



## Legislation Text

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**File #:** Res 1235-2008, **Version:** \*

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### Res. No. 1235

Resolution calling upon the Legislature of the State of New York to amend the New York State Racing, Pari-Mutuel Wagering and Breeding Law to reduce State-imposed financial mandates on off-track betting corporations which have recently been absorbing a growing portion of the New York City Off-Track Betting Corporation's revenues, driving the corporation into insolvency, and yielding no residual revenues for the city of New York.

By Council Members Weprin, Jackson, Comrie, de Blasio, James, Koppell, Monserrate, Nelson, Seabrook, Gerson, Liu, Martinez, Lappin, Palma, Sears, White Jr., Brewer, Avella, Katz, Reyna and Oddo

Whereas, The New York City Off-Track Betting Corporation ("OTB" or "Corporation") was created in 1970 by the New York State Legislature as a public benefit corporation whose primary purposes are to prevent and curb unlawful bookmaking and illegal wagering on horse races, support the agricultural and horse breeding economy within New York State, and generate revenue for the support of government; and

Whereas, OTB, currently employs 1,500 workers throughout the City's five (5) boroughs and supports healthcare coverage for almost 1,000 retirees; and

Whereas, OTB earns its revenues mainly from commissions retained on gross wagers (which range between 15% and 31% depending on type of wager) and from a 5% surcharge it collects on behalf of the City placed on winnings in OTB parlors; and

Whereas, Pursuant to the New York State Racing, Pari-Mutuel Wagering and Breeding Law (the "State Racing Law"), the city of New York receives OTB's surcharge and residual revenues (i.e., revenue remaining after statutory distributions and operating expenses have been paid) which during the 1970's exceeded \$60 million annually; and

Whereas, In contrast, over the last 15 years, New York City has received, on average, less than \$30 million a year in surcharge and residual revenues and since 2003 has not received *any* residual revenues (except

for 2004); and

Whereas, OTB's annual residual revenues have been declining largely because statutory distributions have surpassed OTB's operating revenues; and

Whereas, The statutory distribution scheme set forth in the State Racing Law requires off-track betting corporations to pay over specified mandated categories of distributions to the racing industry, the State, and localities; and

Whereas, These payments include, but are not limited to, the following: (a) compensation to racing entities (ranging from 1.5% to 9.0% on wagering accepted on races run at both in- and out-of-state tracks), a portion of which (ranging from .25% to 5.50%) is earmarked for the purpose of increasing horsemen's purses; (b) contributions to Breeders' Funds (ranging from 0.5% to 1% on handle derived from bets on thoroughbred, steeplechases and harness races); (c) a New York State Racing and Wagering Board Regulatory Fee (levied at 0.5% of gross handle); and (d) a regional harness track "hold harmless" fee; and

Whereas, Further, in recent years, the State Legislature has amended the State Racing Law to mandate that *larger* amounts of off-track betting corporations revenues be distributed to the racing industry and the State; and

Whereas, According to OTB and the New York City Comptroller, in Fiscal 2005, OTB's payments to the racing industry comprised approximately 70% of OTB's distributed operating revenue compared to only 55% in Fiscal 1995; and

Whereas, despite accepting over \$1 billion annually in handle (total amount wagered by NYC OTB customers) and generating a current annual operating profit of approximately \$125 million (after operating expenses but before statutorily required distributions), OTB's "*Cash Projections- October 2007*" indicate that the Corporation will have a cash shortfall of \$358,000 for operations in June of 2008 (after statutorily mandated distributions of slightly more than \$132 million) and Mayor Bloomberg has asked OTB President Raymond Casey to present a plan for closing OTB to its Board of Directors prior to such time; and

Whereas, To stem some of OTB's losses, Raymond Casey recently testified that the Corporation has lately taken a number of aggressive steps to reduce operating costs including a 15% reduction in management, a reduction in leased space, the closure of several underperforming branches, and the hiring of a consulting group to study the organization's finances that concluded that the only way to ensure operational and financial stability for NYCOTB is through legislative restructuring of NYCOTB's mandatory distribution payments; and

Whereas, But despite these recent steps, OTB's financial condition continues to deteriorate and absent significant legislative changes to the statutory distribution scheme OTB cannot remain financially solvent and will no longer be able to fulfill its statutory mission to generate revenue for the support of local government; and

Whereas, Enacting legislation which would reduce the statutory distributions of the off-track betting corporations would not only provide for a more reasonable and equitable revenue sharing model but would also help OTB fulfill its statutory mission of generating revenue for the city of New York by increasing its net revenues; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the Legislature of the State of New York to amend the New York State Racing, Pari-Mutuel Wagering and Breeding Law to reduce State-imposed financial mandates on off-track betting corporations which recently have been absorbing a growing portion of the New York City Off-Track Betting Corporation's revenues, driving the corporation into insolvency, and yielding no residual revenues for the City of New York.

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January 10, 2008  
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