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TO: Members of the NYS Assembly Racing & Wagering Committee
Members of the NYS Assembly Agriculture Committee
Members of the NYS Assembly Ways & Means Committee

FROM: Joseph Faraldo
On behalf of the Empire State Harness Horsemen's Alliance

DATE: October 15, 2024

RE: Economic Impacts of New York's Harness Racing Industry

As we have shared with legislators since the thoughtful creation of New York State's video lottery terminal (VLT) initiative by the Legislature more than 20 years ago, harness racing and agriculture are hugely important economic engines across the state. Not only have VLTs generated hundreds of millions of dollars in funding for education, but the state's standardbred racing industry has been reestablished as a national leader and the promise of a New York racing renaissance has become a reality. The positive predictions made two decades ago at the advent of VLTs – higher purses, expanded agriculture, more breeding farms, and thousands of racing related jobs across New York State – have absolutely come true.

Now, as you and your colleagues begin discussions around the upcoming FY26 budget – and review what policies and programs are objectively delivering for the people of New York State – we wanted to share the attached 2024 NY Standardbred Industry Economic Impact Study that comprehensively details the significant economic development and job creation numbers derived from harness racing. Simply put, the numbers make our industry's value crystal clear:

- The total economic impact from the harness racing industry in 2022 (the most recent year numbers are available for) was \$655 million, which represents approx. 25% of the impact of all equine activity in NYS.
- The industry was also responsible for 6,500 jobs across every region of New York State.
- In terms of wagering on the sport, Saratoga Harness set a single day handle record of \$632,000 on March 6th, 2023; a record that had held for over 17 years. And total export handle on New York harness racing hit an all-time high of \$276 million in 2022.
- Saratoga, Tioga, and Batavia recorded all-time records in gross purses paid in 2022.
- Finally, it is important to note that along with the direct jobs created by harness racing, ancillary economic impacts were felt in areas such as agriculture, farm equipment, animal health services, hospitality, etc.

We have appended to this memo the Executive Summary from the Study (which was updated this year to show our most recent impacts) and have also attached the full Study for your review. We will be reaching out in Albany in the new year to come and see you and share some more updates on the state of our industry, but in the meantime we wanted to make sure you'd seen this positive economic impact news as you begin to plan for the upcoming budget and legislative session. As always, please don't hesitate to contact me directly or our governmental affairs team at Yoswein New York with any questions or concerns and thank you for your continued support of harness racing, agriculture and job creation in the great state of New York.

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ECONOMIC IMPACT EXECUTIVE SUMMARY

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 6th, 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 18th.

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 |
| % of Total: | | | | |
| 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.

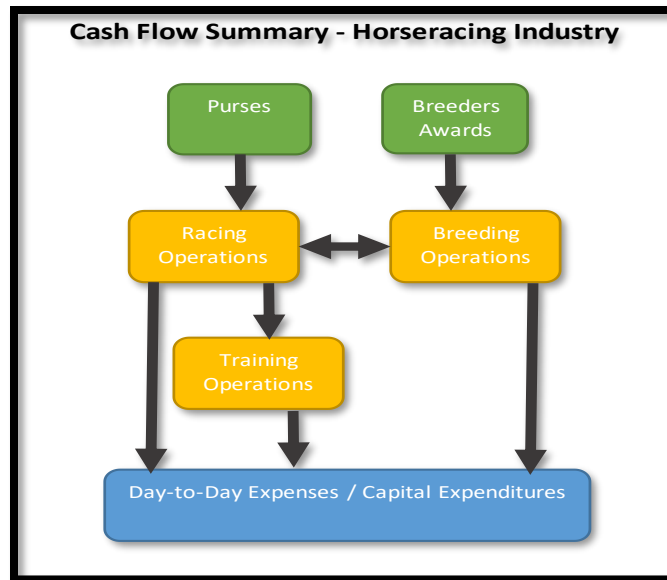
Potential for Growth

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

| 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% |
| Total Economic Transactions | \$272.6 | \$274.8 | \$2.3 | 1% |
| Intra-State Elimination | -\$45.4 | -\$45.0 | \$0.4 | -1% |
| Total Direct Economic Impact | \$227.2 | \$229.8 | \$2.7 | 1% |
| <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

| | 2018 | 2022 | Change | % Change |
|--------------------------------------|---------------|---------------|---------------|------------|
| NY Enterprise Expenses | \$146.3 | \$147.3 | \$0.9 | 1% |
| Payroll % | 32.5% | 42.5% | 10.0% | 31% |
| Payroll \$\$ | \$47.6 | \$62.6 | \$15.0 | 32% |
| Avg Payroll | \$41,580 | \$44,130 | \$2,550 | 6% |
| Direct Jobs (payroll based) | 1,144 | 1,418 | 275 | 24% |
| Contract Laborers (trainers/drivers) | 0 | 535 | 535 | NM |
| Total Direct Jobs | 1,144 | 1,953 | 810 | 71% |

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 reside in New York, resulting in 535 additional harness racing jobs.

Contract Laborer Jobs Calculation

| Contract Laborers | License Count | NY Resident % | NY Jobs |
|-------------------|---------------|---------------|------------|
| Drivers | 265 | 85% | 225 |
| Trainers | 516 | 60% | 310 |
| Total | 781 | 69% | 535 |

Combining both sources of jobs, total direct jobs associated with the harness racing enterprises summed to about 1,950 jobs.

Total Jobs (2022) - Horsemen

| | |
|-------------------|--------------|
| Direct Jobs | 1,418 |
| Contract Laborers | 535 |
| Total Jobs | 1,953 |

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% |
| Net Indirect Impact | \$193.7 | \$187.5 | -\$6.1 | -3% |
| | | | | |
| Earnings Factor | 0.42 | 0.41 | -0.01 | -2% |
| Earnings Component | \$95.6 | \$94.4 | -\$1.2 | -1% |
| | | | | |
| Jobs Multiplier | 11.4 | 9.6 | -1.7 | -15% |
| Indirect Jobs | 2,585 | 2,217 | -367 | -14% |

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% |
| Total Impact | \$420.8 | \$417.4 | -\$3.5 | -1% |

Total Jobs Impact - Horsemen

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

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

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

Jobs Impact – Harness Racing Industry

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