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# **Economic Impact Study**

## **New York Standardbred Horseracing Industry**

Prepared for:  
Empire State Harness Horse Alliance

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## EXECUTIVE SUMMARY

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JMS Advisors was commissioned by the Empire State Harness Horse Alliance (“ESHHA”) to conduct an Economic Impact Study (“ESHHA Study”) for the standardbred (harness) horseracing industry in New York. The primary objective of the Study is to determine if the industry is meeting the stated goal of the Video Lottery Gaming Act (“VLT Act”) of sustaining the racing industry by ensuring racing continues as a vital economic engine. The VLT Act allocates a small portion of Video Lottery Terminal revenue for the enhancement of horseracing industry purses and breeders’ awards. The ESHHA Study estimates the economic benefits of harness racing to the State of New York for 2022 (the most recent year the racing data was available), focusing on the horsemen’s impact driven by the owners, trainers, and breeders of harness racehorses.

In an addendum to this report, we added the estimated economic impact of the seven harness racetracks operating in New York. The economic impact of the racetracks was estimated in a separate study commissioned by the United States Trotting Association (“USTA”) and completed by The Innovation Group, hereafter referred to as the USTA Study. Note, we are not rendering an opinion on the accuracy of the results of the USTA Study, but simply presenting the summary level results.

### *Recent Harness Horseracing Industry Highlights*

- Wagering on New York harness racing surpassed \$315 million in 2022, just 3.7% shy of the pre-Covid level, and despite the proliferation of sports wagering. The quick rebound speaks to the resiliency of the sport and its ability operate in a Covid pandemic environment.
- Saratoga Harness set a single day handle record of \$632,000 on March 6<sup>th</sup>, 2023; a record that had held for over 17 years.
- Export handle on New York harness racing hit an all-time high of \$276 million in 2022.
- The average sale price of a standardbred yearling (at major auctions) increased 31% from 2018 to 2022.
- Saratoga, Tioga, and Batavia recorded all-time records in gross purses paid in 2022.

### *History of Harness Racing in New York*

The harness horseracing industry has a long and distinguished history in New York. Harness racing in New York can be traced back to 1838, when horsemen raced down Main Street in Goshen, New York. The first harness racetrack was built in Goshen in 1854. Note, Goshen hosts the Harness Horseracing Hall of Fame, located on the site of this historic racetrack. In 1899, Yonkers Raceway was founded by the Empire City Trotting Club. This historic racetrack was later purchased by the Rooney family in 1970 and became one of the premier harness racing facilities in the county, typically hosting one or two legs of the harness racing triple crown. Several racetracks (Batavia, Buffalo, and Saratoga) opened in the early 1940s with the advent of pari-mutuel wagering in New York. Saratoga was also a popular area for harness horseracing, dating back to the mid-1800s. Another famed

racetrack called Monticello Raceway opened in 1958 to attract New Yorkers to the Monticello area resorts.

The sport reached its peak (in terms of attendance) in the late 1970s with live annual attendance of over 8 million. Competition for the gambling dollar from the lottery and Atlantic City initially, and subsequently from casinos in Connecticut, Pennsylvania, and New York, took its toll on the industry. Understanding the competitive environment, the harness horseracing industry embraced expanded distribution of races through off-track betting and simulcasting. The harness horse racing industry also became an early adaptor of technology through phone wagering, advanced deposit wagering and internet wagering. Through all of this, the popularity of harness racing in New York remains very strong. Harness horseracing fans in New York and around the country wagered approximately \$315 million in 2022 on New York harness racing, up approximately 10% over the prior year.

### ***VLT Revenue Distribution***

In contrast to the long history of harness horseracing, Video Lotter Terminals (VLTs) were only relatively recently added to racetracks in 2004. The enabling legislation explicitly outlines the need to support the horse racing industry as one of its goals. Ironically, the racinos have recently been working to minimize the exposure of horseracing due to the incremental cost of exhibiting live racing. As Joe Faraldo, President of the Standardbred Owners Association of New York, said in an op-ed piece in 2018:

*It has long been a belief by many in the horse business that “the horsemen are the guardians of the sport,” and there is no doubt that we have a direct and abiding interest in making sure this game survives. And while we have long known that some entities and individuals who have benefitted from harness racing would rather see us and our game disappear, rarely is this unfortunate and ugly truth detailed as blatantly as it was in Harness Racing Update on March 18<sup>th</sup>.*

*In an article discussing the future of marketing harness racing and the relationship between racino/casino operators and racing, a racino owner was quoted on the record as admitting that “the tracks – including me, if I’m just wearing my ‘track hat’ – all want harness racing to disappear as quickly as possible” and “so they are going to do whatever they can do to make that happen.”*

*While this admission may not be a surprise to astute watchers of the game, the cavalier manner in which he so easily dismissed an agriculture/harness industry that employs tens of thousands of New Yorkers is stunning and should be required reading for every regulator and legislator who has heard our horsemen’s and breeder’s concerns in recent years. Sadly, it seems the owners have forgotten that their entire VLT model was made possible by a thoughtful*

*legislative initiative that mutually benefitted education, agriculture, breeding, racing and the state treasury.*

Despite the economic contributions, horseracing operations only receive about 10% of VLT revenue, with 47% to education and 43% to the racinos. Thus, of the \$918 million of VLT revenue distributed in 2022, the racetracks received \$393 million, compared to \$92 million for racing funds; a roughly 4.3 to 1 ratio. It is important that the financially lucrative racetracks continue to support racing by offering the statutory allotment of live race days.

### VLT Revenue Distribution

Year	Education Contribution	Racinos	Horse Racing	Total
2008	\$398.9	\$362.4	\$84.6	\$845.9
2009	\$404.6	\$412.8	\$90.8	\$908.2
2010	\$449.6	\$425.2	\$97.2	\$972.0
2011	\$496.5	\$446.7	\$104.8	\$1,047.9
2012	\$465.2	\$434.8	\$100.0	\$1,000.0
2013	\$469.7	\$438.3	\$100.9	\$1,009.0
2014	\$450.2	\$419.2	\$96.6	\$966.0
2015	\$462.7	\$430.4	\$99.2	\$992.4
2016	\$481.7	\$442.8	\$102.7	\$1,027.2
2017	\$445.6	\$400.0	\$94.0	\$939.5
2018	\$432.7	\$384.1	\$90.8	\$907.6
2019	\$430.6	\$375.7	\$89.6	\$895.9
2020	\$174.9	\$155.1	\$36.7	\$366.7
2021	\$417.3	\$374.3	\$88.0	\$879.6
2022	\$433.3	\$393.0	\$91.8	\$918.1
<b>% of Total:</b>				
2008	47%	43%	10%	100%
2009	45%	45%	10%	100%
2010	46%	44%	10%	100%
2011	47%	43%	10%	100%
2012	47%	43%	10%	100%
2013	47%	43%	10%	100%
2014	47%	43%	10%	100%
2015	47%	43%	10%	100%
2016	47%	43%	10%	100%
2017	47%	43%	10%	100%
2018	48%	42%	10%	100%
2019	48%	42%	10%	100%
2020	48%	42%	10%	100%
2021	47%	43%	10%	100%
2022	47%	43%	10%	100%

Source: NYSGC

## *Impact on Other Industries*

One of the great indirect benefits of the harness horseracing industry is that it supports farms and farmers as well as other industries as outlined below:

- Agriculture
- Farm Equipment
- Animal Health Services
- Leather Goods
- Travel and Tourism
- Racetracks

The harness horseracing industry supports the agriculture industry in two (2) primary ways. First, standardbred horses require pastureland to graze; land the horses call home. Second, horses require crops like hay and oats for feed and bedding. By extension, the farm equipment industry is supported, and to a lesser extent, the construction industry as additional barns and training centers are built. Regarding animal health services, the harness industry supports numerous vets and farriers. The industry requires all types of leather goods, from tack to saddles. As horse racing professionals travel around the state to compete in the various meets, they patronize hotels, restaurants, and horse boarding farms. Lastly, industry supports the seven (7) New York racetracks, which employ over a thousand people needed to conduct live racing and simulcast wagering.

## *Prospering Despite the Covid-19 Pandemic*

Recently, the state's harness horsemen were once again compelled to defend live racing and the economic benefits to the state in the wake of the Covid-19 pandemic. After Governor Cuomo allowed racetracks to re-open with no in-person fans, the horsemen encountered resistance to reopening by two important harness tracks, Yonkers Raceway and Monticello Raceway, both of which are owned by international casino companies.

After a brief pause due to the Covid-19 pandemic, harness horseracing was able to resume quickly using advanced technology to foster offsite wagering. We analyzed offsite wagering statistics in NY (simulcast, account wagering) to demonstrate that racing fans are adept at using offsite wagering platforms and would easily embrace new online wagering platforms, such as the sports wagering platforms. From a historical perspective, horseracing wagering fans have already demonstrated a willingness to wager on horseraces using a video livestream to watch the race. In fact, in 2022, 96% of all wagering on New York harness horseracing was done via simulcast wagering, up from 88% in 2008. In contrast, VLT wagering is always done in person, and thus would be adversely impacted by future health pandemics.

Since the wagering fan is comfortable with technology, the transition to Advance Deposit Wagering ("ADW") was an easy one. With ADW, fans can wager on horseracing from anywhere, using a TV, computer, or phone to place the wager and view the race. Following Covid-19 pandemic restrictions on live attendance, ADW handle increased 61% from 2018 through 2022. There are currently ten companies offering ADW wagering in New York.

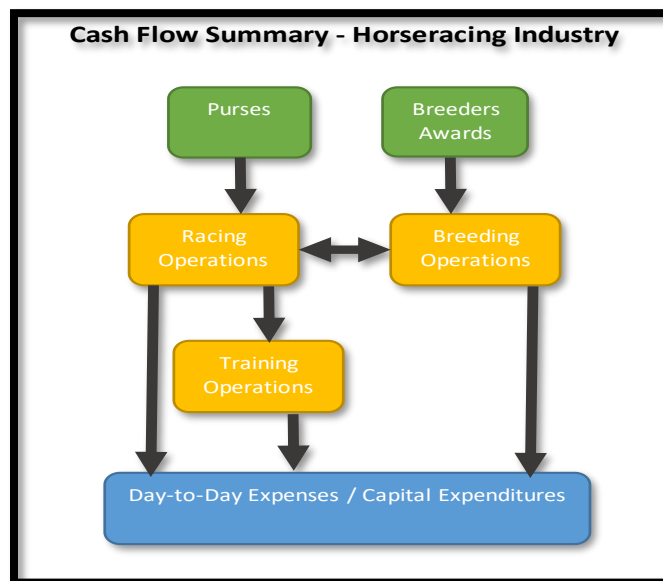
## Potential for Growth

With the advent of legalized sports betting in New York, the potential exists for additional well-funded and popular wagering platforms to be added to this list. According to the NYGC, sports wagering totaled \$16.2 billion in 2022, across 9 wagering platforms. Sports wagering is currently growing at a quarterly rate of over 30%, reaching \$18.1 billion for the twelve months ended October 2023, as displayed in the graph below.



## Economic Impact - Horsemen

Purses and breeder awards are the catalyst for economic impact in the horseracing industry as these funds flow from the owners of racehorses to breeders and trainers (including training centers). All these participants in turn spend money in the community during the ordinary course of business on day-to-day expenses and major purchases, thus generating economic impact.





## Direct Economic Impact Summary – Harness Horsemen

The table below sums each component of Direct Economic Impact. For 2022, direct economic impact summed to approximately \$230 million, exhibiting a multiple to purses of approximately 1.98 times. The figure is up slightly from the prior study in 2018.

**Direct Economic Impact Summary - Horsemen**

<b>Components</b>	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
Other Revenue	\$90.7	\$90.0	-\$0.8	-1%
NY Enterprise Expenses in NY	\$146.3	\$147.3	\$0.9	1%
NY Enterprise Capital Expenditures	\$8.3	\$9.9	\$1.6	19%
Out-of-State Enterprise Expenses	\$27.2	\$27.7	\$0.5	2%
<b>Total Economic Transactions</b>	<b>\$272.6</b>	<b>\$274.8</b>	<b>\$2.3</b>	<b>1%</b>
Intra-State Elimination	-\$45.4	-\$45.0	\$0.4	-1%
<b>Total Direct Economic Impact</b>	<b>\$227.2</b>	<b>\$229.8</b>	<b>\$2.7</b>	<b>1%</b>
<i>Multiplier (relative to purses)</i>	<i>1.91</i>	<i>1.98</i>	<i>0.07</i>	<i>4%</i>

We estimated that 42.5% or \$62.6 million of enterprise operating expenses relate to payroll. Based on an average payroll factor of \$44,100, direct jobs calculated to 1,418 jobs in 2022, including both part time and full time.

**Direct Jobs Calculation - Horsemen**

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
NY Enterprise Expenses	\$146.3	\$147.3	\$0.9	1%
Payroll %	32.5%	42.5%	10.0%	31%
<b>Payroll \$\$</b>	<b>\$47.6</b>	<b>\$62.6</b>	<b>\$15.0</b>	<b>32%</b>
Avg Payroll	\$41,580	\$44,130	\$2,550	6%
<b>Direct Jobs (payroll based)</b>	<b>1,144</b>	<b>1,418</b>	<b>275</b>	<b>24%</b>

Most trainers and drivers of racehorses, as contract laborers, likely consider their role in racing as their primary employment. Per the NYGC Annual Report, there are 265 and 516 licensed drivers and trainers in 2022, respectively. We estimated 56% of drivers and 78% of trainers meet the “starts” threshold to be considered a job, resulting in 550 additional harness racing jobs.

**Contract Laborer Jobs Calculation**

<b>Contract Laborers</b>	<b>License Count</b>	<b>Discount Factor *</b>	<b>NY Jobs</b>
Drivers	265	56%	148
Trainers	516	78%	402
<b>Total</b>	<b>781</b>	<b>70%</b>	<b>550</b>

Combining both sources of jobs, total direct jobs associated with the harness racing enterprises summed to about 1,968 jobs.

**Total Jobs (2022) - Horsemen**

Direct Jobs	1,418
Contract Laborers	550
<b>Total Jobs</b>	<b>1,968</b>

## Indirect Economic Impact Summary - Horsemen

The table below displays the Indirect Economic Impact or the “ripple effect” in the economy resulting from the direct spending as local vendors and employees spend money in the local community for goods and services. For example, local farms that supply feed and bedding to racing concerns are likely to spend more in the local economy as they gear up for the added workload. The amount of the indirect impact was based on Bureau of Economic Analysis RIMS II input/output multipliers.

After applying the appropriate multipliers to the direct impact, total impact in the local economy calculated to about \$417 million, resulting in Net Indirect Impact of \$188 million in 2022. Based on the job’s multiplier of 9.6, total indirect jobs calculated to 2,217 jobs. Comparing the earnings component with the jobs total, the implied average payroll for these indirect employees calculated to approximately \$42,600 per year.

### Indirect Impact Summary - Horsemen

	2018	2022	Change	% Change
Direct Impact	\$227.2	\$229.8	\$2.7	1%
Indirect Multiplier	1.85	1.82	-0.04	-2%
Total Impact	\$420.8	\$417.4	-\$3.5	-1%
<b>Net Indirect Impact</b>	<b>\$193.7</b>	<b>\$187.5</b>	<b>-\$6.1</b>	<b>-3%</b>
Earnings Factor	0.42	0.41	-0.01	-2%
<b>Earnings Component</b>	<b>\$95.6</b>	<b>\$94.4</b>	<b>-\$1.2</b>	<b>-1%</b>
Jobs Mutiplier	11.4	9.6	-1.7	-15%
<b>Indirect Jobs</b>	<b>2,585</b>	<b>2,217</b>	<b>-367</b>	<b>-14%</b>

## Total Impact - Horsemen

Combining the direct and indirect components, total Economic Impact for New York State summed to \$417 million from the harness racing enterprises in 2022. The total jobs impact summed to approximately 4,170 FTE jobs.

### Total Economic Impact - Horsemen

	2018	2022	Change	% Change
Direct Impact	\$227.2	\$229.8	\$2.7	1%
Indirect Impact	\$193.7	\$187.5	-\$6.1	-3%
<b>Total Impact</b>	<b>\$420.8</b>	<b>\$417.4</b>	<b>-\$3.5</b>	<b>-1%</b>

### Total Jobs Impact - Horsemen

	2018	2022	Change	% Change
Direct Jobs	1,144	1,953	809	71%
Indirect Jobs	2,585	2,217	-367	-14%
<b>Total Jobs</b>	<b>3,728</b>	<b>4,170</b>	<b>442</b>	<b>12%</b>

Source: ESHHA Study

## ***Economic Impact Summary – Harness Racing Industry***

Combining the horsemen's impact via the ESHHA Study with the racetracks' impact via the USTA Study, total economic impact from the Harness Racing Industry summed to \$655 million in 2022, equating to about 6,500 jobs. Note, the horsemen or racing enterprises account for 64% of the total for both categories of impact, as displayed in the tables below.

### **Economic Impact – Harness Racing Industry**

	<b>Horsemen *</b>	<b>Racetracks **</b>	<b>Total</b>
Direct	\$229.8	\$145.4	\$375.3
Indirect/Induced	\$187.5	\$92.7	\$280.2
<b>Total</b>	<b>\$417.4</b>	<b>\$238.1</b>	<b>\$655.4</b>
% of Total	64%	36%	100%
* ESHHA Study			
** USTA Study			

### **Jobs Impact – Harness Racing Industry**

	<b>Horsemen *</b>	<b>Racetracks **</b>	<b>Total</b>
Direct	1,953	1,603	3,556
Indirect/Induced	2,217	709	2,926
<b>Total</b>	<b>4,170</b>	<b>2,312</b>	<b>6,482</b>
% of Total	64%	36%	100%
* ESHHA Study			
** USTA Study			

## INTRODUCTION

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JMS Advisors was commissioned by the Empire State Harness Horse Alliance (“ESHHA”) to conduct an Economic Impact Study (“ESHHA Study”) for the standardbred (harness) horseracing industry in New York. The primary objective of the Study is to determine if the industry is meeting the stated goal of the Video Lottery Gaming Act (“VLT Act”) of sustaining the racing industry by ensuring racing continues as a vital economic engine. The VLT Act allocates a small portion of Video Lottery Terminal revenue for the enhancement of harness racing purses and breeder awards. The ESHHA Study estimates the economic benefits of harness racing to the State of New York for 2022 (the most recent year the racing data was available), focusing on the horsemen’s impact driven by the owners, trainers, and breeders of harness racehorses.

In an addendum to this report, we added the estimated economic impact of the seven harness racetracks operating in New York. The economic impact of the racetracks was estimated in a separate study commissioned by the United States Trotting Association (“USTA”) and completed by The Innovation Group, hereafter referred to as the USTA Study. Note, we did not render an opinion on the accuracy of the results of the USTA Study, but simply present the summary level results.

Harness horseracing continues to be a popular sport in New York and around the country. Harness racing fans around the country waged approximately \$315 million in 2022 on New York harness racing, up 10% over the prior year.

The New York harness racing industry also conducts racing at numerous county fairs, primarily to promote the sport and to make county fairs more fun and exciting. The industry presented racing at 17 county fairs in New York in 2018, comprising 21 race days.

## METHODOLOGY

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The ESHHA Study begins by describing the methodology utilized, including a list of definitions of key variables. Regarding the harness horseracing industry, direct economic impact is generated in the local economy as racing enterprises (industry participants), namely the breeders, trainers, and owners of racehorses, generate revenue and expend money during the ordinary course of business.

### *Direct Industry Participants*

In terms of providing a framework, the following discussion summarizes how each participant type generally conducts business.

#### **Breeders**

The primary goal of the breeder is to produce quality racehorses. Breeders generate revenue by selling horses, charging breeder fees (stallion fees), earning breeders' awards, and boarding horses. Regarding sales, racehorses may be sold as youngsters (typically as yearlings) privately or at public auction; or retained by the breeder for racing purposes. Breeders often operate a farm, or pay board to a farm, to care for the mares and foals until the foals reach the age at which they can be trained for racing (usually 1 to 2 years old). In addition, some commercial breeding farms own interests in stallions which they may: 1) breed their own mares or 2) sell yearly breeding rights to other mare owners. Most stallions are managed by commercial breeding operations whereby stallion management is offered in addition to mare and foal boarding and care.

The care and maintenance of mares, foals and stallions is very labor intensive. Equine operations require about 5-10 times the number of employees of a dairy operation of similar animal population. Hence the daily care cost to breeders, on a per head basis, is very high. Large and small operations alike must employ grooms and reproductive specialists. Most large operations also employ full-time maintenance and administrative personnel.

In addition to labor, day-to-day expenses related to the farm include fuel, fertilizer, seed, and maintenance supplies. Direct non-labor horse care expenses include hay, bedding, feed, supplements, barn supplies, veterinary services, and farrier services. Other operating expenses include utilities, insurance, and taxes. Major capital purchases to keep the operation running and to build for the future might include additional horses, farm equipment, tractors, trailers, barn construction, office equipment, and specialty breeding equipment.

#### **Trainers / Training Centers**

The primary purpose of the trainer is to prepare a horse physically and mentally for horseracing. The trainer is hired by the owner of the horse for this purpose. The horse is typically put into the care of the trainer during training. The trainer operates out of a private farm, a training center, or a racetrack. The trainer may own the farm or may rent space at a private farm. The trainer earns revenue charging a trainer day fee, which also covers

certain horse care expenses. The trainer also earns a percentage of the owner's purse money won by the horse.

The trainer typically employs 2<sup>nd</sup> trainers (assistants) and grooms, both of which jog, train, and turnout the horses. Day-to-day expenses would be centered on the care of the horses, an expense that is ultimately passed through to the owner. Again, horse care expenses generally include hay, bedding, feed, supplements, barn supplies, veterinary services, and farrier services. Major capital purchases might include training equipment, vehicles (trucks), horse trailers, and barn construction (if they own their own farm).

## Racing Operations

The racing operations are the enterprises that own the racehorses and enter them in races. Their primary source of revenue is purse winnings. They may also earn revenue by buying and selling horses for a profit. Racing operations may own a farm where their horses stay, or the horses may be in the care of a trainer either at a private farm, training center or racetrack. But typically harness horses ship to the track the day of the race and return to the farm after racing.

Owning and racing horses is very expensive, and thus, these operations are rarely profitable. If the racing operation owns a farm, it typically employs grooms, farm hands, maintenance workers, and administrative personnel. Additionally, owners rely heavily on contract labor for trainers and drivers. These laborers earn a percentage of the purse winnings. Other day-to-day expense include entry/sustaining fees, farrier services, veterinary services, commercial transportation costs, trainer day fees, boarding fees, feed, supplements, bedding (hay/straw), prescriptions, tack/groom supplies, insurance, and travel costs. Note, some of these expenses, particularly related to horse care, are often incurred indirectly as they are passed through from the trainer to the owner. Thus, owners indirectly employ grooms, shippers, veterinarians, and equipment vendors. Major investments to maintain the operation or build for the future include horse purchases, trailers, and facility construction (in the case of farm ownership).

## *Direct Economic Impact Calculation / Industry Cash Flow*

This section describes the direct economic impact (benefit) calculation from a summary level perspective of the harness racing industry, excluding the racetracks. It shows how money flows through the industry, beginning with purses and breeders' awards, the primary source of funding for the industry. The process starts with the owners of racehorses spending money in the pursuit of purses, which generates other forms of revenue.

### **Gross Revenue**

Purse and breeders awards flow between the breeders, trainers, training centers, and owners of racehorses generating other sources of revenue, including:

1. Horse Sales
2. Stallion Service Fees
3. Boarding Fees
4. Training Center Fees
5. Trainer Fees
6. Commissions / Consulting Fees

Again, the purses and breeders' awards are the catalyst for the generation of these other revenue sources. In other words, the purses earned by the owners of racehorses is multiplied into Gross Revenue as it works through the system. For instance:

- Racing operations (owners of racehorses) buy horses from breeding operations.
- Racing operations (owners of racehorses) pay breeding operations to breed their mares.
- Racing operations pay trainers a fee to prepare a horse for racing and pay trainers a percentage of purse revenue generated by horses they train.
- Racing operations pay breeders and training centers a boarding fee to care for their horses.
- Breeding operations pay owners a stallion service fee.

In summary, purses plus breeders' awards plus "other revenue" equals total gross revenue for the universe of direct harness racing enterprises.

$$\{\text{Purses} + \text{Breeders Awards} + \text{Other Revenue} = \text{Gross Revenue}\}$$

This is a key figure in estimating the direct economic impact of harness horseracing, but only represents one side of the equation. This revenue figure must cover all day-to-day operating expenses and major purchases, also known as capital expenditures.

### **Day-to-Day Expenses**

As discussed, like any other business, racing enterprises incur a wide range of day-to-day **operating expenses** during the ordinary course of business. Some of the expense elements are unique to this industry, while others are typical of any other business. From a summary

level perspective, the unique expenses are centered on horse care and farm/facility care, which is labor intensive. The more typical expenses are related to overhead, such as utilities, insurance, real estate taxes. The major expense categories for racing enterprises are as follows:

1. Payroll
2. Contract Labor
3. Driver Fees
4. Trainer Fees
5. Entry / Sustaining / Nomination Supplemental Fees
6. Boarding / Stable Rent
7. Stallion Service Fees
8. Health / Veterinary
9. Feed / Supplements
10. Bedding (hay/straw)
11. Maintenance & Supplies
12. Tack / Groom / Barn Supplies
13. Farrier Services
14. Travel & Lodging
15. Commercial Transportation
16. Licensing / Association Dues
17. Utilities / Office / Telephone
18. Legal & Accounting
19. Advertising
20. Insurance
21. Real Estate Taxes

## Capital Expenditures

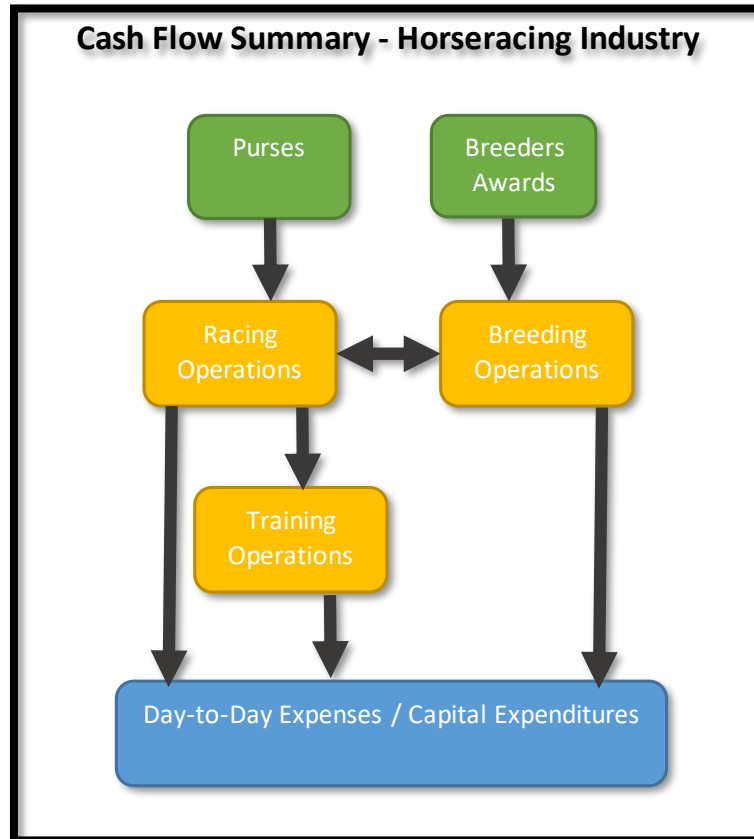
Racing enterprises also expend significant money on major purchases, called **Capital Expenditures**. Capital expenditures comprise the infrastructure of the operation, and typically ebb and flow as these enterprises look to start a business or grow the business for the future. Capital expenditures vary significantly based on the type of operation and whether the operation owns a farm or training facility. The main capital investment for racing operations is the purchase of racehorses. Training centers and breeders incur a wide range of major expenses as they maintain a farm. Below is a list of the typical capital expenditures for racing enterprises:

1. Horses
2. Land
3. Facility Construction (barns / stables)
4. Farm Equipment (tractors)
5. Vehicles
6. Horse Trailers
7. Training Equipment
8. Breeding Equipment
9. Office Equipment



## Summary

In summary, purses, and breeders' awards flow into the industry, setting off a chain reaction as these funds flow from the owners of racehorses to breeders and trainers (including training centers). All these participants in turn expend money in the community during the ordinary course of business on day-to-day expenses and major purchases, thus generating economic impact.



## Definition of Key Variables

This section defines the key variables needed to calculate Direct Economic Impact.

**New York Purse Retention Rate:** The amount of New York purses won by New York racing enterprises as measured as a percent of total New York purses. From an economic impact standpoint, a higher retention rate means more purse money stays in the state and is reinvested back into the local economy.

**New York Enterprise Out-of-State Purse Percentage:** The purses won by New York racing enterprises from racing in other states, as a percentage of total purses won. From an economic impact standpoint, the more money won from out-of-state racing means higher economic impact in New York as a portion of the winnings is brought back to New York and reinvested in the local economy.

**Gross Revenue to Purse Revenue Multiplier (Gross Revenue Multiplier)**

A metric calculated by dividing gross revenue by purse revenue. Thus, it measures the number of times purse winnings are cycled within the universe of direct racing enterprises (breeders, trainers, and owners). From a forecasting perspective, the Gross Revenue Multiplier is applied to purses to estimate total gross revenue for the industry.

**In-State Expense Factor**

The In-state Expense Factor measures the day-to-day operating expenses for the universe of New York harness racing enterprises as a percent of gross revenue. In other words, the average percentage of gross revenue that is spent on the day-to-day expenses. From a forecasting perspective, a higher rate means more economic impact.

**Out-of-State Expense Factor**

For all out-of-state harness racing enterprises racing in New York, the average percentage of total revenue that is spent on the day-to-day expenses in New York while racing in New York. Despite being based in another state, these enterprises incur expenses as they pay local drivers and grooms, and board horses in New York.

**Capital Expenditure Rate**

The average percentage of gross revenue that is spent on major purchases. In other words, the percentage of gross revenue that is reinvested back into the business via major infrastructure purchases, also known as capital expenditures.

**Intra-state Elimination Rate**

The rate applied to Other Revenue to estimate the portion of the Other Revenues (Gross Revenue less Purses) that is also accounted for in Operating Expenses and Capital Expenditures due to intra-state transactions within the New York racing enterprise universe. For example, if a New York breeder sells a horse to a New York owner, it's accounted for as revenue for the breeder and a capital expenditure for the owner. Thus, half the transaction needs to be eliminated to avoid double counting the economic benefit.

If the New York enterprises are net providers of goods and services to racing enterprises in other states, this rate would be less than 50%. Conversely, if the enterprises are net buyers of goods and services from other states, this rate would be greater than 50%.

**Purse Multiplier**

This metric is derived by dividing total Direct Economic Impact by the purses and breeders' awards. This is the summary level metric used to illustrate the speed at which purse money is recycled through the industry and local economy.

# HARNESS HORSERACING INDUSTRY RESEARCH

This section compiles and analyzes the available data for the New York harness horseracing industry for race dates, handle, and yearling sales. This data provides insight into the general state of the industry and the trend over the last few years. The trend is particularly crucial in evaluating economic impact in the future.

## *Race Dates*

The data on race dates was obtained from the New York Gaming Commission (“NYGC”) via its Annual Report. Race dates fell sharply from about 850 in 2019 to 468 in 2020 due to the Covid-19 pandemic but rebounded quickly in 2021 and 2022 to near pre-pandemic levels. The count in 2022 was 793 days, reflecting a 93% recovery rate. The quick rebound speaks to the resiliency of the industry.

Yonkers presented 244 race dates in 2022, modestly above pre-pandemic levels, while Buffalo’s recovery rate, on the low end, was 82% in 2022, with 53 race dates compared to 60 in 2018.

Note, the racetracks are generally obligated to race a certain number of days per year. However, the count can fluctuate due to weather and other factors. Looking forward to 2023, the racing calendar has over 850 race dates scheduled, an increase of 8% over 2022.

**New York Harness Racing – Race Dates**

	<b>Batavia</b>	<b>Buffalo</b>	<b>Monticello</b>	<b>Saratoga</b>	<b>Tioga</b>	<b>Vernon</b>	<b>Yonkers</b>	<b>Total</b>
<b>2018</b>	67	60	193	170	56	68	237	<b>851</b>
<b>2019</b>	63	65	198	170	57	70	229	<b>852</b>
<b>2020</b>	42	28	101	72	35	33	157	<b>468</b>
<b>2021</b>	56	49	196	129	51	59	225	<b>765</b>
<b>2022</b>	55	53	180	147	54	60	244	<b>793</b>
<b>% Change:</b>								
<b>2019</b>	-6%	8%	3%	0%	2%	3%	-3%	<b>0%</b>
<b>2020</b>	-33%	-57%	-49%	-58%	-39%	-53%	-31%	<b>-45%</b>
<b>2021</b>	33%	75%	94%	79%	46%	79%	43%	<b>63%</b>
<b>2022</b>	-2%	8%	-8%	14%	6%	2%	8%	<b>4%</b>

Source: NYGC Annual Report

## Total Handle on Racing Run in New York

The data on handle was also obtained from the NYGC via its Annual Report. Wagering on New York harness racing was initially negatively impacted by the Covid-19 pandemic, falling 43% in 2020. However, wagering rebounded quickly, jumping 54% in 2021 and 10% in 2022 to reach near pre-pandemic levels, again speaking to the resiliency of the sport and the ability of wagering fans to utilize advanced deposit wagering.

The strong handle figure of \$315 million in 2022 occurred despite the advent of sports book wagering in New York and around the country. Thus, harness racing is competing effectively compared to other forms of wagering. Several racetracks have even surpassed pre-pandemic levels in terms of handle, including Buffalo, Saratoga, and Vernon. Saratoga set a record with \$54.2 million in handle in 2022, despite fewer race dates.

**New York Harness Racing – Total Handle**

{Millions}	Batavia	Buffalo	Monticello	Saratoga - Harness	Tioga	Vernon	Yonkers	Total Harness
<b>2018</b>	\$7.3	\$9.2	\$89.4	\$46.4	\$5.7	\$6.2	\$165.8	<b>\$329.9</b>
<b>2019</b>	\$8.8	\$10.6	\$86.0	\$49.0	\$5.2	\$6.3	\$160.8	<b>\$326.7</b>
<b>2020</b>	\$7.2	\$7.0	\$40.5	\$25.9	\$6.5	\$4.8	\$94.1	<b>\$186.0</b>
<b>2021</b>	\$8.1	\$10.4	\$76.0	\$45.9	\$5.9	\$6.8	\$133.4	<b>\$286.5</b>
<b>2022</b>	\$7.6	\$8.6	\$87.8	\$54.2	\$4.7	\$6.5	\$145.6	<b>\$315.1</b>
<b>% Change:</b>								
<b>2019</b>	20%	16%	-4%	6%	-8%	3%	-3%	<b>-1%</b>
<b>2020</b>	-19%	-34%	-53%	-47%	24%	-24%	-41%	<b>-43%</b>
<b>2021</b>	13%	48%	88%	77%	-8%	42%	42%	<b>54%</b>
<b>2022</b>	-6%	-17%	16%	18%	-20%	-4%	9%	<b>10%</b>

Source: NYGC Annual Report

## Total Handle per Race Date

Total handle per race date was \$397,300 in 2022, an increase of 6% over 2021, and right at the near-term high of \$397,400 in 2020. Note, the pandemic had a positive impact on handle per race date due to the reduction in race dates, combined with the ability to wager remotely. Monticello, Saratoga, and Vernon Downs posted higher handle per race date in 2022 compared to pre-pandemic figures in 2019.

**New York Harness Racing – Total Handle per Race Date**

	Batavia	Buffalo	Monticello	Saratoga	Tioga	Vernon	Yonkers	Total
<b>2018</b>	\$109,200	\$153,100	\$463,000	\$272,900	\$101,300	\$90,600	\$699,700	<b>\$387,700</b>
<b>2019</b>	\$139,400	\$163,600	\$434,600	\$288,000	\$91,700	\$90,300	\$702,000	<b>\$383,500</b>
<b>2020</b>	\$170,300	\$251,400	\$400,700	\$359,900	\$184,800	\$145,900	\$599,500	<b>\$397,400</b>
<b>2021</b>	\$144,400	\$213,000	\$387,800	\$355,700	\$116,500	\$115,600	\$592,700	<b>\$374,500</b>
<b>2022</b>	\$137,500	\$162,500	\$488,000	\$368,700	\$87,800	\$108,800	\$596,700	<b>\$397,300</b>
<b>% Change:</b>								
<b>2019</b>	28%	7%	-6%	6%	-9%	0%	0%	<b>-1%</b>
<b>2020</b>	22%	54%	-8%	25%	102%	62%	-15%	<b>4%</b>
<b>2021</b>	-15%	-15%	-3%	-1%	-37%	-21%	-1%	<b>-6%</b>
<b>2022</b>	-5%	-24%	26%	4%	-25%	-6%	1%	<b>6%</b>

Source: NYGC Annual Report

## Handle by Wagering Type

On-Track Live handle continues to rebound from the pandemic, increasing 180% in 2021 and 25% in 2022. Harness racing fans around the country continue to wager on New York harness racing, as Export handle reached an all-time high of \$276 million in 2022, up about 4% over the pre-pandemic level.

**Handle by Wagering Type**

{Millions}	On-Track Live	Import NYS Tracks	NY OTB	S/T NY	Export (Out-of-State)	Total
2018	\$19.4	\$19.9	\$25.7	\$65.0	\$264.9	\$329.9
2019	\$18.2	\$19.5	\$24.7	\$62.5	\$264.2	\$326.7
2020	\$3.8	\$8.7	\$10.4	\$22.8	\$163.1	\$186.0
2021	\$10.6	\$12.4	\$15.0	\$37.9	\$248.6	\$286.5
2022	\$13.2	\$12.4	\$13.5	\$39.0	\$276.0	\$315.1
<b>% Change:</b>						
2019	-6%	-2%	-4%	-4%	0%	-1%
2020	-79%	-56%	-58%	-63%	-38%	-43%
2021	180%	43%	44%	66%	52%	54%
2022	25%	0%	-10%	3%	11%	10%

Source: NYGC Annual Report

## Standardbred Horse Sale Data

This section compiles and analyzes the data on regional standardbred horse sales, including the major auctions in Harrisburg and Lexington. These are the auctions that breeders use to showcase their best horses. Regional standardbred yearling horse auctions posted records in 2021 and 2022, further attesting to the resiliency of the sport. The gross sales figure in 2022 surpassed \$111 million, approximately 24% higher than the pre-pandemic figure in 2019. Both an increase in the number of yearlings sold and the average selling price contributed to the gain. Recall, strong horse sales support breeding operations. As usual, New York buyers were very active accounting for 6% of total sales, a third place ranking at Harrisburg and a fifth place ranking at Lexington.

**Standardbred Yearling Sales Data**

	Yearlings Sold	Avg Sale Price	Gross Sales (millions)
2018	1,708	\$45,400	\$77.5
2019	1,753	\$51,100	\$89.6
2020	1,675	\$43,200	\$72.4
2021	1,762	\$57,500	\$101.3
2022	1,881	\$59,300	\$111.5
<b>% Change</b>			
2019	2.6%	12.6%	15.7%
2020	-4.4%	-15.5%	-19.3%
2021	5.2%	33.1%	39.9%
2022	6.8%	3.1%	10.1%

Source: Harness Racing Update

# HARNESS HORSERACING PURSES AND BREEDERS' AWARDS

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This section compiles and analyzes the available data for the New York harness racing industry on purses and breeders' awards. This data provides the starting building block for the economic impact assessment.

## *Purses / Breeders' Awards*

This racing industry is almost entirely funded by purses and breeders' awards. In New York, purses and breeders' awards come from two (2) primary sources: 1) VLT Revenue; and 2) Handle via the racetracks. This section analyzes the purse data derived from these sources. The data was obtained from reports published by the NYGC.

## **VLT Revenue**

Racetrack casino operations began in New York in 2004 with the opening of Hamburg, Saratoga, and Monticello, followed by Batavia in 2005. Lastly, Vernon Downs, Tioga Downs, and Yonkers opened in 2006. VLT revenue began to stabilize in 2011 at just over \$1.00 billion. The figure has since fluctuated in a tight range (\$966 million - \$1.01 billion) through 2016. VLT revenue declined from 2016 through 2019 due to the change in gaming license type at Tioga Downs and the closure of Monticello. Beginning in late 2016, Tioga Downs became a full-service casino (not a racino), under the Upstate New York Gaming and Economic Development Act. None of the gaming revenue from full-service casinos is distributed to racing purses and breeders' awards. Monticello closed its gaming operations in April 2019 due to competition from the Catskills mega-casino, which opened in February 2018. In 2020, VLT revenue declined 59%, mainly due to closures associated with the Covid-19 pandemic. It has since rebounded to just above pre-pandemic levels, reaching \$918 million in 2022, a 4% increase over 2021. The table and graph on the following page summarize VLT revenue by racetrack.

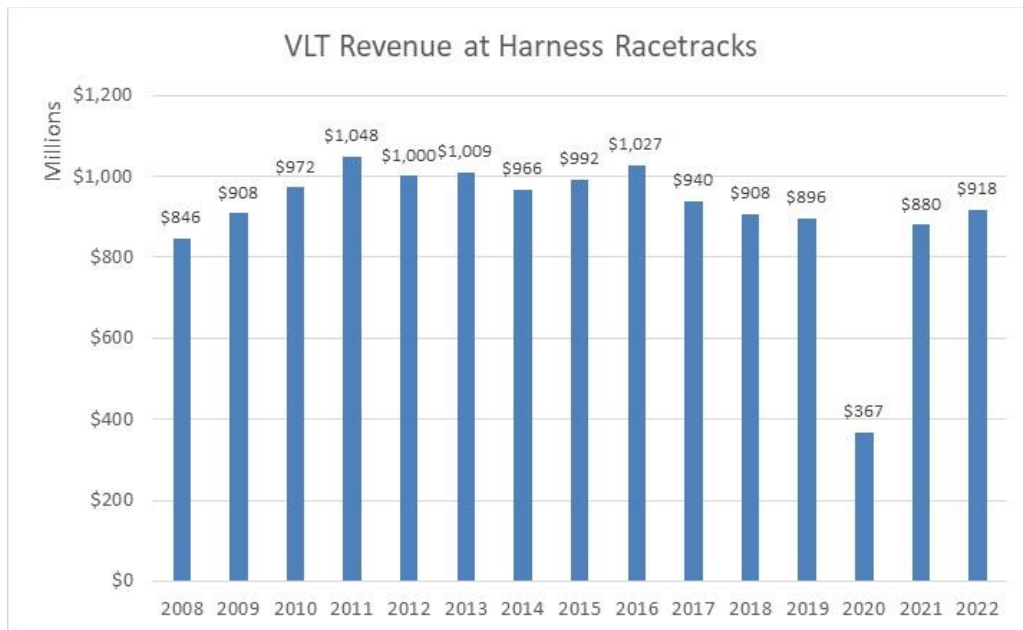
### VLT Revenue at Harness Racetracks

Year	Batavia Downs	Fairgrounds (Hamburg)	Monticello	Saratoga	Tioga Downs	Vernon Downs	Empire City - Yonkers	Total
2008	\$32.5	\$50.0	\$58.1	\$134.4	\$47.2	\$37.3	\$486.5	\$845.9
2009	\$36.3	\$55.1	\$53.8	\$136.0	\$49.4	\$37.1	\$540.5	\$908.2
2010	\$37.7	\$61.6	\$57.4	\$139.7	\$53.0	\$41.3	\$581.2	\$972.0
2011	\$39.8	\$73.1	\$60.9	\$150.4	\$57.0	\$42.3	\$624.4	\$1,047.9
2012	\$45.1	\$81.2	\$63.9	\$159.8	\$61.7	\$43.7	\$544.7	\$1,000.0
2013	\$46.5	\$76.8	\$62.8	\$159.6	\$59.6	\$43.7	\$559.9	\$1,009.0
2014	\$49.0	\$64.2	\$59.1	\$158.8	\$55.9	\$41.5	\$537.5	\$966.0
2015	\$52.6	\$65.2	\$59.3	\$160.9	\$57.0	\$39.1	\$558.3	\$992.4
2016	\$53.4	\$64.4	\$61.1	\$167.2	\$54.4	\$37.0	\$589.7	\$1,027.2
2017	\$53.9	\$59.2	\$58.5	\$137.4	\$0.0	\$31.2	\$599.2	\$939.5
2018	\$57.6	\$59.5	\$34.5	\$126.4	\$0.0	\$29.0	\$600.7	\$907.6
2019	\$62.0	\$63.6	\$6.1	\$126.0	\$0.0	\$29.1	\$609.2	\$895.9
2020	\$26.6	\$26.7	\$0.0	\$50.4	\$0.0	\$10.8	\$252.3	\$366.7
2021	\$66.4	\$59.8	\$0.0	\$127.9	\$0.0	\$25.7	\$599.8	\$879.6
2022	\$76.0	\$69.4	\$0.0	\$139.3	\$0.0	\$27.7	\$605.7	\$918.1

#### % Change:

2009	12%	10%	-7%	1%	4%	0%	11%	7%
2010	4%	12%	7%	3%	7%	11%	8%	7%
2011	6%	19%	6%	8%	7%	3%	7%	8%
2012	13%	11%	5%	6%	8%	3%	-13%	-5%
2013	3%	-5%	-2%	0%	-3%	0%	3%	1%
2014	5%	-16%	-6%	-1%	-6%	-5%	-4%	-4%
2015	7%	2%	0%	1%	2%	-6%	4%	3%
2016	2%	-1%	3%	4%	-5%	-5%	6%	4%
2017	1%	-8%	-4%	-18%	-100%	-16%	2%	-9%
2018	7%	0%	-41%	-8%	0%	-7%	0%	-3%
2019	8%	7%	-82%	0%	0%	1%	1%	-1%
2020	-57%	-58%	-100%	-60%	0%	-63%	-59%	-59%
2021	150%	124%	0%	154%	0%	138%	138%	140%
2022	15%	16%	0%	9%	0%	8%	1%	4%

Source: NYSRC



## VLT Distribution

VLT revenue is distributed to an education fund, the racinos, and horse racing concerns (via purses and breeders' awards). In the early years of racino gaming, the distribution was approximately 60% to education and 40% to the racetracks and racing. However, the distribution was changed over time with the goal of making the racinos more competitive with casinos in neighboring states. The distribution in recent years was 47% to education, 43% to the racinos, and 10% to racing concerns, as displayed below. The percentage going to racing concerns has not changed since the inception of the VLT Act. Thus, of the \$918 million of VLT revenue distributed in 2022, the racetracks received \$393 million, compared to \$92 million for racing funds, roughly 4.3 to 1 ratio.

**VLT Revenue Distribution**

<b>Year</b>	<b>Education Contribution</b>	<b>Racinos</b>	<b>Horse Racing</b>	<b>Total</b>
2008	\$398.9	\$362.4	\$84.6	\$845.9
2009	\$404.6	\$412.8	\$90.8	\$908.2
2010	\$449.6	\$425.2	\$97.2	\$972.0
2011	\$496.5	\$446.7	\$104.8	\$1,047.9
2012	\$465.2	\$434.8	\$100.0	\$1,000.0
2013	\$469.7	\$438.3	\$100.9	\$1,009.0
2014	\$450.2	\$419.2	\$96.6	\$966.0
2015	\$462.7	\$430.4	\$99.2	\$992.4
2016	\$481.7	\$442.8	\$102.7	\$1,027.2
2017	\$445.6	\$400.0	\$94.0	\$939.5
2018	\$432.7	\$384.1	\$90.8	\$907.6
2019	\$430.6	\$375.7	\$89.6	\$895.9
2020	\$174.9	\$155.1	\$36.7	\$366.7
2021	\$417.3	\$374.3	\$88.0	\$879.6
2022	\$433.3	\$393.0	\$91.8	\$918.1
<b>% of Total:</b>				
2008	47%	43%	10%	100%
2009	45%	45%	10%	100%
2010	46%	44%	10%	100%
2011	47%	43%	10%	100%
2012	47%	43%	10%	100%
2013	47%	43%	10%	100%
2014	47%	43%	10%	100%
2015	47%	43%	10%	100%
2016	47%	43%	10%	100%
2017	47%	43%	10%	100%
2018	48%	42%	10%	100%
2019	48%	42%	10%	100%
2020	48%	42%	10%	100%
2021	47%	43%	10%	100%
2022	47%	43%	10%	100%

Source: NYSGC



## Gross Purses Paid

This section summarizes purse levels, using the metric - Gross Purses Paid. This figure is reported annually by the NYGC by racetrack via the Annual Report. Again, the purse figures include purses from VLT revenue distributions and Handle distributions. The following table and graph display Gross Purses Paid for the Harness Racetracks from 2018 through 2022. Like handle and VLT revenue, purse levels have rebounded to the pre-pandemic level of approximately \$113 million in 2022, a 17% increase over 2021.

### Gross Purses Paid by Harness Racetrack

	Batavia	Buffalo	Vernon	Tioga	Monticello	Saratoga	Yonkers	Total
2018	\$5.7	\$5.2	\$5.6	\$7.4	\$8.6	\$17.5	\$60.0	<b>\$109.9</b>
2019	\$5.9	\$8.4	\$5.5	\$7.1	\$7.8	\$17.5	\$60.7	<b>\$112.9</b>
2020	\$3.3	\$2.5	\$3.4	\$4.9	\$4.4	\$6.2	\$26.0	<b>\$50.8</b>
2021	\$4.7	\$3.8	\$4.6	\$4.5	\$8.3	\$14.3	\$56.2	<b>\$96.5</b>
2022	\$6.9	\$6.1	\$5.1	\$8.1	\$10.3	\$19.8	\$56.6	<b>\$112.9</b>
% Change								
2019	3.2%	63.3%	-2.3%	-4.0%	-9.3%	0.1%	1.3%	<b>2.8%</b>
2020	-43.6%	-70.1%	-38.2%	-30.6%	-43.7%	-64.5%	-57.2%	<b>-55.0%</b>
2021	41.3%	51.9%	35.6%	-8.9%	89.6%	131.6%	116.1%	<b>90.1%</b>
2022	46.3%	60.6%	10.8%	79.8%	24.3%	37.7%	0.7%	<b>17.0%</b>

Source: NYGC

## Breeder Awards

The amount distributed to various breeders' awards funds is also significant. Like purses, the funding comes from several sources including the VLT revenue (at 1.25% of VLT revenue), handle at racetracks, handle at OTBs, and ADW (export) handle. A significant portion of the VLT distribution is used to supplement purses for races featuring only NY-bred horses, called the Sire Stakes. Thus, this portion is accounted for in Gross Purses Paid. The remainder is paid directly to the breeders, as shown in the table below.

### Breeder Awards

	Racetrack Handle	OTB Handle	ADW Handle	Total	% Change
2018	\$0.9	\$1.2	\$0.7	\$2.8	25.8%
2019	\$0.9	\$1.2	\$0.7	\$2.7	-2.1%
2020	\$0.4	\$0.7	\$1.2	\$2.3	-14.5%
2021	\$0.6	\$0.9	\$1.2	\$2.6	12.8%
2022	\$0.7	\$0.7	\$1.1	\$2.5	-6.0%

Source: NYGC

## ECONOMIC IMPACT – HARNESS HORSEMEN

Again, the objective of the ESHHA Study is to estimate the economic benefits of harness horseracing from the racing enterprises to the State of New York for 2022. The ESHHA Study is supported by a significant amount of historical data and various historical economic impact studies as well as data purchased from the USTA on purse distribution in New York and around the country.

The front-line racing enterprises include the owners, trainers, and breeders of racehorses, and is largely centered on horse care. Based on this information, an estimate of the key variables was compiled for 2022, as detailed below. Note, for comparative purposes, 2018 was restated to correct an error in the prior study, whereby a small portion of Gross Purses Paid was double counted in breeders' awards.

### *Direct Economic Impact*

This first section highlights the calculation for direct economic impact, reflecting the economic impact generated by the frontline participants, as discussed.

#### New York Purse Retention Rate

The first key variable in the economic impact calculation is the New York purse retention rate, as defined. It stands to reason that as purse levels increase in New York, the appeal of racing in New York to out-of-state racing interests would increase also. Based on information obtained from USTA, the New York purse retention rate was estimated at 42.5% in 2022, resulting in approximately \$49.3 million in purses staying in the state. The rate is up from 40.0% in 2018, suggesting NY horsemen have been more competitive. Thus, despite a slight decline in purse and breeders' awards, purses retained in New York increased \$1.7 million or 4%.

NY Retained Purses				
	2018	2022	Change	% Change
Purse / Award Level	\$119.1	\$116.0	-\$3.1	-3%
NY Purse Retention Rate	40.0%	42.5%	2.5%	6%
<b>New York Retained Purses</b>	<b>\$47.6</b>	<b>\$49.3</b>	<b>\$1.7</b>	<b>4%</b>
Net Out-of-State Leakage	\$71.5	\$66.7	-\$4.7	-7%

#### New York Enterprise Out-of-State Purse Percentage

Owners of racehorses in New York also compete for purses at out-of-state racetracks around the country. These out-of-state racetracks likely include Pennsylvania, New Jersey, and Ohio. However, there are additional costs associated with competing for these purses including boarding fees, travel costs, and horse transportation costs, among others. Based on information obtained from USTA, the percentage of purses from racing in other states was estimated at 34.2% of total purses won in 2022, resulting in \$25.7 million of additional purses to New York owners. The rate declined from 37% in 2018 as New York owners did better in New York, resulting in near equal total purses of \$75 million in 2022.

#### NY Enterprise Out-of-State Purse Percentage

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
New York Retained Purses	\$47.6	\$49.3	\$1.7	4%
Out-of-State Purses Won	\$28.0	\$25.7	-\$2.3	-8%
<b>Total Purses Won</b>	<b>\$75.6</b>	<b>\$75.0</b>	<b>-\$0.7</b>	<b>-1%</b>
Out-of-State Purse Percentage	37.0%	34.2%	-2.8%	-8%

### Gross Revenue Multiplier

As discussed, downstream revenue in the racing division mainly results from the owners of racehorses (racing operations) spending purse money to pay the trainer and training centers, which often includes boarding costs. These owners also reinvest purse winnings in additional horses, which support breeding operations, training operations, and training centers. In addition, owners of racehorses from other states incur significant expenses in the form of boarding fees while racing in New York.

We estimated the Gross Revenue Multiplier at 2.20 times in 2022, unchanged from 2018. In other words, every \$1.00 in purses equates to \$2.20 in Gross Revenue or net additional revenue of \$1.20, as purse money is circulated through the state's economy. This figure is based on prior studies, adjusted to reflect the peculiarities of racing in New York. A large percentage of this additional revenue relates to boarding fees to farms in New York and horse purchases. After applying the Gross Revenue Multiplier to purses won by New York owners, Gross Revenue calculated to about \$165 million. Thus, "additional revenue" was estimated at approximately \$90 million, as displayed in the table below.

#### Gross Revenue

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
Total Purses Won	\$75.6	\$75.0	-\$0.7	-1%
Gross Revenue Multiplier	220%	220%	0%	0%
<b>Gross Revenue</b>	<b>\$166.4</b>	<b>\$164.9</b>	<b>-\$1.4</b>	<b>-1%</b>
Net Additional Revenue	\$90.7	\$90.0	-\$0.8	-1%

### New York Enterprise Expense Factor

The operating expense factor (operating expenses as a percent of gross revenue) relates to the day-to-day expenses associated with operating a racing concern, whether it be an owner, breeder, or trainer of racehorses. The different types of expenses were detailed earlier in the report. Recall, most of these expenses relate to horse care via the operation of a farm or training center. The price of the raw materials for the care of horses continues to increase. These raw materials include feed, bedding, supplements, medicine, and transportation. The labor cost of horse care is also on the increase.

In summary, we estimated the average expense factor for the New York racing enterprises at 94.0% in 2022, up slightly from 2018, due to higher-than-normal inflation. Note, this factor reflects a weighted average for owners, breeders, and trainers, and was based on past participant surveys and past studies. Typically, a higher expense margin for owners is offset by a lower margin for breeders and trainers. The expense factor for owners can vary

significantly depending on whether the owner had a good or bad year. After applying the expense margin to Gross Revenue, day-to-day operating expenses calculated to approximately \$155 million in 2022. Again, based on survey data, we estimated 95% of these expenses are related to payroll and purchases in New York, adjusting New York expenses to \$147 million, as displayed in the table below.

Day-to-Day Operating Expenses				
	2018	2022	Change	% Change
Gross Revenue	\$166.4	\$164.9	-\$1.4	-1%
Operating Expense Factor	92.6%	94.0%	1.4%	2%
<b>Total Operating Expenses</b>	<b>\$154.0</b>	<b>\$155.0</b>	<b>\$1.0</b>	<b>1%</b>
Percentage Spent in NY	95.0%	95.0%	0.0%	0%
<b>New York Operating Expenses</b>	<b>\$146.3</b>	<b>\$147.3</b>	<b>\$0.9</b>	<b>1%</b>

## Capital Expenditure Rate

The capital expenditures reflect major purchases needed to sustain and grow a racing enterprise, including land, horses, farm structures, farm equipment, transportation equipment, among many others (as detailed earlier). As purse levels increase in New York, racing enterprises increase investment to position themselves to pursue purses. Racing operations purchase and train more horses. Breeders expand farm operations to accommodate the influx of horses. Training centers open to give trainers a platform to accommodate the owner's desire to train more horses.

In summary, we estimated the capital expenditure rate at 6.0% of gross revenue in 2022, a slight increase over 2018, resulting in capital expenditures of approximately \$9.9 million. This estimate was based on prior studies, survey data, and NY-bred horse sales data.

Capital Expenditures				
	2018	2022	Change	% Change
Gross Revenue	\$166.4	\$164.9	-\$1.4	-1%
Capital Expenditure Rate	5.0%	6.0%	1.0%	20%
<b>Total Capital Expenditures</b>	<b>\$8.3</b>	<b>\$9.9</b>	<b>\$1.6</b>	<b>19%</b>

## Inter-State Elimination Rate

From an economic impact perspective, a portion of the Additional Revenue (Gross Revenue less Purses) is also accounted for in Operating Expenses and Capital Expenditures due to intra-state transactions within the New York racing enterprise universe. For example, if a New York breeder sells a horse to a New York owner, it's accounted for as revenue for the breeder but a capital expenditure for the owner. Thus, half the transaction needs to be eliminated to avoid double counting the economic benefit.

Based primarily on the survey data, we estimated 50% of Additional Revenue (mainly reflecting horse sales, trainer fees and boarding fees) reflect direct transactions with other New York racing concerns, resulting in an elimination of \$45.0 million in 2022. The elimination rate suggests a significant portion of Additional Revenue relates to spending by out-of-state concerns and spending by NY racing concerns at non-racing businesses in the state (such as traditional farms).

Intra-State Elimination				
	2018	2022	Change	% Change
Additional Revenue	\$90.7	\$90.0	-\$0.8	-1%
Intra-State Elimination Rate	-50.0%	-50.0%	0.0%	0%
<b>Intra-State Elimination</b>	<b>-\$45.4</b>	<b>-\$45.0</b>	<b>\$0.4</b>	<b>-1%</b>

## Out-of-State Enterprise Expense Factor

As outlined earlier, out-of-state racing enterprises win a substantial portion of New York purses. However, all this money does not leave the state. A significant portion is spent while racing in New York. These expenses include boarding fees, driver fees, veterinary costs, travel and lodging, and trainer day fees, among others. In addition, a portion is reinvested in New York with the purchase of New York-bred horses to race for New York-bred purse supplements (New York Sire Stakes). Note, the expense factor is a weighted average, and thus includes out-of-state horsemen that do not earn enough purse money to cover incurred costs.

We estimated the out-of-state expense factor at 41.5% in 2022, a modest increase from 38% in 2018, resulting in approximately \$27.7 million of additional spending in New York. Note, the expense factor only quantifies expenses paid to non-racing concerns since expenses paid to racing concerns are already accounted for in Additional Revenue. The figure was based on prior studies and adjusted to reflect the high inflationary environment.

Out-of-State Enterprise Expenses				
	2018	2022	Change	% Change
Out-of-State Owner Purses	\$71.5	\$66.7	-\$4.7	-7%
Out-of-State Expense Factor	38.0%	41.5%	3.5%	9%
<b>Expenses by Out-of-State Owners</b>	<b>\$27.2</b>	<b>\$27.7</b>	<b>\$0.5</b>	<b>2%</b>

## Economic Impact Summary

The table below sums each component of Direct Economic Impact. For 2022, direct economic impact summed to approximately \$230 million, a slight increase over 2018. The corresponding purse multiplier increased from 1.91x in 2018 to 1.98x in 2022, due mainly to the higher operating expenses and capital expenditures, making it more difficult to turn a profit in an inflationary environment. Day-to-day expenses by NY racing enterprises (mainly to care for horses) account for over half the total.

Direct Economic Impact Summary				
Components	2018	2022	Change	% Change
Other Revenue	\$90.7	\$90.0	-\$0.8	-1%
NY Enterprise Expenses in NY	\$146.3	\$147.3	\$0.9	1%
NY Enterprise Capital Expenditures	\$8.3	\$9.9	\$1.6	19%
Out-of-State Enterprise Expenses	\$27.2	\$27.7	\$0.5	2%
<b>Total Economic Transactions</b>	<b>\$272.6</b>	<b>\$274.8</b>	<b>\$2.3</b>	<b>1%</b>
Intra-State Elimination	-\$45.4	-\$45.0	\$0.4	-1%
<b>Total Direct Economic Impact</b>	<b>\$227.2</b>	<b>\$229.8</b>	<b>\$2.7</b>	<b>1%</b>
<i>Multiplier (relative to purses)</i>	<i>1.91</i>	<i>1.98</i>	<i>0.07</i>	<i>4%</i>

## Direct Jobs

Based on the Direct Economic Impact analysis, we estimated direct jobs, including full time and part time, associated with New York harness racing enterprises. We estimated that 42.5% or \$62.6 million of enterprise operating expenses relate to payroll. Based on an average payroll factor of \$44,100, direct jobs calculated to 1,418 jobs in 2022. The average payroll figure reflects several occupations within the racing industry and was based on wage data obtained from the Bureau of Labor Statistics (“BLS”).

### Direct Jobs Calculation

	2018	2022	Change	% Change
NY Enterprise Expenses	\$146.3	\$147.3	\$0.9	1%
Payroll %	32.5%	42.5%	10.0%	31%
<b>Payroll \$\$</b>	<b>\$47.6</b>	<b>\$62.6</b>	<b>\$15.0</b>	<b>32%</b>
Avg Payroll	\$41,580	\$44,130	\$2,550	6%
<b>Direct Jobs (payroll based)</b>	<b>1,144</b>	<b>1,418</b>	<b>275</b>	<b>24%</b>

In addition, most trainers and drivers of racehorses, as contract laborers, likely consider their role in racing as their primary employment. Per the NYGC Annual Report, there are 265 and 516 licensed drivers and trainers in 2022, respectively. We estimated 85% of drivers and 60% of trainers meet the “starts” threshold to be considered a job in New York, resulting in 535 additional harness racing jobs.

### Contract Laborer Jobs Calculation

Contract Laborers	License Count	Discount Factor *	NY Jobs
Drivers	265	56%	148
Trainers	516	78%	402
<b>Total</b>	<b>781</b>	<b>70%</b>	<b>550</b>

Combining both sources of jobs, total direct jobs associated with the harness racing enterprises summed to about 1,970 jobs.

### Total Jobs (2022)

Direct Jobs	1,418
Contract Laborers	550
<b>Total Jobs</b>	<b>1,968</b>

## Indirect Impact

This section estimates the Indirect and Induced impact to present the total economic impact. The indirect/induced impact or the “ripple effect” in the economy reflects additional spending resulting from the direct operating expenses and direct capital expenditures, as this spending often constitutes revenue for local vendors and employees. In turn, local vendors and employees spend money in the local community for goods and services. For example, local farms that supply feed and bedding to racing concerns likely spend more in the local economy as they gear up for the added workload. In addition, direct

wages to employees of front-line equine industry entities are reinvested into the economy via household spending patterns, spurring further local economic activity.

The amount of the indirect/induced impact was based on Bureau of Economic Analysis (BEA) RIMS II input/output multipliers. Per the BEA, the multipliers estimate the total dollar change in output that occurs in all industries from each additional dollar of output delivered to final demand by the base industry (racing). In other words, spending related to a base industry produces additional output in multiple industries (represented by the downstream vendors). The BEA also provides multipliers that translate direct impact into indirect/induced earnings and jobs. The jobs multiplier estimates the total change in number of jobs that occurs in all industries for each additional \$1 million of output delivered to final demand by the base industry.

We calculated a weighted average set of multipliers utilizing various spending categories such as Farms, Construction, Wholesale Trade, Transportation, General Merchandise Trade, and Households. The weighted average indirect multiplier for the racing industry calculated to 1.82 times. So, every \$1 of direct impact by racing concerns equates to \$1.82 in total spending due to the ripple effect through multiple industries. After applying this multiplier to the direct impact, total impact in the local economy calculated to about \$417.4 million in 2022, resulting in net indirect/induced impact of \$187.5 million. The weighted average earnings factor was estimated at 0.41, resulting in \$94.4 million in indirect earnings. Based on the job multiplier of 9.6, indirect jobs calculated to 2,217 jobs in 2022. Comparing the earnings component with the jobs total, the implied average payroll for these indirect employees calculated to approximately \$42,600 per year.

#### Indirect Impact Summary

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
Direct Impact	\$227.2	\$229.8	\$2.7	1%
Indirect Multiplier	1.85	1.82	-0.04	-2%
Total Impact	\$420.8	\$417.4	-\$3.5	-1%
<b>Net Indirect Impact</b>	<b>\$193.7</b>	<b>\$187.5</b>	<b>-\$6.1</b>	<b>-3%</b>
Earnings Factor	0.42	0.41	-0.01	-2%
<b>Earnings Component</b>	<b>\$95.6</b>	<b>\$94.4</b>	<b>-\$1.2</b>	<b>-1%</b>
Jobs Mutiplier	11.4	9.6	-1.7	-15%
<b>Indirect Jobs</b>	<b>2,585</b>	<b>2,217</b>	<b>-367</b>	<b>-14%</b>

## ***Total Impact – Harness Horsemen***

This section combines the direct and indirect components to present total economic impact of \$417 million for the harness racing enterprises in New York in 2022. The total jobs impact summed to 4,185 jobs. While the dollar economic impact is higher for the direct category, the jobs impact is heavily weighted towards indirect, as the downstream vendors associated with horse care and retail trade are more labor intensive.

### **Total Economic Impact**

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
Direct Impact	\$227.2	\$229.8	\$2.7	1%
Indirect Impact	\$193.7	\$187.5	-\$6.1	-3%
<b>Total Impact</b>	<b>\$420.8</b>	<b>\$417.4</b>	<b>-\$3.5</b>	<b>-1%</b>

### **Total Jobs Impact**

	<b>2018</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
Direct Jobs	1,144	1,968	824	72%
Indirect Jobs	2,585	2,217	-367	-14%
<b>Total Jobs</b>	<b>3,728</b>	<b>4,185</b>	<b>457</b>	<b>12%</b>



## ADDENDUM

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### *Economic Impact - Racetracks*

For the first time, we added the estimated economic impact generated by the seven harness racetracks operating in New York to provide a comprehensive picture of the impact of the harness racing industry. For this purpose, we utilized an Economic Impact Study commissioned by the United States Trotting Association (USTA) and completed by The Innovation Group, hereafter referred to as the USTA Study. In other words, the economic impact figures for the harness racetracks (presented below) are the work product of The Innovation Group and not Custom Gaming Consulting. Further, we are not rendering an opinion on the accuracy of the results of the USTA Study, but simply presenting the summary results. For an understanding of the methodology, underlying calculations, and analysis, see the full report, available at the USTA website.

The USTA Study estimated the total economic impact of the harness racetracks in New York at \$238.1 million, equating to about 2,312 jobs, as displayed in the table below.

<b>Economic Impact Generated by Racetracks</b>		
	<b>Employment</b>	<b>Economic Impact</b>
Direct	1,603	\$145.4
Indirect/Induced	709	\$92.7
<b>Total</b>	<b>2,312</b>	<b>\$238.1</b>

*Source: USTA Study*

## *Economic Impact – Harness Racing Industry*

Combining the horsemen's impact with the racetracks' impact, total economic impact from the Harness Racing Industry summed to \$655 million in 2022, equating to about 6,500 jobs. Note, the horsemen or racing enterprises account for 64% of the total, as displayed in the tables below.

**Economic Impact – Harness Racing Industry**

	<b>Horsemen *</b>	<b>Racetracks **</b>	<b>Total</b>
Direct	\$229.8	\$145.4	\$375.3
Indirect/Induced	\$187.5	\$92.7	\$280.2
<b>Total</b>	<b>\$417.4</b>	<b>\$238.1</b>	<b>\$655.4</b>
% of Total	64%	36%	100%
* ESHHA Study			
** USTA Study			

**Jobs Impact – Harness Racing Industry**

	<b>Horsemen *</b>	<b>Racetracks **</b>	<b>Total</b>
Direct	1,968	1,603	3,571
Indirect/Induced	2,217	709	2,926
<b>Total</b>	<b>4,185</b>	<b>2,312</b>	<b>6,497</b>
% of Total	64%	36%	100%
* ESHHA Study			
** USTA Study			

## DISCLAIMER

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Certain information included in this report contains forward-looking estimates, projections and/or statements. The JMS Advisors has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, JMS Advisors accepts no liability in relation to the estimates provided herein.