



Tightened Purses

BY TOM LaMARRA

The trend is clear: Pari-mutuel handle and purses are declining. The reasons are varied. And a complicated revenue system, coupled with less transparency in the reporting of handle, is creating a black-hole effect.

Does anyone really know what is going on, and can it be quantified?

In 2009 wagering on United States Thoroughbred races (\$12.3 billion) declined 9.88% from 2008, while purses (\$1.1 billion in 2009) dropped 5.59%. At face value, purses accounted for 8.87% of total handle, but purses included revenue from non-pari-mutuel sources such as gaming machines.

In 1970 gross purse distribution for Thoroughbred racing in North America

topped \$185 million, up more than \$90 million in a 10-year period. With total Thoroughbred handle of roughly \$4 billion, purses accounted for 4.62% of total handle that year.

Figures from the *American Racing Manual* show great disparity from track to track in 1970, when things were simple—all handle was generated on track, and purses were paid accordingly. Aqueduct in New York led the way with \$484.8 million in handle over three meets and total purses of \$11.3 million.

The amount of handle paid to purses at the New York Racing Association track was only 2.33% based on the figures; in 2009, it's more than 5%, according to some estimates. At Bowie in Maryland in

Innovation called key to recovery

1970, purses earned 4.67% of handle, and at Pennsylvania's Pocono Downs, where most races were for \$1,500 claimers, purses accounted for 5.27% of handle.

Based on an average 20% pari-mutuel takeout rate per dollar wagered, somebody was making money on racing 40 years ago, and it wasn't necessarily horse owners.

The National Thoroughbred Racing Association recently compiled statistics for the top 10 states in terms of purses paid and found the percentage of purses paid relative to handle at tracks without race-track gaming revenue ranges from 5%-7.5%. At tracks with gaming, the figure is closer to 17%.

The latter number is based on all purse revenue, no matter how it's generated. NTRA president and chief executive officer Alex Waldrop suggested that, given the fact more than 40 racing facilities also offer gaming, looking only at the percentage of purses generated from wagers on races doesn't cut it anymore and could be fueling an anti-racing mantra among ca-

2009 PURSES — NORTH AMERICAN TRACKS

State/Track	2009 Dates (Change)	2009 Avg. Starters	2008 Avg. Starters	2009 Median Purse	% Change from '08	2009 Daily Avg. Purses	% Change from '08
ARIZONA							
Turf Paradise	154 (-1)	8.15	8.20	\$6,400	-4.48%	\$80,849	-2.58%
Yavapai Downs	58 (3)	7.75	7.72	\$4,600	-4.17%	\$34,882	-3.85%
ARKANSAS							
Oaklawn Park	54 (1)	9.27	8.81	\$16,000	0.00%	\$272,561	-2.23%
CALIFORNIA							
Del Mar	37 (-6)	8.56	8.59	\$44,400	-11.34%	\$544,295	5.14%
Fairplex Park	15 (-1)	7.99	7.97	\$18,080	-9.78%	\$234,204	-18.50%
Ferndale	8 (-2)	6.98	5.70	\$7,650	34.16%	\$43,349	87.51%
Fresno	10 (-1)	7.99	8.03	\$9,250	-9.76%	\$100,658	34.63%
Golden Gate Fields	183 (56)	7.26	7.84	\$11,363	-10.24%	\$144,259	-8.46%
Hollywood Park (Spr/Sum)	55 (-5)	7.94	8.05	\$33,900	-10.78%	\$417,333	-6.70%
Hollywood Park (Fall)	27 (-13)	7.53	7.73	\$28,200	-2.42%	\$343,349	-0.82%
*Oak Tree At Santa Anita	28 (-5)	8.70	9.01	\$35,000	0.00%	\$355,862	-20.75%
Pleasanton	15 (4)	7.92	7.49	\$11,000	0.00%	\$129,006	-6.97%
Sacramento	11 (0)	7.74	6.92	\$11,750	14.63%	\$107,433	18.65%
Santa Anita Park	84 (7)	8.21	8.60	\$33,800	-24.55%	\$420,793	-15.37%
Santa Rosa	10 (-2)	8.43	7.72	\$11,250	-11.76%	\$133,639	-8.21%
Solano	5 (-6)	8.10	7.26	\$10,450	-1.65%	\$122,948	4.64%
Stockton	9 (0)	7.73	6.80	\$10,500	2.94%	\$104,691	11.03%
Arapahoe Park	36 (0)	8.03	7.90	\$5,600	5.66%	\$46,034	-0.67%
DELAWARE							
Delaware Park	109 (-27)	7.66	6.87	\$19,948	-11.34%	\$233,497	-3.14%
FLORIDA							
Calder Race Course	152 (-8)	8.21	7.78	\$13,000	1.09%	\$186,781	-2.22%
Gulfstream Park	79 (-10)	9.15	8.65	\$24,000	9.09%	\$326,324	2.84%
Tampa Bay Downs	94 (1)	9.26	9.39	\$11,300	-10.32%	\$156,341	-5.90%
ILLINOIS							
Arlington Park	98 (2)	7.85	8.23	\$22,320	-8.90%	\$272,669	0.25%
Fairmount Park	57 (-2)	7.95	8.40	\$5,000	-5.52%	\$52,417	-9.86%
Hawthorne	108 (-3)	8.02	8.31	\$12,006	-14.55%	\$176,846	-5.94%

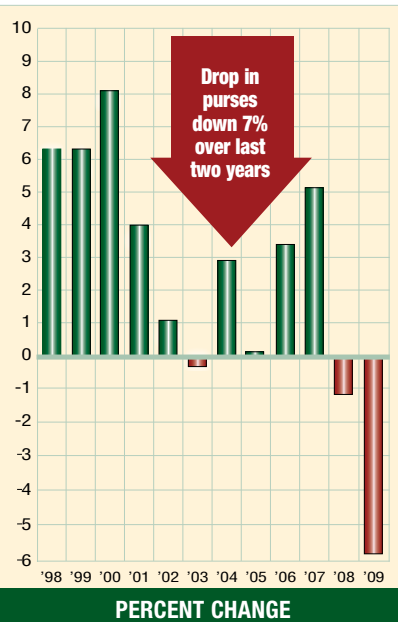
State/Track	2009 Dates (Change)	2009 Avg. Starters	2008 Avg. Starters	2009 Median Purse	% Change from '08	2009 Daily Avg. Purses	% Change from '08
INDIANA							
Hoosier Park	63 (0)	8.34	9.22	\$12,350	28.65%	\$188,060	32.59%
Indiana Downs	62 (8)	8.78	8.58	\$13,200	45.05%	\$145,019	55.51%
IOWA							
Prairie Meadows	82 (-8)	7.74	7.95	\$16,774	-4.15%	\$178,878	2.07%
KENTUCKY							
Churchill Downs (Spring)	45 (-7)	7.85	8.28	\$28,200	8.46%	\$474,177	5.88%
Churchill Downs (Fall)	21 (-5)	9.91	9.54	\$28,140	0.50%	\$392,161	7.40%
Ellis Park	28 (-11)	9.18	7.61	\$11,050	12.76%	\$137,337	2.31%
Keeneland (Spring)	15 (-1)	8.71	9.19	\$50,000	0.00%	\$601,950	-5.19%
Keeneland (Fall)	17 (0)	9.96	10.06	\$48,113	-0.73%	\$608,731	-3.62%
Kentucky Downs	3 (-3)	9.50	9.09	\$25,000	0.00%	\$219,667	-2.34%
Turfway Park	105 (0)	8.52	8.79	\$8,150	-9.44%	\$123,534	-8.89%
LOUISIANA							
Delta Downs	97 (9)	9.08	9.04	\$19,000	16.85%	\$246,479	11.58%
Evangeline Downs	89 (5)	10.11	10.17	\$16,000	-5.79%	\$196,217	-7.76%
Fair Grounds	90 (8)	8.73	8.77	\$23,000	-11.54%	\$333,555	-4.07%
Louisiana Downs	83 (-2)	8.90	9.35	\$13,020	-9.99%	\$177,213	-11.84%
MARYLAND							
Laurel Park (Winter/Spr)	58 (-1)	7.11	7.94	\$16,000	0.00%	\$169,293	-8.17%
Laurel Park (Fall/Winter)	67 (+2)	7.93	8.31	\$16,000	0.00%	\$180,766	-4.64%
Pimlico	20 (-11)	7.60	7.54	\$16,000	-11.11%	\$286,310	4.74%
Timonium	7 (0)	7.08	6.84	\$7,500	1.01%	\$104,013	6.96%
MASSACHUSETTS							
Suffolk Downs	101 (-1)	8.18	8.49	\$7,300	-25.51%	\$92,481	-18.13%
MICHIGAN							
Pinnacle Race Course	74 (12)	6.99	7.15	\$6,100	-10.29%	\$72,165	-17.72%
MINNESOTA							
Canterbury Park	62 (-5)	7.87	7.76	\$10,500	-7.57%	\$114,053	-9.46%

sino companies.

"Purses are declining but not as quickly as handle, and that reflects the purse subsidies coming into racing," Waldrop said. "That's no real surprise there, because we've given up major markets to racinos. We would caution the industry to look carefully at handle declines and not see them purely as a negative, but the natural and predictable results of putting casinos at our racetracks."

Waldrop called purse revenue from gaming machines a "supplement," not a "subsidy," because the projected impact on handle from slot machines was well-documented before racetrack casinos were licensed. The supplements, now in the hundreds of millions of dollars each year, are the payments casino companies should make for the right to operate in racing markets, he said.

PURSES IN NORTH AMERICA		
Year	Gross Purses	% Change
2009	\$1,187,172,446	-5.89%
2008	\$1,261,545,737	-1.18%
2007	\$1,276,727,748	5.13%
2006	\$1,214,409,725	3.40%
2005	\$1,174,530,616	0.30%
2004	\$1,170,996,556	2.90%
2003	\$1,138,359,666	-0.30%
2002	\$1,141,695,459	1.10%
2001	\$1,125,327,535	4.00%
2000	\$1,081,859,753	8.10%
1999	\$1,002,232,936	6.30%
1998	\$942,466,254	6.30%
1997	\$886,527,709	5.00%
1996	\$844,258,931	3.60%
1995	\$814,611,211	4.10%
1994	\$782,439,354	3.70%
1993	\$754,790,992	-2.50%
1992	\$774,122,640	6.60%
1991	\$769,039,283	-1.20%
1990	\$778,110,785	3.10%
1989	\$775,708,145	4.50%
1988	\$742,144,444	4.70%



"We're entitled to these funds," Waldrop said. "Therefore, we have to question using not only attendance but handle as gauges for the true health of the industry."

there's no reason to believe handle will begin trending upward any time soon. He noted though advance deposit wagering handle is increasing, handle at bricks-and-

There has been a change in our revenue sources.

"Racing is not dying. It has ceded its market. We let a huge competitor into (racing states), and it was predictable handle would decline. We can't let casino companies turn this around on us."

Despite the proliferation of gaming, statistics show only two tracks with slots—Woodbine in Canada and Fair Grounds Race Course & Slots in Louisiana—in the top 10 in terms of average daily handle in 2009. But racetrack casinos figure prominently in the next 10 on the list.

Thoroughbred Racing Associations executive vice president Chris Scherf said

SOURCE: The Jockey Club Information Systems; * Excludes 2008 and 2009 Breeders' Cups; Ⓢ Racetrack with gaming machines; Figures for Canada reported in U.S. dollars

2009 PURSES — NORTH AMERICAN TRACKS

State/Track	2009 Dates (Change)	2009 Avg. Starters	2008 Avg. Starters	2009 Median Purse	% Change from '08	2009 Daily Avg. Purses	% Change from '08
NEBRASKA							
Columbus	23 (-1)	8.17	7.30	\$5,000	-0.75%	\$48,831	3.70%
Fonner Park	33 (-2)	8.73	7.98	\$5,000	0.00%	\$63,148	0.09%
Horsemen's Atokad Downs	4 (1)	8.62	8.67	\$8,800	-23.01%	\$49,581	-33.66%
Horsemen's Park	4 (0)	8.00	8.67	\$18,400	-17.19%	\$103,144	-4.95%
Lincoln State Fair	37 (1)	7.44	7.86	\$5,000	-11.74%	\$55,227	-12.99%
NEW JERSEY							
Atlantic City	6 (0)	10.46	9.92	\$16,520	-17.40%	\$120,332	-9.72%
Meadowlands	47 (6)	7.29	7.24	\$25,000	-6.65%	\$260,495	-1.58%
Monmouth Park	93 (-7)	7.44	7.24	\$28,134	-6.22%	\$356,322	2.90%
NEW MEXICO							
Albuquerque Ⓢ	59 (1)	7.80	7.45	\$5,800	-24.68%	\$41,807	-33.56%
Ruidoso Downs Ⓢ	59 (7)	7.84	7.70	\$7,800	-1.27%	\$56,651	-5.88%
Sunland Park Ⓢ	75 (0)	9.45	9.26	\$16,500	-9.84%	\$180,942	2.85%
Sunray Park Ⓢ	44 (0)	8.36	7.60	\$12,000	-0.83%	\$93,321	9.03%
Zia Park Ⓢ	55 (2)	8.16	8.08	\$14,240	-19.07%	\$144,043	-5.48%
NEW YORK							
Aqueduct	117 (-2)	7.86	7.90	\$30,000	-30.23%	\$333,413	-10.76%
Belmont Park (Spr/Sum)	64 (+6)	7.57	7.92	\$42,000	-14.29%	\$451,576	-15.70%
Belmont Park (Fall)	33 (-4)	8.34	8.58	\$58,865	20.13%	\$556,540	-8.25%
Finger Lakes Ⓢ	163 (6)	7.79	7.69	\$9,500	5.56%	\$122,564	4.85%
Saratoga	37 (0)	8.52	8.29	\$50,000	-19.35%	\$711,658	-7.78%
NORTH DAKOTA							
North Dakota Horse Park	15 (-1)	7.85	6.84	\$2,200	-8.33%	\$15,200	7.52%
OHIO							
Beulah Park	119 (13)	8.33	7.78	\$4,000	11.11%	\$41,157	7.97%
River Downs	102 (0)	7.43	7.43	\$4,400	-13.73%	\$48,731	-9.13%
Thistedown	122 (1)	8.42	7.81	\$6,200	-8.82%	\$58,938	-12.66%
OKLAHOMA							
Blue Ribbon Downs Ⓢ	43 (-23)	9.96	9.25	\$6,000	-11.76%	\$20,271	43.83%
Fair Meadows	32 (1)	8.18	8.72	\$10,000	4.17%	\$54,169	-2.48%

State/Track	2009 Dates (Change)	2009 Avg. Starters	2008 Avg. Starters	2009 Median Purse	% Change from '08	2009 Daily Avg. Purses	% Change from '08
OREGON							
Remington Park Ⓢ	67 (0)	9.50	9.58	\$16,100	-6.94%	\$200,805	-4.08%
Will Rogers Downs	42 (0)	9.41	9.50	\$12,250	2.94%	\$119,911	2.18%
PENNSYLVANIA							
Penn National Ⓢ	206 (28)	9.16	8.47	\$16,100	29.84%	\$178,442	35.70%
Philadelphia Park Ⓢ	202 (-14)	7.90	7.99	\$25,450	2.05%	\$289,890	1.64%
Presque Isle Downs Ⓢ	100 (-1)	7.73	7.10	\$16,420	-10.06%	\$194,179	-12.28%
TEXAS							
Lone Star Park	65 (0)	8.74	8.90	\$11,500	-4.17%	\$177,117	-4.43%
Retama Park	59 (8)	9.34	9.41	\$7,500	0.00%	\$94,072	-9.70%
Sam Houston Race Park	15 (-29)	8.77	8.67	\$7,000	-17.65%	\$110,396	-5.25%
VIRGINIA							
Colonial Downs	42 (-5)	8.90	7.89	\$12,008	-17.30%	\$174,545	-13.76%
WASHINGTON							
Emerald Downs	91 (0)	7.43	7.69	\$7,100	-8.97%	\$95,006	-11.31%
WEST VIRGINIA							
Charles Town Ⓢ	236 (11)	8.50	8.55	\$15,400	2.67%	\$182,782	4.59%
Mountaineer Ⓢ	225 (10)	8.53	8.62	\$9,700	-3.96%	\$128,103	-10.76%
WYOMING							
Wyoming Downs	6 (-10)	8.75	7.22	\$2,000	-16.67%	\$5,092	-4.21%
CANADA							
Grand Prairie Ⓢ	23 (0)	6.23	5.17	\$5,000	38.89%	\$26,004	41.37%
Lethbridge Ⓢ	41 (-1)	7.34	7.38	\$4,300	-2.71%	\$26,575	-13.81%
Northlands Park Ⓢ	89 (28)	7.64	7.61	\$10,750	-8.35%	\$120,964	-9.43%
Hastings Ⓢ	74 (3)	7.63	7.52	\$10,922	-6.44%	\$153,848	-8.25%
Assiniboia Downs Ⓢ	63 (-5)	7.45	7.69	\$6,504	-4.49%	\$75,487	-7.51%
Fort Erie Ⓢ	78 (-2)	8.22	7.76	\$10,442	0.71%	\$105,103	-6.60%
Woodbine Ⓢ	167 (0)	9.10	8.95	\$44,360	-4.76%	\$539,528	-0.52%
Marquis Downs	30 (1)	8.17	8.01	\$3,200	0.00%	\$32,540	-2.62%
PUERTO RICO							
Camarero Race Track	260 (-2)	6.88	6.40	\$7,125	-7.80%	\$64,512	-9.01%



mortar sites is decreasing. Purses generally earn less from ADW handle.

"I think a partial cause of the past year's decrease is the economy," said Scherf, speaking for himself and not on behalf of the TRA. "There could be a mild comeback when the economy improves, but there's no reason to think—absent significant changes—things will improve.

"We're definitely a victim of casino gambling, which is so prevalent now. It's definitely having an impact on wagering. I'm a believer there's going to have to be some true innovation in the wagering product—exchange betting, fixed-odds wagering, or something else. The potential is there for creating some growth in race wagering. It's fast approaching the time we have to roll the dice on something new."

There has been talk for several years of using non-pari-mutuel wagering on horse races to generate revenue for purses, but the industry in the U.S. is treading lightly. Scherf said he's a proponent of easy-to-understand fixed-odds betting, and believes exchange wagering is worth a look only if racing is compensated through a reasonable revenue percentage.

The key is to grow handle *and* revenue,

RISE IN DAILY AVERAGE PURSES

Track	'09 Daily Avg. Purses	Percent Change
Ferndale	\$43,343	87.51%
Indiana Downs	\$145,019	55.51%
Blue Ribbon Downs	\$20,271	43.83%
Grand Prairie	\$26,004	41.37%
Penn National	\$178,442	35.70%
Fresno	\$100,658	34.63%
Hoosier Park	\$188,060	32.59%
Sacramento	\$107,443	18.65%
Delta Downs	\$246,479	11.58%
Stockton	\$104,691	11.03%

DROP IN DAILY AVERAGE PURSES

Track	'09 Daily Avg. Purses	Percent Change
Atokad Downs	\$49,581	-33.66%
Albuquerque	\$41,807	-33.56%
Fairplex Park	\$234,204	-18.50%
Suffolk Downs	\$92,481	-18.13%
Pinnacle Race Course	\$72,165	-17.72%
Belmont Park (spring)	\$451,576	-15.70%
Santa Anita (winter/spring)	\$420,793	-15.37%
Lethbridge	\$26,575	-13.81%
Colonial Downs	\$174,545	-13.76%
Lincoln State Fair	\$55,227	-12.99%

HIGHEST AVERAGE STARTERS PER RACE

Track	'09 Avg. Starters Per Race
Atlantic City	10.46
Evangeline Downs	10.11
Keeneland (fall)	9.96
Blue Ribbon Downs	9.96
Churchill Downs (fall)	9.91
Kentucky Downs	9.50
Remington Park	9.50
Sunland Park	9.45
Will Rogers Downs	9.41
Retama Park	9.34

2009 DISTRIBUTION OF RACES BY CLASS					
Class	No. of Races	% of Races	Purses	% of Purses	Avg. Purse Per Race
Maiden Claiming	10,811	20.0%	\$142,717,541	12.0%	\$13,201
CLAIMING:					
Less than \$2,000	108	0.2%	\$219,686	0.0%	\$2,034
\$2,000—\$2,999	1,603	3.0%	\$6,508,063	0.5%	\$4,060
\$3,000—\$3,999	1,744	3.2%	\$10,037,312	0.8%	\$5,755
\$4,000—\$4,999	3,775	20.0%	\$142,717,541	12.0%	\$13,201
\$5,000—\$5,999	7,346	13.6%	\$72,844,942	6.1%	\$9,916
\$6,000—\$6,999	1,061	2.0%	\$11,388,521	1.0%	\$10,734
\$7,000—\$7,999	2,392	4.4%	\$29,902,800	2.5%	\$12,501
\$8,000—\$8,999	681	1.3%	\$7,987,673	0.7%	\$11,729
\$9,000—\$9,999	8	0.0%	\$56,480	0.0%	\$7,060
\$10,000—\$14,999	3,336	6.2%	\$52,226,192	4.4%	\$15,655
\$15,000—\$19,999	1,981	3.7%	\$34,116,939	2.9%	\$17,222
\$20,000—\$24,999	623	1.2%	\$13,932,507	1.2%	\$22,364
\$25,000 and up	2,324	4.3%	\$63,189,556	5.3%	\$27,190
SUBTOTAL CLAIMING	37,793	69.8%	\$475,489,243	40.1%	\$12,581
Starter Allowance	1,430	2.6%	\$29,038,676	2.4%	\$20,307
Starter Handicap	117	0.2%	\$3,663,150	0.3%	\$31,309
Optimal Claiming	27	0.0%	\$411,230	0.0%	\$15,237
Maiden Special Wgt	5,219	9.6%	\$155,982,148	13.1%	\$29,887
Allowance	4,408	8.1%	\$140,672,109	11.8%	\$31,913
Handicap	11	0.0%	\$154,835	0.0%	\$14,076
Stakes	2,372	4.4%	\$287,936,458	24.3%	\$121,390
SUBTOTAL	13,584	25.1%	\$617,858,606	52.0%	\$45,484
All Others	2,744	5.1%	\$93,844,213	7.9%	\$34,200

DATA PROVIDED BY THE JOCKEY CLUB

STAKES ON THE FLAT, BY RACING SEASON

Racing Year	Runners	Stakes Wnrs (% Runners)	Races	Stakes (% Races)	Stakes Purses	Avg. Stakes Purse
2009	71,662	1,702 (2.38%)	54,121	2,342 (4.33%)	\$287,936,458	\$122,945
2008	72,638	1,858 (2.56%)	55,069	2,596 (4.71%)	\$312,037,473	\$120,199
2007	72,966	1,860 (2.55%)	56,361	2,675 (4.75%)	\$314,533,955	\$117,058
2006	72,729	1,867 (2.57%)	56,902	2,660 (4.67%)	\$297,056,092	\$108,751
2005	72,780	1,886 (2.59%)	57,495	2,626 (4.56%)	\$285,472,843	\$105,290
2004	74,206	1,818 (2.44%)	58,858	2,574 (4.37%)	\$282,007,808	\$104,731
2003	73,918	1,757 (2.40%)	59,001	2,556 (4.30%)	\$273,677,146	\$103,639

not just increase wagering volume at the expense of purses and payments to race-tracks.

"I think purses will continue to decrease unless the industry looks at a new economic model," Thoroughbred Owners and Breeders Association president Dan Metzger said. "The recession has played a role, but looking too much at the recession and not looking internally is a big mistake."

Metzger said he's not opposed to deriving purse revenue from gaming but noted the large amount of time and money the industry has spent on chasing it.

"If we spent more time and effort on our own product, we may be in a better position tomorrow than we are today," he said. "The economic model, be it ADW, simulcasts, or offshore wagering—these are fundamental principles we're not paying attention to, and some people believe if we channel our resources toward that, we could increase purses."

There have been behind-the-scenes, high-level talks among racing industry executives and associations concerning the pari-mutuel business model, and a plan could be unveiled sometime this year.

Participants in the talks are reluctant to discuss details.

"There are efforts being directed toward that," Metzger said without offering specifics. "People are diligently working with a sense of cooperation. Our product, when presented properly, has proved appealing to the consumer."

Waldrop said there are positive signs. He said efforts that began several years ago to squeeze more revenue from ADW providers and off-track betting outlets are producing the desired results based on anecdotal information.

"It seems a higher piece (of revenue) is being obtained for producers," Waldrop said. "I don't know how much that is, but based upon what we're hearing from tracks, the simulcast numbers are headed in the right direction."

Waldrop said it's somewhat encouraging purses weren't down more than 5.59% last year, given the almost 10% drop in handle. However, with some states cutting back on the amount of revenue racing gets from gaming—Delaware, Pennsylvania, and West Virginia, for example—a purse growth may have to come from wagering on races.