

February 8, 2022

**Testimony Respecting Subsidies to Horse Racing That Would Be Better Utilized Helping New Yorkers and my role in trying to make that happen at Governor Spitzers Direction.**

My name is Steven Newman. I was the Chief of Staff for New York City Comptroller Harrison Jay Goldin and First Deputy Comptroller for New York City Comptroller Alan Hevesi (during which tenure he did not commit crimes). I was also the Chief Administrative Officer of NYANA, where we resettled over 80,000 Russian Jews and more than 6,000 Vietnamese refugees in the New York Metropolitan Area, during the four years I worked there. In addition, I spent 14 years as the COO of Public Health Solutions. I am now retired and am on the Boards of LiveOn (which represents senior service organizations in New York), Jamaica Service Program for Older Adults, and Social Accountability International (an International Labor Rights Organization funded by the US Government and the European Union, among others).

While I was at Public Health Solutions, Governor Spitzer asked me to chair the Franchise Oversight Board which represents the interests of New York State in Aqueduct Racetrack, Belmont Park, and Saratoga Race Course and oversees the financial operations of the State racing franchise with regard to those three tracks. He had recently approved the agreement to rescue the New York Racing Association (NYRA) from bankruptcy, utilizing state funds and agreeing to a subsidy plan. I had never followed horse racing, other than occasionally watching the triple crown races on television. Governor Spitzer wanted someone who had government, finance, and contract experience in charge of oversight, so that he could force NYRA to break-even during his term, thus enabling the State to end the subsidies. The goal was that, once we were successful with NYRA, he could eliminate subsidies to the other 8 tracks as well. His goal was to use the money to increase government services. Unfortunately, as you know, he did something stupid, and was forced to leave office after only one year. Governor Paterson immediately removed me as Chair. I remained on the Board as a representative of the Assembly because Speaker Silver had agreed with Governor Spitzer. Governor Paterson not only ended

the effort to end or reduce the subsidies, he actually provided an extra subsidy. I resigned from the Board when it was clear that Governor Spitzer's goal would no longer be possible to achieve. Hence, I have happily joined John Scheib and Marc Paulus in an effort to end the subsidies to horse racing and have the funds used for education, and human services.

John Scheib has provided you with a great summary of the subsidies and their impact on New York's taxpayers. I just want to add a few points.

When I was the Chair, I decided that I should go to a track once, so my wife and I went to Aqueduct Racetrack on a Saturday afternoon. When we arrived, we were shocked at how few people were there. I attend baseball games, hockey games, and the US Tennis Open, and have never seen so few people at a professional sports event, including spring training and minor league games. What's even more troubling, is that the attendance is now significantly worse. Of the 11 tracks in New York State, only Saratoga Race Course and Belmont Park (for the Weekend of the Belmont Stakes) have any real attendance.

NYRA's franchise fee formula is unlike any I saw in my decades in New York City Government and the non-profit community. Their fee, logically, is based on their annual surplus. What is outrageous, is that their revenue is their annual revenue, but their expenses are allowed to be many more months than a year, hence they are allowed to claim that, even with the subsidies, they operated at a loss because they are allowed to count more than a year's worth of expense. It also means that the same expenses are counted in two different years.

Covid has also demonstrated how unfair this is to the taxpayers. Most businesses had to adjust their number of employees and/or salaries. Not NYRA, though. They had significant savings due to the subsidies and because the unfair formula allowed them not to pay franchise fees.

Hopefully you will pass legislation that requires NYRA to report revenues and expenses per year instead of allowing them to include the extra months of expenses that are currently allowed.

Additionally, you should end the subsidies to the tracks and utilize the savings to help New Yorkers.

What might be fair would be to phase out the subsidies over a two- or three-year period, and to require the tracks to pay rent or property taxes. That would give the tracks time to figure out, if possible, how to break-even. It would also be logical to utilize some of the savings that result to retrain any employees who might lose their jobs.

I will be happy to answer any questions you may have.

Steven Newman