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Do Simulcasting and Off-Track Betting Benefit or Harm Kentucky On-Track Betting?

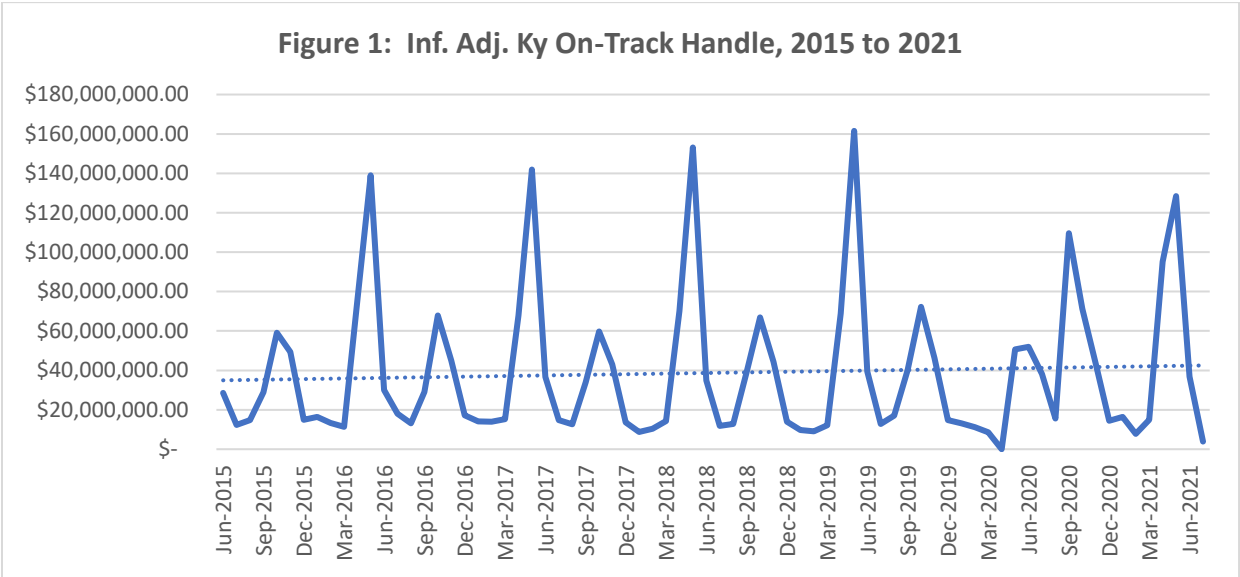
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During the global Covid-19 pandemic period starting in early 2019, the horse racing industry began to rely more heavily on off-track betting than beforehand since many tracks only could either permit a limited number of fans in the stands or none at all. Now that the pandemic appears to be easing, some are wondering if off-track betting (advanced deposit wagering (ADW) and simulcasting) will continue to be a supplement and boost or be a competitor to Kentucky on-track betting. This paper explores trends in ADW and simulcasting over the last six years and provides some thoughts as to what the future holds.

Thalheimer and Ali (1992) found that calling in bets over the phone in a pre-internet and simulcasting environment at a local harness race track resulted in a loss of attendance at the track. Yet, when it came to simulcasting of Kentucky and out of state races at Kentucky racetracks in the 1990s, they found that simulcasting helped to boost on-track betting (1998). Then, however, to engage in simulcasting, patrons had to be physically at the track. Furthermore, Humphreys and Soebbing (2012) determined that whether betting took place at the track or away, simulcasting helped to boost on track betting at Canadian tracks and this was regardless if the betting came from within or outside of Canada.

So how has Kentucky on-track betting performed with the advent of advanced deposit wagering over the last decade and the continuance of simulcasting and its expansion into new regions, especially overseas? Figure 1 shows inflation adjusted, on-track monthly gambling trends at Kentucky racetracks from 2015 to 2021. A superimposed trend line shows only a very

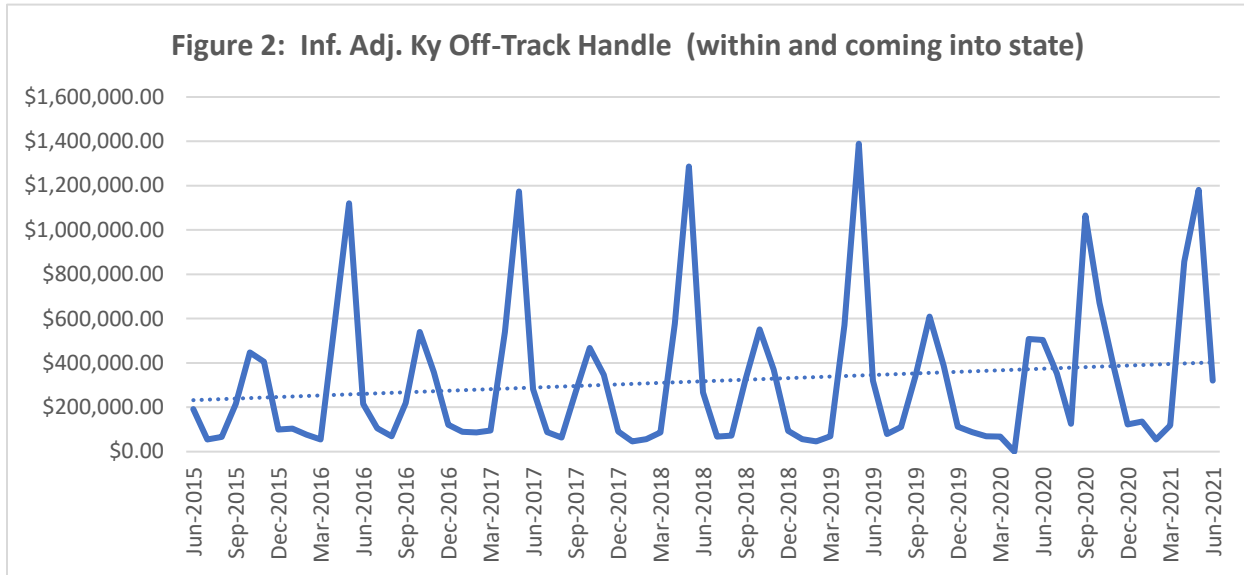
small increase over this period. The annual spikes in the data are from wagering on the world-famous Kentucky Oaks and Kentucky Derby races held every May (except in 2020 when held in September) in Louisville, Kentucky. The year 2020 is somewhat of an outlier because of the effects of the pandemic, and during a good portion of 2021, on-track attendance has been limited. The year 2019 shows gains, and this is the year after the US Supreme Court’s decision to permit states to legalize other forms of sports gambling. Therefore, absent 2020 and 2021 limitations, the trend line shown could have had a steeper upward slope.



Source: Kentucky Horse Racing Commission Reports 2015 to 2019.

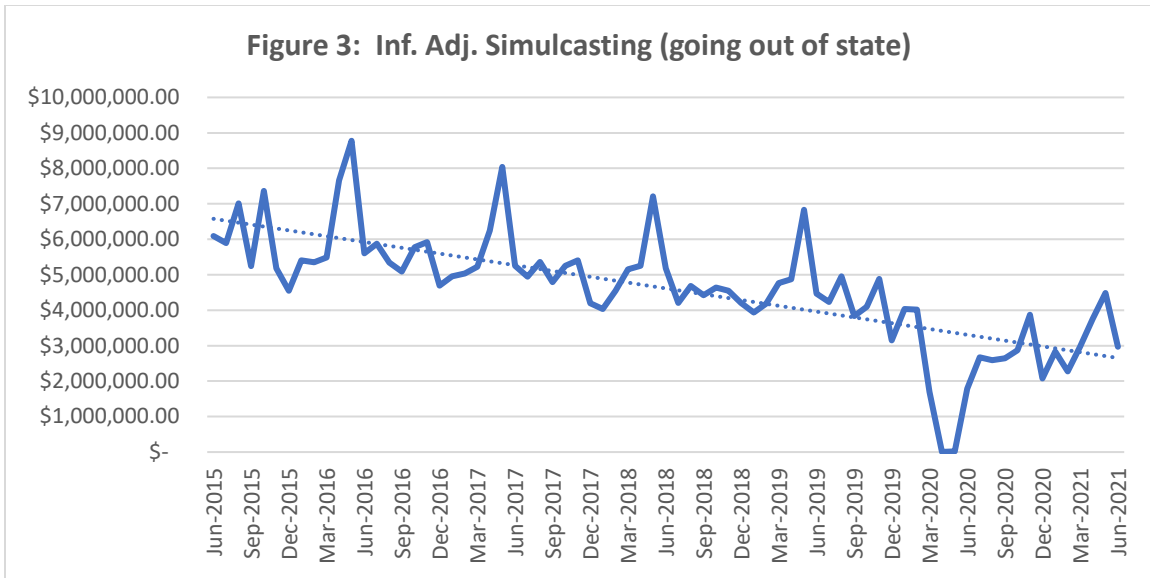
In Figure 2, we see the inflation adjusted, off-track handle (ADW and simulcasting) monthly revenues earned by tracks from bettors within and outside of the state including bettors from overseas. Despite the Covid years of 2020 and 2021, the overall general trend as shown in the trendline is up, and the rate of increase appears to be greater than that of the on-track betting. Therefore, simulcasting and other forms of betting off-track do not appear to be harming on-track revenues. On-track betting appears to be holding steady while off-track betting with

Kentucky tracks is growing.

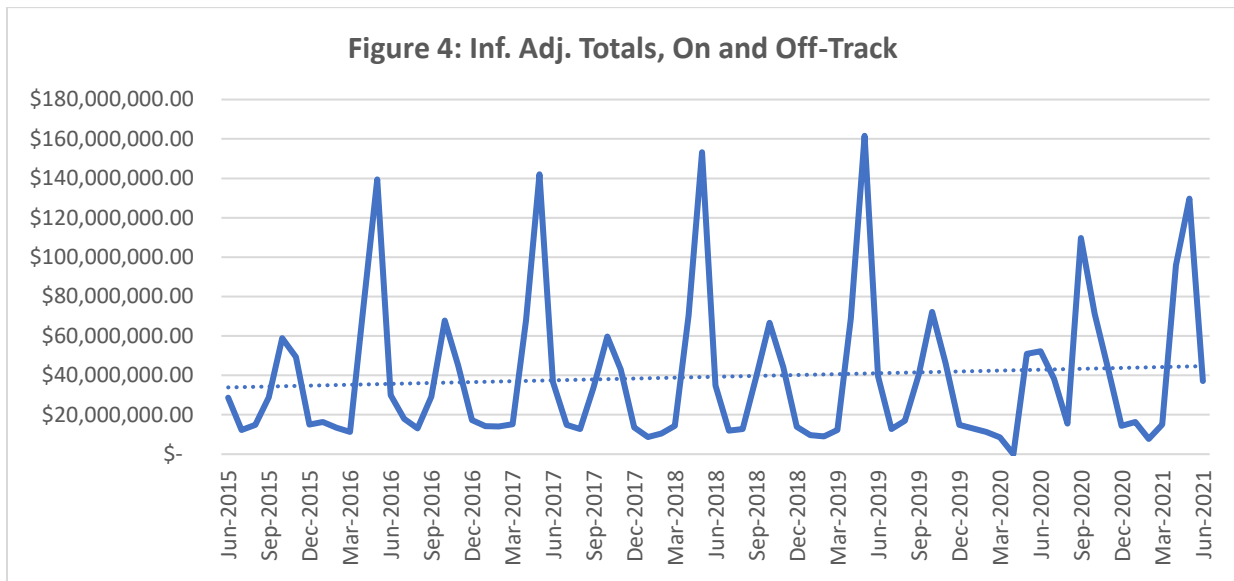


Source: Kentucky Horse Racing Commission Reports 2015 to 2019.

On the other hand, when it comes to simulcasting outside of the state, Kentucky bettors do not seem as interested in betting on out of state races. ADW is only allowed for races within the state (BettingUSA.com 2021). Figure 3 illustrates declines in betting on out of state races from 2015 to 2021. The superimposed trend line on the figure definitely shows a downward trend over the years.



Source: Kentucky Horse Racing Commission Reports 2015 to 2019.



Source: Kentucky Horse Racing Commission Reports 2015 to 2019.

Therefore, in total, how has betting on racing performed in Kentucky over the last couple of years? Figure 4 reveals that there has been a slight increase in inflation adjusted revenues over the last six years, a trend which defies national ones (Lambert 2021). Simulcasting and ADW of Kentucky racing has not harmed on track gambling, although it may not be providing a big boost to it, however. Most of the increase in total revenues appears to be coming from off

track betting from patrons within and outside of the state. However, Kentucky bettors do not seem to be reciprocating with a lot of betting at out of state tracks. More in-depth research needs to be done as to why this is occurring.

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