 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, 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 state-wide 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.

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 should enhance the ability of all the tracks to engage in "special events" track to track simulcasting.

TRANSMISSION AND SECURITY OF SIMULCAST TELEVISION SIGNALS

The secure transmission of audiovisual 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 New York Racing Association (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, New York State Racing and Wagering Board (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 their 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.

During 1987, the New York City Police Department raided six locations, one in Brooklyn, one in the Bronx and four in Queens, where a total of ten bandit Orion decoders were confiscated. All these locations were operating as classic "horse parlors" where patrons could not only bet, but could sit, have a drink and watch live racing.

Throughout 1987, all other racetracks in New York State continued to utilize the Orion encryption system to encode their racing signals. Another state has determined that the Orion system does not meet its minimum requirements for signal security. The Board is continuing to review this matter. The major simulcast vendor is presently negotiating the purchase of a B-Mac system to replace his Orion equipment.

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 their 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.) ^{Capital} - 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 District Regional Off-Track Betting Corporation 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. During 1987, there were 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.

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

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 were no reports of this problem in 1987.

COSTS OF SIMULCASTING VIA SATELLITE FROM A TRACK

The construction of an earth station with all necessary accessories ranges in cost from \$250,000 to \$1 million. The average cost is approximately \$400,000. A television production studio costs anywhere from \$500,000 to \$1.5 million. A portable earth station rents for \$6,000 perday, but long-term rentals cost much less, as low as \$1,000 per day if leased for 90 days. Renting a television production studio costs approximately \$3,000 per half-day, on a short-term basis.

Uplink transponder time at common carrier rates is \$200 to \$400 per hour. These rates are negotiable depending on the time of day and the length of time the transponder is used. One day a week use would mean higher rates if the time on the transponder is available.

An engineer is paid approximately \$40,000 per year; assisting technicians are paid about \$25,000 per year to run the earth station. The cost of such an endeavor, in the first year, to construct and operate the earth station could be in excess of \$1 million.

At the receiving sites, a downlink dish (antenna) range from \$2,500 to \$10,000 per location. A \$2,500 dish would not be suitable to receive a high level of encrypted television signals. The signals must be amplified a minimum of 100,000 times in order to allow the decoder to function at high encryption levels.

ADDITIONAL BETTING FROM SIMULCASTING

The major goal of the simulcasting legislation is to increase betting, resulting in increased revenues sufficient to cover the additional costs to deliver simulcasting, as well as yielding additional revenues to all parties. It is 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 racetracks conducting racing to off-track betting operations offering simulcasting on those or other races.

Many imponderables arise initially in attempting to establish what portion of the total betting at a location is additional betting due to simulcasting, and what portion is betting which might regularly occur there or at another location. Tracks doing simulcasting are receiving bets on this product for the first time and so the total betting (or pari-mutuel handle) on simulcast races can be said to be entirely due to simulcasting. However, even this betting may be 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 could be 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 is even more complex since

there is already established betting on such races without simulcasting. The proximity of non-simulcast branches to simulcast branches may cause business to shift from those branches to the simulcast branch (OTB cannibalization). Further, if tracks in the OTB region are conducting track to track simulcasting, simulcasting at OTB branches, while seeming to be disappointing, may really be successful, in that it has stemmed a greater shift of business to a nearby track which is now receiving simulcasting.

In 1984, legislation 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, it 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 alone.)

In 1985 the Legislature amended this formula and dropped fixed allocations of OTB simulcasting handle for the racetracks or purses. 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 closings of other nearby branches, longer hours of operation, new super-exotic betting, as well as the introduction of simulcasting in a branch. Because of the multitudinous variables, determinations of increased handle just from simulcasting on a branch basis is not feasible.

Contracting parties have attempted different formulas for determining fair compensation to tracks and horsemen. Most of these formulas 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 "guesstimates" of the actual increase in handle, if any, brought by simulcasting.

1985 RESULTS

The first full year of simulcasting, 1985, showed disappointing results. Even with dramatic alterations to the law effective July 1, 1985, very little was done immediately, and even some cutbacks were experienced. Simulcasts of Finger Lakes

races on seven Tuesdays were initiated, and the state's first simulcast theater opened in the Albany area. But day-to-day simulcasting of harness races from metropolitan New York was cut back, and erosion of metropolitan daily on-track harness handle continued its trend.

1986 RESULTS

In 1986, however, simulcasting expanded and the results, at least, seem to indicate that simulcasting did, in fact, expand the overall market.

NYRA handle, which lost \$23 million on-track, gained \$173 million at track to track and off-track locations! Finger Lakes, which maintained its handle on-track, gained \$23 million off-track.

It seemed fair to say that the net \$173 million additional handle in 1986 resulted from simulcasting. (Note: Catskill OTB, which feared a substantial reduction in its NYRA handle from the competition of the Yonkers track to track facility, showed a gain of \$4.4 million (or 6.4%) in its NYRA handle in 1986.)

The harness track situation was more perplexing. While off-track simulcasting, despite disruptions, expanded in 1986 and gained \$39 million, stemming the trend of recent losses, the on-track handle continued to decline, losing \$31 million.

It was apparent that the overall increase in state-wide

handle of \$184 million was almost all due to simulcasting (some resulting from increased harness programs and the then new quarterhorse track).

1987 RESULTS

Simulcasting in 1987 appears to have reached maturity. Fifty-percent of all off-track betting is now done at simulcast branches or theaters -- 48.3% of all NYRA OTB handle, 71.1% of Finger Lakes OTB handle, 65.4% of Roosevelt/Yonkers OTB handle, 61.5% of Saratoga Raceway OTB handle and 53.0% of Buffalo/Batavia OTB handle.

Track to track operations just about duplicated 1986 operations but on a full year basis and registered a \$40 million gain in handle, mostly at Yonkers Raceway (\$37.5 million) which operated for all of 1987 compared with 9 months of 1986.

The track with the largest percentage gain of OTB handle was Finger Lakes Racetrack. For the year, OTB's did 41.1% more business on Finger Lakes (+\$30,864,000) than in 1986. (Curiously, however, while New York City gained \$10.6 million in Finger Lakes handle, only \$2.3 million could be attributed to increased simulcasting.)

The largest percentage user of simulcasting was the Catskill region. Simulcasting represented 77.9% of its total handle: 77.5% of its NYRA handle, 92.6% of its Finger Lakes handle, 89.2% of its Roosevelt/Yonkers handle and 48.6% of its

Monticello handle. (NYRA and Yonkers combined represent 71% of the total regional handle.)

Western region registered the largest conversion to simulcasting during 1987 going from \$54 million (32% of total handle) in simulcasting handle in 1986 to \$132 million (70% of total handle) in 1987. However, while simulcasting handle for 1987 increased \$78 million in Western, total OTB handle in the region increased only \$20 million, indicating that at least three-fourths of the increased simulcasting handle there was cannibalized preexisting business.

It would seem that 1987 results represent a fairly accurate summary of New York's simulcasting potential. The only untapped areas remaining for possible dramatic growth would seem to be at the tracks not yet conducting simulcasting, or at the tracks which are conducting simulcasting by their contracting to receive additional tracks.

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

During 1987, both the New York State Government and the racing and wagering industry throughout the United States have focused a great deal of attention on the issues of integrity and accountability. At the same time, the New York State Racing and Wagering Board (Board) began 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 strongly supports the efforts underway to promote and insure professionalism, integrity and ethical conduct within all segments of the racing and wagering community. With respect to off-track betting, the state's six public benefit corporations must heed that call, as well as respond to the public's demand for accountability for all government agencies.

Therefore, the Board recommended, as departmental legislation, 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 effectively monitor and review their operations.

With respect to insuring the integrity of off-track betting activities, the Board has submitted three significant legislative proposals. They all relate to the ability of the Board to more effectively monitor, control and regulate the operations and actions of the OTB Corporations, their employees and other participants in off-track betting.

The first proposal would amend the Racing, Pari-mutuel Wagering and Breeding Law (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 would 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 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. 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 enactment of A. 6009 or S. 4222.

The second proposal 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 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 allow for the prompter scheduling of such hearings because of the availability of a greater number of individuals who may preside. The parties to the hearing are not prejudiced because the Board must review the report and recommendation of the hearing officer, and the Board alone must make the final determination.

The proposal recognizes the fact that today there are many more hearings held by the Board which require the availability of

more than three individuals to act as hearing officers than there were at the time the statute was originally enacted. It will also insure a uniform procedure with respect to all administrative hearings conducted by the Board. Accordingly, the Board recommends the enactment of A. 5989 or S. 4197.

The final "integrity" proposal would authorize the Board to license any person, association or corporation participating in off-track betting as the Board may by rule prescribe. This proposal will 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 proposed legislation is necessary for the purposes of maintaining proper control over the conduct of off-track betting within the Empire State. Recent events (described in detail within the body of this report) 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.

In addition, the Board has concluded that it is not practicable to license only simulcast facilities and persons or corporations who work therein. Simulcasting has become an integral component of off-track operations. As such, with frequent personnel shifts as well as changing simulcast branch locations, any system other than "total licensing", which is.

currently in place at all on-track locations within the state, cannot work.

Therefore, in order to insure the public's confidence in off-track betting and the integrity of the entire system of off-track betting, this proposal must 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.

Therefore, for the reasons set forth above, the Board recommends the enactment of this proposal 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.

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 of great importance to the Board, to enable us 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 #2

Off-track betting corporations are currently entitled to conduct wagering on 15 thoroughbred and five harness out-of-state special events per year, regardless of whether in-state racetracks are operating or not.

The Board has submitted, as departmental legislation for the current year, a proposal which would allow OTB corporations to utilize some of their special event races for important in-state feature races. This proposal is currently before the Legislature as A. 5990 and S. 4199. We believe that, at the very least, in-state races of special interest should be given equal treatment with those run outside this state.

RECOMMENDATION #3

Most off-track betting corporations, as well as certain racetracks, 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 interests of the State of New York) that maximum utilization of these innovative yet costly facilities be encouraged.

Accordingly, the Board recommends that simulcasts from out-of-state racetracks into licensed simulcast facilities be authorized when the Board determines that either (1) an equivalent in-state racing program is not available (for a given time period and location), or (2) the race is an out-of-state special event with significant public interest, such as the

OK

inserted

Kentucky Derby, the Preakness, the Breeders' Cup or the Breeders' Crown.

RECOMMENDATION #4

*Cup w/p -
-w/o cost to state.*

The advent of simulcasting has drastically changed the way in which off-track pari-mutuel wagering on horse races is conducted. The State's off-track betting corporations have undertaken significant and worthwhile programs to expand and enhance their facilities. With simulcasting, it is important for the patrons to feel comfortable, enjoy all the new amenities now allowed by law and actively participate in the new wagering opportunities offered by simulcasting (i.e. - increase the "churn").

In order to accommodate these new requirements, OTB corporations have and must continue to upgrade their physical facilities, as well as the technical equipment needed for simulcasting. Off-track betting corporations, like racetracks, must offer their patrons an incentive for returning day after day or night after night.

In this report, we have described the efforts of several off-track betting corporations to improve their facilities and the services offered therein. We have also described how these corporations have sought to finance these cost-intensive programs. Some of the methods presently employed are under review by the Board and other regulatory agencies.

It is evident that some type of statutory mechanism must be .

established to assist off-track betting corporations in their ongoing efforts to enhance OTB facilities and promote the sport of racing. Currently, some type of capital construction or improvement fund exists for most of the State's racetracks. An expanded fund for the State's harness tracks has been recommended by the Governor in his harness track tax relief bill.

Accordingly, the Board recommends that the Racing Law be amended to provide for a means to finance capital improvements, acquisitions and/or equipment by off-track betting corporations. The Board believes that this change is necessary to enable the state's off-track betting corporations to fulfill their mandate under Article X - Simulcasting of the Racing Law.

CONCLUSION

The foregoing has been a detailed analysis of simulcast operations during 1987. During the past three and one half years, substantial investments by the various off-track betting corporations and the tracks have continued and will increase. In our view, this investment will yield greater dividends over a longer period of time; expanded simulcasting should be given the opportunity to develop.

While there have been various problems associated with simulcasting, nearly all of them are technical and can be resolved. The major problem is conceptual. A sense of apprehension and distrust among the various segments of the industry pervades most, if not all, the relationships that exist within the racing and pari-mutuel wagering community. In addition, personality conflicts among industry leaders contribute to the lack of cooperation and understanding. Several specific instances have been described in this report.

Stripped of all its apparent glitter, racing is and remains a public service industry. Its mainstay is the public. The public interest will not be served unless all elements of the industry cooperate. It is in their own best interest, as well as the public's. Through simulcasting and related tax credits, the tracks, their horsemen and OTB corporations have been given an incentive to accomplish this goal. These methods should be continued and expanded for the benefit of the entire racing and pari-mutuel wagering industry.

APPENDICES

The following charts summarize various financial results during the calendar year ending December 31, 1987. All figures are tentative.

COMBINED ON AND OFF-TRACK HANDLE - 1987/1986
COMPARISON OF HANDLE

	ON-TRACK HANDLE		% of Increase or (decrease)	OFF-TRACK HANDLE		% of Increase or (decrease)	COMBINED ON AND OFF-TRACK HANDLE	
	1987	1986		1987	1986		1987	1986
THOROUGHBRED RACING								
N. Y. R. A.								
Aqueduct	\$ 444,498,700	\$ 473,686,666	(6.16)	\$ 674,626,216	\$ 662,395,661	1.85	\$1,119,124,916	\$1,136,082,327 (1.49)
Belmont	355,691,951	348,610,856	2.03	493,508,285	440,192,919	12.11	849,200,236	788,803,775 7.66
Saratoga	84,554,276	76,030,872	11.21	112,258,316	98,332,425	14.16	196,813,092	174,363,297 12.88
N. Y. R. A. Total	884,745,427	898,328,394	(1.51)	1,280,392,817	1,200,921,005	6.62	2,165,130,244	2,099,249,399 3.14
Intertrack Simulcasts of N. Y. R. A. at:								
Aqueduct (Saratoga meet)	30,411,611	28,070,369	8.34	---	---	---	30,411,611	28,070,369 8.34
Finger Lakes	7,260,261	9,189,374	(20.99)	---	---	---	7,260,261	9,189,374 (20.99)
Saratoga Raceway	18,897,279	16,517,282	14.41	---	---	---	18,897,279	16,517,282 14.41
Buffalo at Erie Co. Fair	---	127,161	---	---	---	---	---	127,161 ---
Buffalo Raceway	---	---	---	---	---	---	---	---
Yonkers Raceway	94,153,799	56,680,458	66.11	---	---	---	94,153,799	56,680,458 66.11
Intertrack Simulcast Totals	150,722,950	110,584,644	36.30	---	---	---	150,722,950	110,584,644 36.30
Total N. Y. R. A. races	1,035,468,377	1,008,913,038	2.63	1,280,392,817	1,200,921,005	6.62	2,315,861,194	2,209,834,043 4.80
Finger Lakes	48,976,593	49,253,908	(0.56)	105,977,776	75,115,030	41.09	154,954,369	124,368,938 24.59
TOTAL IN-STATE THOROUGHBRED	1,084,444,970	1,058,166,946	2.48	1,386,370,593	1,276,036,035	8.65	2,470,815,563	2,334,202,981 5.85
OUT OF STATE & SP. EVENTS	---	---	---	89,907,954	77,049,128	16.69	89,907,954	77,049,128 16.69
TOTAL THOROUGHBRED HANDLE	1,084,444,970	1,058,166,946	2.48	1,476,278,547	1,353,085,163	9.10	2,560,723,517	2,411,252,109 6.20
HARNESS RACING								
Roosevelt Raceway	157,492,707	174,836,797	(9.92)	157,489,934	156,600,867	0.57	314,982,641	311,437,664 (4.96)
Yonkers Raceway	163,946,198	172,044,907	(4.71)	179,214,004	153,395,594	16.83	343,160,202	325,440,501 5.44
Total Roosevelt/Yonkers	321,438,905	346,881,704	(7.33)	336,703,938	309,996,461	8.62	658,142,843	656,878,165 0.19
Monticello Raceway	52,796,229	53,871,039	(2.00)	23,648,912	22,846,699	3.51	76,445,141	76,717,738 (0.36)
Saratoga Raceway	36,120,680	35,316,610	2.28	16,288,281	15,821,879	2.95	52,408,961	51,136,439 2.48
Vernon Downs	32,570,020	34,651,557	(6.01)	6,222,960	6,781,819	(8.24)	38,797,980	41,433,376 (6.37)
Batavia Downs	26,353,572	30,192,027	(12.71)	21,864,719	24,694,415	(11.46)	48,718,291	54,886,442 (12.15)
Buffalo Raceway	25,057,225	28,697,011	(12.68)	27,847,549	22,013,267	26.50	52,904,774	50,710,278 4.33
Total Batavia/Buffalo	51,410,797	58,889,038	(12.70)	49,712,268	46,707,682	6.43	101,123,065	105,596,720 (4.24)
Syracuse Mile	2,210,154	2,089,132	5.79	190,777	178,236	7.04	2,400,931	2,267,368 5.89
TOTAL IN-STATE HARNESS	496,546,785	531,699,080	(6.61)	432,767,136	402,332,726	7.56	929,313,921	934,031,806 (0.51)
OUT OF STATE SP. EVENTS	---	---	---	118,916	---	---	118,916	---
TOTAL HARNESS HANDLE	496,546,785	531,699,080	(6.61)	432,886,052	402,332,726	7.59	929,432,837	934,031,806 (0.49)
QUARTERHORSE RACING								
Suffolk Meadows	---	10,343,705	---	---	1,336,764	---	---	11,680,469
ALL TRACKS COMBINED	\$1,580,991,755	\$1,600,209,731	(1.20)	\$1,909,164,599	\$1,756,754,653	8.68	\$3,490,156,354	\$3,356,964,384 3.97

COMPARISON OF HANDLE AND ATTENDANCE

TRACK	PROGRAMS RACED		HANDLE			ATTENDANCE			INCREASE (DECREASE)
	1987	1986	1987	1986	INCREASE (DECREASE)	PERCENT	1987	1986	
<u>TIKOKHIBRED RACING</u>									
N. Y. R. A.									
Aqueduct	160	170	\$ 444,548,700	\$ 473,686,666	\$ (29,137,966)	(6.15)	1,969,934	2,201,960	(232,026)
Belmont	120	117	355,641,951	348,610,856	7,031,095	2.02	1,766,013	1,819,045	(55,032)
Saratoga	24	24	84,554,776	76,030,872	8,523,904	11.21	722,190	704,327	17,863
N.Y.R.A. On-Track Total	304	311	884,745,427	898,328,394	(13,582,967)	(1.51)	4,456,137	4,725,332	(269,195)
Intertrack Simulcasts of N.Y.R.A. at:									
Aqueduct (Saratoga meet)	24	24	30,411,611	28,070,369	2,341,242	8.34	172,016	150,455	21,561
Finger Lakes	91	114	7,260,261	9,189,374	(1,929,113)	(20.99)	39,329	52,566	(13,237)
Saratoga Raceway	280	286	18,897,279	16,517,282	2,379,997	14.41	172,996	169,622	3,374
Buffalo at Erie Co. Fair	---	9	---	127,161	(127,161)	---	---	---	---
Buffalo Raceway	---	---	---	---	---	---	---	---	---
Yonkers Raceway	304	262	94,153,799	56,680,458	37,473,341	66.11	569,242	325,256	243,986
Intertrack Simulcast Totals	699	675	150,722,950	110,584,644	40,138,306	36.30	953,583	697,899	255,684
Total N.Y.R.A.	304	311	1,035,468,377	1,008,913,038	26,555,339	2.63	5,409,720	5,423,231	(13,511)
Finger Lakes	171	161	48,976,593	49,253,908	(277,315)	(0.56)	419,923	443,908	(23,985)
475	472	---	1,084,444,970	1,058,166,946	26,278,024	2.48	5,829,643	5,867,139	(37,496)
<u>THOROUGHBRED TRACKS COMBINED</u>									
<u>HARNESS RACING</u>									
Roosevelt Raceway	183	183	157,492,707	174,836,797	(17,344,090)	(9.92)	737,334	835,474	(103,140)
Yonkers Raceway	193	182	163,946,198	172,044,907	(8,098,709)	(4.71)	721,558	764,665	(43,107)
Total Roosevelt/Yonkers	376	365	321,438,905	346,881,704	(25,442,799)	(7.33)	1,458,892	1,600,139	(146,247)
Monticello Raceway	216	209	52,796,229	53,871,039	(1,074,810)	(2.00)	426,318	435,528	(9,210)
Saratoga Raceway	188	187	36,120,680	35,316,610	804,070	(2.28)	428,667	434,845	(6,178)
Vernon Downs	160	160	32,570,020	34,651,557	(2,081,537)	(6.01)	387,835	410,092	(22,257)
Batavia Downs	147	151	26,353,572	30,192,027	(3,838,455)	(12.71)	267,168	298,638	(36,470)
Buffalo Raceway	143	133	25,057,225	28,697,011	(3,639,786)	(12.68)	260,225	267,054	(6,829)
Total Batavia/Buffalo	290	284	51,410,797	58,889,038	(7,478,241)	(12.70)	507,393	565,692	(63,299)
Syracuse Mile	7	7	2,210,154	2,089,132	121,022	5.79	21,315	21,393	(78)
HARNESS TRACKS COMBINED	1,237	1,212	496,546,785	531,699,080	(35,152,295)	(6.61)	3,215,420	3,467,689	(252,269)
<u>QUARTERHORSE RACING</u>									
Suffolk Meadows	---	86	---	10,343,705	(10,343,705)	---	---	168,879	(168,879)
A.L.L. TRACKS COMBINED	1,112	1,170	\$1,580,991,755	\$1,600,209,731	\$(19,217,976)	(1.20)	9,045,063	9,503,707	(458,644)

1987 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 CORPORATIONS</u>
THOROUGHBRED							
N.Y.R.A.							
Aqueduct	\$ 380,163,144	\$ 69,639,291	\$ 67,430,166	\$ 39,263,009	\$ 67,354,830	\$ 50,775,776	\$ 674,626,216
Belmont	292,827,797	48,808,454	49,548,459	29,251,067	49,480,958	23,591,550	493,508,285
Saratoga	60,288,641	11,307,434	10,957,854	6,462,357	18,047,884	5,194,146	112,258,316
N.Y.R.A. TOTAL	733,279,582	129,755,179	127,936,479	74,976,433	134,883,672	79,561,472	1,280,392,817
Finger Lakes	17,896,826	2,201,367	2,725,888	7,447,898	23,694,256	52,011,541	105,977,776
Total In-State Thoroughbred	751,176,408	131,956,546	130,662,367	82,424,331	158,577,928	131,573,013	1,386,370,593
Out-Of-State Thoroughbred	54,469,250	8,314,005	6,409,952	5,215,979	8,934,178	6,564,590	89,907,954
TOTAL THOROUGHBRED HANDLE	\$ 805,645,658	\$140,270,551	\$137,072,319	\$ 87,640,310	\$167,512,106	\$138,137,603	\$1,476,278,547
HARNES							
Roosevelt Raceway	93,562,398	12,934,334	24,949,185	19,886,234	5,566,948	590,835	157,489,934
Yonkers Raceway	91,215,965	24,543,641	31,451,081	20,034,205	10,553,206	1,415,906	179,214,004
R/Y Subtotal	184,778,363	37,477,975	56,400,266	39,920,439	16,120,154	2,006,741	336,703,938
Monticello Raceway	12,916,523	2,438,040	1,901,744	5,148,117	1,244,488	---	23,648,912
Saratoga Raceway	---	---	---	---	16,288,281	---	16,288,281
Vernon Downs	---	---	---	---	5,223,166	999,794	6,222,960
Batavia Downs	---	---	---	---	1,637,342	20,227,377	21,864,719
Buffalo Raceway	---	---	---	---	1,783,770	26,063,779	27,847,549
Bat./Buf. Subtotal	---	---	---	---	3,421,112	46,291,156	49,712,268
Syracuse Mile	---	---	---	---	49,590	141,187	190,777
In-State Harness	197,694,886	39,916,015	58,302,010	45,068,556	42,346,791	49,438,878	432,767,136
Out-Of-State Harness	36,471	9,302	9,169	15,057	33,724	15,193	118,916
Total Harness Handle	197,731,357	39,925,317	58,311,179	45,083,613	42,380,515	49,454,071	432,886,052
TOTAL OFF-TRACK HANDLE	\$1,003,377,015	\$180,195,868	\$195,383,498	\$132,723,923	\$209,892,621	\$187,591,674	\$1,909,164,599

PARI-MUTUEL HANDLE AT SIMULCAST LOCATIONS IN NEW YORK STATE (1987 - 1986) (Part 1)

RACES

	ALL TRACKS		NYRA		Finger Lakes		Roosevelt/Yonkers	
	1987	1986	1987	1986	1987	1986	1987	1986
NYRA SIMULCASTS								
AT:								
Aqueduct	\$ 30,411,611	\$ 28,341,647	\$ 30,411,611	\$ 28,341,647	\$			
Yonkers Raceway	94,153,799	56,700,458	94,153,799	56,700,458				
Saratoga Raceway	18,897,279	16,597,700	18,897,279	16,597,700				
Finger Lakes	7,260,261	9,189,374	7,260,261	9,189,374				
Buffalo at Erie Co. Fair		127,161		127,161				
Total	\$ 150,722,950	\$ 110,956,340	\$ 150,722,950	\$ 110,956,340	\$	\$	\$	\$
N Y City OTB	\$ 315,677,000	\$ 269,190,000	\$ 216,000,000	\$ 174,100,000	\$ 4,900,000	\$ 2,700,000	\$ 94,400,000	\$ 91,700,000
Nassau OTB	67,825,000	50,050,000	55,100,000	44,600,000		603,000	12,700,000*	4,500,000*
Suffolk OTB	103,879,000	86,040,000	64,044,000	59,200,000	1,600,000	620,000	38,200,000	26,000,000
Catskill OTB	103,100,000	80,500,000	58,100,000	52,900,000	6,900,000	2,800,000	35,600,000	24,800,000
Capital OTB	116,037,000	102,203,000	81,544,000	77,100,000	16,840,000	12,300,000	8,572,000	6,600,000
Western OTB	132,120,000	53,693,000	64,520,000	25,800,000	42,500,000	20,600,000	1,100,000	439,000
Total	\$ 838,638,000	\$ 641,676,000	\$ 539,308,000	\$ 433,700,000	\$ 72,740,000	\$ 39,623,000	\$ 190,572,000	\$ 154,039,000
TELETHEATERS								
N Y City OTB	\$ 58,945,000	\$ 26,200,000	\$ 42,100,000	\$ 18,000,000	\$ 123,000		\$ 16,698,000	\$ 8,200,000
Suffolk OTB	28,500,000	11,020,000	19,016,000	7,600,000	302,000	120,000	9,182,000	3,300,000
Capital OTB	28,249,000	25,150,000	17,955,000	15,810,000	2,193,000	1,700,000	3,914,000	3,600,000
Total (Teletheaters)	\$ 115,694,000	\$ 62,370,000	\$ 79,071,000	\$ 41,410,000	\$ 2,618,000	\$ 1,820,000	\$ 29,794,000	\$ 15,100,000
STATEWIDE TOTAL	\$ 1,105,054,950	\$ 815,002,340	\$ 769,101,950	\$ 586,066,340	\$ 75,358,000	\$ 41,443,000	\$ 220,366,000	\$ 169,139,000

* Yonkers Only

PARI-MUTUEL HANDLE AT SIMULCAST LOCATIONS IN NEW YORK STATE (1987 - 1986) (Part 2)
RACES

	Monticello		Saratoga Raceway		Batavia/Buffalo		Suffolk Meadows	
	1987	1986	1987	1986	1987	1986	1987	1986
NYRA SIMULCASTS								
AT:								
Aqueduct	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Yonkers Raceway	---	---	---	---	---	---	---	---
Saratoga Raceway	---	---	---	---	---	---	---	---
Finger Lakes	---	---	---	---	---	---	---	---
Buffalo at Erie Co. Fair	---	---	---	---	---	---	---	---
Total	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
N Y City OTB								
Nassau OTB	\$ 376,700	\$ 690,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Suffolk OTB	25,000	117,000	---	---	---	---	---	230,000
Catskill OTB	35,000	220,000	---	---	---	---	---	---
Capital OTB	2,500,000	---	---	---	---	---	---	---
Western OTB	694,000	---	6,359,000	5,200,000	2,028,000	803,000	---	200,000
Total	\$ 3,630,700	\$ 1,027,000	\$ 6,359,000	\$ 5,200,000	\$ 24,000,000	\$ 6,400,000	\$ 7,203,000	\$ 454,000
TELETHEATERS								
N Y City OTB	\$ 24,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Suffolk OTB	---	---	---	---	---	---	---	---
Capital OTB	199,000	---	---	---	---	---	---	---
Total (Teletheaters)	\$ 223,000	\$ ---	\$ 3,658,000	\$ 3,800,000	\$ 330,000	\$ 120,000	\$ 120,000	\$ 120,000
STATEWIDE TOTAL	\$ 3,853,700	\$ 1,027,000	\$ 10,017,000	\$ 9,000,000	\$ 26,358,000	\$ 7,323,000	\$ 7,323,000	\$ 1,004,000

1987

Arthur

NEW YORK RACING ASSOCIATION SIMULCASTS TO OTHER NEW YORK TRACKS

NYRA Betting At	Yonkers Raceway		Saratoga Raceway		Finger Lakes		Combined Totals	
	1/1 - 12/31	Average	1/1 - 12/31	Average	1/1 - 4/2, 12/7 - 12/31	Average	1/1 - 12/31	Average
Dates Raced	304		280		91		304	
Days Raced	569,342	1,873	172,260	615	39,329	432	780,931	2569
HANDLE								
Regular	\$26,981,378	28.66	\$ 6,113,503	32.35	\$1,397,246	19.25	\$ 34,492,127	28.67
Multiple	60,193,882	63.93	11,157,132	59.04	5,231,021	72.05	76,582,035	63.65
Exotic	5,624,905	5.97	1,343,768	7.11	538,790	7.42	7,507,463	6.24
Super Exotic	1,353,634	1.44	1,282,876	1.50	93,204	1.28	1,729,714	1.44
Total Handle	\$94,153,799	100%	\$18,897,279	100%	\$7,260,261	100%	\$120,311,339	100%
HARING OF HANDLE								
State Tax	\$ 2,287,058	2.43	\$ 410,351	2.17	\$ 131,769	1.82	\$ 2,829,178	2.35
Breeders Fund	470,766	.50	94,485	.50	36,300	.50	601,551	.50
NYRA	6,097,114	6.48	1,215,094	6.43	488,746	6.73	7,800,954	6.49
Receiving Track	8,193,431	8.70	1,735,396	9.18	659,436	9.08	10,588,263	8.80
Total Commission/Breakage	\$17,048,369	18.11	\$ 3,485,326	18.28	\$1,316,251	18.13	\$ 21,819,946	18.14
Bettors Share	77,105,430	81.89	15,411,953	81.72	5,944,010	81.87	98,491,393	81.86
HANDLE	\$94,153,799	100%	\$18,897,279	100%	\$7,260,261	100%	\$120,311,339	100%
of Combined Handle	78.26%		15.71%		6.03%		100%	
verage Bet Per Capita	\$165		\$110		\$185		\$154	

onsistent with the treatment by the Department of Taxation and Finance, Kentucky Derby and Breckness betting, \$203,531 for Saratoga Raceway and \$352,040 for Yonkers Raceway, are included in the Total handles. NYRA's shares of commissions reflect only the simulcast betting on NYRA races.

1987

NEW YORK RACING ASSOCIATION SIMULCAST TO OTHER TRACK CORPORATIONS
 INDIVIDUAL TRACK OPERATING SCHEDULES, PURSE ALLOCATIONS AND PROFITS AND LOSSES

	YONKERS RACEWAY AMOUNT	PER DAY	SARATOGA RACEWAY AMOUNT	PER DAY	FINGER LAKES AMOUNT	PER DAY	AMOUNT	PER DAY	NYRA AMOUNT	PER DAY	COMBINED AMOUNT
Track Share of Commission & Breakage	\$8,193,431	\$26,952	\$1,735,396	\$6,198	\$659,436	\$7,246	\$7,800,954	\$25,661			\$18,389,217
Other Operating Revenue	869,263	2,859	95,730	342	64,326	707					1,029,319
Total Simulcast Revenue	\$9,062,694	\$29,811	\$1,831,126	\$6,540	\$723,762	\$7,953	\$7,800,954				\$19,418,536
Total Meet Expense	(3,952,132)	(13,000)	(1,244,844)	(4,446)	(471,187)	(5,178)					(5,668,163)
Profit Before Purse Share	\$5,110,562	\$16,811	\$586,282	\$2,094	\$252,575	\$2,775	\$7,800,954				\$13,750,373
Allocated To Purses	(1,085,500)	(3,571)	(157,491)	(562)	(79,103)	(869)	(3,900,477)	(12,831)			(5,222,571)
Simulcast Meet Profit (Before G & A & Taxes)	\$4,025,062	\$13,240	\$428,791	\$1,532	\$173,472	\$1,906	\$3,900,477	\$12,830			\$8,527,802
Simulcast Days		304		280		91		304			
of Combined Profit	47.20%		5.03%		2.03%		45.74%				100%

The 304 simulcast days indicated for the NYRA column represents the number of NYRA racing days on which one or more of the three other tracks received NYRA purses. The allocations to purses as shown for the receiving tracks were to each track's own racing. NYRA horsemen benefited by the \$3,900,477 in the NYRA column.

TRACK TO TRACK SIMULCASTS NYRA RACING - Handles at Receiving Tracks
5 Year Comparison of Combined On-Track and Simulcast Handles and Racing Days

<u>BUFFALO RACEWAY</u>	<u>On-Track Own Racing</u>		<u>On-Track Simulcast NYRA Racing</u>		<u>Combined Ha</u>
	<u>Days</u>	<u>Handle</u>	<u>Days</u>	<u>Handle</u>	
1983	143	\$35,697,564			\$35,697,5
(Decrease) Increase 1984		(3,985,708)		\$1,011,609	(2,974,0
1984	144	\$31,711,856	23	\$1,011,609	\$32,723,4
(Decrease) Increase 1985		(2,759,595)		4,546,090	1,786,4
1985	141	\$28,950,261	155	\$5,557,699	\$34,509,9
(Decrease) 1986		(255,250)		(5,430,538)	(5,685,7
1986	133	\$28,697,011	9	\$ 127,161	\$28,824,1
(Decrease) 1987		(3,639,786)		(127,161)	(3,766,9
1987	143	\$25,057,225		No Simulcast	\$25,057,2

FINGER LAKES

1983	152	\$52,605,104			\$52,605,1
(Decrease) Increase 1984		(1,063,014)		\$1,466,435	403,4
1984	151	\$51,542,090	23	\$1,466,435	\$53,008,5
(Decrease) Increase 1985		(2,630,450)		8,357,391	5,726,6
1985	161	\$48,911,640	194	\$0,823,826	\$58,735,4
Increase (Decrease) 1986		342,268		(634,452)	(292,1
1986	161	\$49,253,908	114	\$9,189,374	\$58,443,2
(Decrease) 1987		(277,315)		(1,929,113)	(2,206,4
1987	171	\$48,976,593	91	\$7,260,261	\$56,236,8

SARATUGA RACEWAY

1983	203	\$44,801,059			\$44,801,0
Increase 1984		1,444,342		\$ 6,159,825	7,604,1
1984	221	\$46,245,401	108	\$ 6,159,825	\$52,405,2
(Decrease) Increase 1985		(7,679,379)		11,060,402	3,381,0
1985	187	\$38,566,022	282	\$17,220,227	\$55,786,2
(Decrease) 1986		(3,249,412)		(702,945)	(3,952,3
1986	187	\$35,316,610	286	\$16,517,282	\$51,833,8
Increase 1987		804,070		2,379,997	3,184,0
1987	188	\$36,120,680	280	\$18,897,279	\$55,017,9

(1987-NYRA Simulcast racing includes \$203,531 for Kentucky Derby and Preakness)

YONKERS RACEWAY

1983	155	\$203,199,126			\$203,199,1
(Decrease) 1984		(25,391,041)			(25,391,0
1984	154	\$177,808,085			\$177,808,0
Increase 1985		9,109,839			9,109,8
1985	163	\$186,917,924			\$186,917,9
(Decrease) Increase 1986		(14,873,827)		\$56,680,458	41,806,6
1986	182	\$172,044,097	242	\$56,680,458	\$228,724,5
(Decrease) Increase 1987		(8,097,899)		37,473,341	29,375,4
1987	193	\$163,946,198	304	\$94,153,799	\$258,099,9

(1987-NYRA Simulcast racing includes \$352,040 for Kentucky Derby and Preakness)

NEW YORK RACING ASSOCIATION

1987 SARATOGA THOROUGHBRED SIMULCAST TRANSMISSION TO AQUEDUCT

Dates Raced	August 5 through August 31, 1987		
Days	24	<u>Average Per Day</u>	<u>% Of Handle</u>
Attendance	172,016	7,167	

HANDLE:	<u>AMOUNT</u>	
Regular	\$ 8,589,035	28.24%
Multiple	19,266,274	63.35
Exotic	1,878,090	6.18
Super Exotic	678,212	2.23
Total Handle at Aqueduct	<u>\$30,411,611</u>	<u>100%</u>

STATUTORY DIVISION OF HANDLE:

State Tax	\$ 848,444	\$ 35,352	2.79%
Breeders Fund	152,058	6,335	.50
Track Share	4,534,633	188,943	14.91
Takeout	\$ 5,535,135	\$ 230,630	18.20
Bettors Share	24,876,476	1,036,520	81.80
Handle	<u>\$30,411,611</u>	<u>\$1,267,150</u>	<u>100%</u>

Average Bet Per Capita \$187

Comparison of Handle and Attendance - Saratoga Simulcast to Aqueduct

	<u>Days</u>	<u>Handle</u>	<u>Average Per Day</u>	<u>% Change</u>
1984 Aug. 1 - Aug. 27	24	\$28,288,175	\$1,178,674	
Increase 1985		3,081,437	128,393	<u>10.89%</u>
1985 July 31 - Aug. 26	24	\$31,369,612	\$1,307,067	
Decrease 1986		(3,299,243)	(137,468)	<u>(10.52%)</u>
1986 July 30 - Aug. 25	24	\$28,070,369	\$1,169,599	
Increase 1987		2,341,242	97,551	<u>8.34%</u>
1987 Aug. 5 - Aug. 31	24	\$30,411,611	\$1,267,150	

SCHEDULE OF SIMULCAST REVENUES, EXPENSES AND PROFIT - NYRA

Track Share of Commission And Breakage Net of Statutory Payments	\$4,534,633
Other Operating Revenues	176,016
Total Revenues	\$4,710,649
Statutory Allocation for NYRA Purses	(\$1,130,574)
Other Operating Expenses	(1,272,400)
Profit In NYRA Results as Supplemental Franchise Fee	<u>\$2,307,675</u>

See next page for five year comparison of other Saratoga Handles.

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

DATES	DAYS	TOTAL FOR MEET	AVERAGE PER DAY		ATTENDANCE	
			AMOUNT	% CHANGE	AMOUNT	% CHANGE
1983 July 27 - Aug. 22	24	\$71,445,673	\$2,976,903		680,277	
Increase (Decrease) - 1984		1,735,850	72,327		(15,515)	
1984 Aug. 1 - Aug. 27	24	\$73,181,523	\$3,049,230	2.43%	664,762	(2.28%)
Increase - 1985		3,028,313	126,180	4.14%	25,511	3.84%
1985 July 31 - Aug. 26	24	\$76,209,836	\$3,175,410		690,273	
Increase (Decrease) - 1985		(178,964)	(7,457)	(0.23%)	14,054	2.03%
1986 July 30 - Aug. 25	24	\$76,030,872	\$3,167,953		704,327	
Increase - 1987		8,523,904	355,163	11.21%	18,094	2.57%
1987 Aug. 8 - Aug. 31	24	\$84,554,776	\$3,523,116		722,421	

See preceding page for simulcasts to Aqueduct.

NEW YORK CITY OTB SARATOGA THOROUGHBRED RACING - 5 YEARS COMPARISON

	NYC OTB HANDLE	DAYS RACED	AVERAGE PER DAY	
			AMOUNT	% CHANGE
1983 July 27 - Aug. 22	\$56,174,297	24	\$2,340,596	
Decrease 1984	(1,898,470)		(79,103)	
1984 Aug. 1 - Aug. 27	\$54,275,827	24	\$2,261,493	(3.38%)
Decrease 1985	(840,143)		(35,006)	
1985 July 3 - Aug. 26	\$53,435,684	24	\$2,226,487	(1.55%)
Increase 1986	1,681,585		70,066	3.15%
1986 July 30 - Aug. 25	\$55,117,269	24	\$2,296,553	
Increase	5,171,372		215,474	9.38%
1987 Aug. 8 - Aug. 31	\$60,288,641	24	\$2,512,027	

YONKERS RACEWAY - SARATOGA THOROUGHBRED SIMULCASTS

	YONKERS HANDLE	DAYS RACED	AVERAGE PER DAY	
			AMOUNT	% CHANGE
1986 July 30 - Aug. 25	\$7,095,423	24	\$295,643	
Increase 1987	1,881,286		78,387	
1987 Aug. 8 - Aug. 31	\$8,976,709	24	\$374,030	26.51%

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