

May 2018 – Legal Sports Betting

It's been amusing to me to hear the comments from racing executives about the Supreme Court's decision to permit states to offer legal sports betting.

Almost nobody has claimed this will be a big boost to horse racing. Instead, their comments have mostly been about staking out territory. Their position: If sports betting is to be allowed, it should be permitted only at venues that already have facilities that take bets. In other words, at our place.

Casinos want the action. So do card rooms. So do sports bars. And just about anybody else who thinks they can make a buck at this.

Each state is free to make its own rules, so about the only thing you can be sure of is that interested parties will be laying lots of cash into the hands of politicians to support their case. With so many interests jockeying for position, it will be quite entertaining to see the various ways that this all plays out.

Only one thing is clear—it's going to be a long, torturous road before major changes come to American gambling life. In the states where you will have to travel to make a bet, as distinct from using a phone app, the money the states will make from sports betting figures to be way less than the hype you may read. Millions of Americans are quite content to bet with their neighborhood bookie, or some Caribbean online casino, and have no interest in driving an hour to bet \$50 on the Patriots.

Then there's the fact that sports betting is not the cash cow that some think. In 2017, Nevada racebooks accepted more than \$4.8 billion in bets and won, as is typical, 5%. Total earnings from the state's racebooks were a bit shy of \$249 million—which averages out to \$1.3 million for each of the state's 183 books. Of course the larger books won many millions, while the tiny ones in rural backwaters took in relatively little. Still, when you figure what it costs to build the book and the betting infrastructure, and pay the salaries of the workers, sports betting is hardly the backbone of Nevada gambling. It's everywhere, yet still accounts for just 2.1 percent of the state's gambling win. And that's before what may take place with widespread legalized sports betting—a requirement to pay each sport approximately 1% of the action on their games, which is either going to narrow the margins further or wind up as an extra tax on players.

Horse racing is pretty much a non-factor in Nevada. In 2007, sports betting handled \$2.6 billion compared with \$596 million for horse racing; in 2017, contrast that aforementioned \$4.8 billion on sports with the measly \$280 million in horse-racing handle.

So it's probably fair to conclude this: People want to bet on sports. They don't want, so much, to bet on horses. If it turns out that racetracks will be allowed to accept sports bets, things will probably turn out the way they have for racetracks which have been allowed to add slot machines—people come for the slot machines and there's virtually no crossover into horse betting. Yes, increased profits will probably mean higher purses, but so what—in places like Pennsylvania where slots have boosted purses, the takeouts are still usurious and there's been no apparent benefit to horseplayers.

Sports betting might be much more of a threat, particularly as gamblers figure out that sports bets offer a 5% takeout compared with horse racing's 20%.

So, maybe, as some believe, sports betting will help horse racing. Maybe, but helping horseplayers? Don't think so.

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