

Testimony of Leonard Allen

President, Local 2021

District Council 37, AFSCME

Before

The New York City Council Finance Committee

Wednesday, April 9, 2008

Thank you Chairman Weprin and my thanks as well to Speaker Quinn, the members of the Finance Committee, and the Finance Division staff for allowing me the opportunity to present my views on the future of New York City Off Track Betting. My name is Leonard Allen and I am the president of Local 2021, District Council 37, AFSCME representing the 1,400 hard working employees of OTB.

I come before you today – with a strong sense of urgency, concern and fear. As many of you know my members are facing an impending lay-off. At this time, on Tuesday, April 15th, six days from now, the OTB Corporation will be sending out in accordance with their management’s plan for closure of NYCOTB lay-

off notices to my members and the other workers of the Corporation which will begin the process for a June 15, 2008 shut-down.

I am here to ask that you assist the workers of OTB and help us bring attention to the injustice that is about to befall them.

As you know, the resolution of this problem lies with the State legislature. However, the leadership that has been exhibited through you Chairman Weprin, Councilmember DeBlasio, Jackson and the many other members of the council has been very helpful in our efforts to turn this situation around.

The Council's Resolution # 1235 will go a long way toward shining a light on the unfairness and lopsided situation that NYCOTB finds itself in.

The bottom line is a long term fix is needed immediately, no gimmicks or short-term band-aids will do. My member's and retirees lives, livelihood and that of their families are at stake. In addition, many of my retirees Health Care Insurance is in jeopardy should OTB close.

As you may know, New York City OTB is the backbone for the entire racing industry in the state.

Approximately 40% of all of the wagering on racing in New York State is done at New York City OTB. If New York City OTB shuts down, the vast majority of those

bets will disappear, as will the revenue they provide to support those related jobs around the state. In short, if we go out of business, and my members lose their jobs, they will be quickly followed by clerks at Aqueduct, food service workers at Belmont, and farmhands at more than a thousand farms across upstate New York that are dependent on the revenue stream that OTB provides.

I urge the Council to join with us and ask your colleagues in the State legislature to correct this inequitable formula before it is too late.

We stand prepared to work with the Legislature, Governor Paterson, Mayor Bloomberg, the City Council and other stakeholders to fix this problem to

benefit all the racing entities in this state and the tens of thousands of jobs they support.

Again I thank you for your time and I would like to once again, thank Speaker Quinn, Chairman Weprin and the Council for calling attention to this important issue.



OFFICE OF THE NEW YORK CITY COMPTROLLER

TESTIMONY BY

WILLIAM C. THOMPSON, Jr.

NEW YORK COMPTROLLER

**Before the
NEW YORK CITY COUNCIL
FINANCE
COMMITTEE**

RESO No. 1235

**Calling upon the Legislature of the State of New York to reduce State-imposed
financial mandates on off-track betting corporations**

April 9, 2008

Chairman Weprin, distinguished members of the City Council Finance Committee, good morning.

With me today is Deputy Comptroller for Budget Marcia Van Wagner.

Thank you for this opportunity to testify and express my support of Resolution Number 1235 calling upon the New York State Legislature to reduce the excessive financial mandates they have imposed on off-track betting corporations.

For years, the New York State Legislature's actions have drawn OTB's revenues away from the City and other local budgets, while increasing payments to the racing industry.

As a result, New York City is not getting its fair share of OTB's revenue.

These developments defeat OTB's original purpose. When it was created 38 years ago, it was designed to benefit *both* the City and State, as well as help the racing industry.

New York City gets payments from its share of a 5% surcharge on all winning bets placed at OTB parlors.

It also receives all the revenues left over after OTB pays off its operating costs and its statutory distributions to the State, racing industry and racetracks. Whatever residual revenues remain after these entities are paid goes to New York City.

Unfortunately, the revenues due to us have plummeted in recent years as payments that OTB makes to the racing industry have soared.

Two years ago, my office issued a report that documented the deteriorating financial condition of OTB. We found that between Fiscal Years 1997 and 2001, the City received an average of 11 million dollars in residual revenues from OTB.

That number fell to just 1 million dollars in Fiscal Year 2002. New York City did not even receive residual revenues in Fiscal Year 2003 and through Fiscal Years 2005 to 2007. In Fiscal Year 2004, revenues were minimal.

Looking forward, OTB's financial plan for Fiscal Year 2008 to 2012, which was submitted in January, projects operating losses beginning at 16.8 million in Fiscal Year 2008. These losses increase to 29.2 million by Fiscal Year 2012.

So, where are the dollars that were once due to the City now going? They are going to the racing industry.

In 2003, the State Legislature amended the Racing and Wagering Law and imposed new fees that OTB is obligated to pay to race tracks and horse breeders.

Many of these fees are excessive and unnecessary. For example, one of these new provisions is a "hold harmless" fee which requires that OTB give some of the money it makes during nighttime races to harness tracks.

But at least in one case, it has been wasted money. OTB was paying Yonkers Raceway even though the track has been closed for renovations. I know we can all think of better ways to spend that kind of money instead of paying off a closed race track.

Another new provision implemented in 2003 is a regulatory fee of .39 percent of all gross wagers. This fee, which was increased to .5 percent in 2005, was created when the OTB was granted permission to simulcast its nighttime races.

The result of new fees like these is that OTB's statutory distributions to the industry were growing at a far faster pace than its revenues.

From Fiscal Year 1995 to Fiscal Year 2007, operating revenues grew 25.5 percent while statutory distributions grew 35.3 percent. The City is bearing the burden of this irrational trend.

In Fiscal Year 1995, the total surcharges going to the City were 24 percent of statutory distributions. In Fiscal Year 2007, that number has dropped to 14 percent. During this same period, payments to the racing industry increased from 55 percent of statutory distributions to 71 percent.

So, as New York City is cutting its budget and OTB is forced to operate under such bleak circumstances, the State and Racing industry are making millions more by earning a greater share of the economic pie than they were years ago.

Remarkably, these inequities have increased in an environment where OTB is facing increasing competition from the State Lottery and from casinos on upstate Indian Reservations.

The current financial structure of OTB is unsustainable and unacceptable. As the Mayor has correctly concluded, there may be no other alternative than to shut down OTB if current conditions remain.

During these uncertain economic times, New York City cannot continue to pick up the slack while others profit. It is time the State takes action.

Current conditions impact the quality of City services we provide for our communities and threaten the jobs of the nearly 1500 New Yorkers who work at OTB parlors throughout the City.

That is why I strongly support this Resolution calling upon the State Legislature to reduce the excessive financial mandates they have imposed on off-track betting corporations.

A long overdue reordering of the State's priorities is urgently needed. New York City has been shortchanged for far too long and it is time that the State addresses these unfair practices, acknowledges that the current financial structure does not work, and takes the proper steps to give the City our fair share.

I appreciate the opportunity to testify this morning and would be happy to answer any questions that you may have.

Thank you.