



The Horse Racing Industry in Delaware

Mark Davis

A Little History on the Sport

- ▶ Horse racing is one of the oldest of all sports, and its basic concept has undergone virtually no change over the centuries
- ▶ 12th Century (1101 to 1200) - The origins of modern racing began in this century when English knights returned from the Crusades with swift Arabian horses.
- ▶ 1530 - The earliest records of racing in England are recorded at York. Ten years later, Chester had its first race course.
- ▶ 1665 - British settlers brought horse racing to the New World, and the first American track was laid out in Long Island.
- ▶ 1750 American horse breeders and racers establish the Jockey Club. Today, the club still defines standards and regulations for racing, racecourses and breeding



More

- ▶ In 1788 the great sire Messenger was brought to America where he stood at stud for 20 years. One of his sons, Hamiltonian, became the father of the American Standardbred breed of harness racing horses. In the United States, every Standardbred horse can trace its heritage to Hambletonian, born May 5, 1849, in Sugar Loaf, N.Y.
 - ▶ 1864 - John Hunter, William R. Travers and former American heavyweight champion John Morrissey had a track built at the popular summer health resort in Saratoga Springs. The inaugural meeting was conducted, and **America's oldest stakes race**.
 - ▶ Late 19th century (1890-1900) - Frenchman Pierre Oller developed the pari-mutuel wagering system, In **pari-mutuel wagering**, people bet money on a specific outcome, and all of the bet money is placed into a pool. Once the outcome is decided, the pool is divided among the winning wagers.
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A little more.....

- ▶ One of the **first harness racing tracks** in America, if not the first, was the **Harlem Lane** course in New York, although it also carried Thoroughbred racing and the first speed record in American trotting history was set here in 1806. As the popularity of the sport increased, other tracks were built. In 1940, the opening of Roosevelt Raceway was the beginning of harness racing's current era, with really took off after the end of World War II and most large tracks were lighted for night racing also
 - ▶ **In 1989**, Horse racing is the second most widely attended U.S. spectator sport after baseball. 56,194,565 people wagering \$9.14 billion attended 8,004 days of racing.
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Current Stats in US

US Horse Council 2005

- ▶ There are 9.2 million horses in the United States.
- ▶ 4.6 million Americans are involved in the industry as horse owners, service providers, employees and volunteers. Tens of millions more participate as spectators.
- ▶ 2 million people own horses.
- ▶ The horse industry has a direct economic effect on the U.S. of \$39 billion annually.
- ▶ The industry has a \$102 billion impact on the U.S. economy when the multiplier effect of spending by industry suppliers and employees is taken into account. Including off-site spending of spectators would result in an even higher figure.



US Horse Council 2005

- ▶ Racing - 844,531
- ▶ Showing - 2,718,954
- ▶ Recreation - 3,906,923
- ▶ Other - 1,752,439
- ▶ **Total - 9,222,847 horses**
- ▶ The study dispels the misperception that the horse industry is an activity only for wealthy individuals. The horse industry is a diverse activity with stakeholders including recreational and show horse riders, and moderate-income track, show and stable employees and volunteers.
- ▶ Approximately 34% of horse owners have a household income of less than \$50,000 and 28% have an annual income of over \$100,000. 46% of horse owners have an income of between \$25,000 to \$75,000.



ECONOMIC INDICATORS ON U.S. RACES

November 17, 2014: \$2,761,642
US Trotting Association

	YTD 2014	YTD 2013	% Change
Total Wagered	\$1,326,684,660	\$1,441,548,912	-7.97%
Per Race avg.	\$38,524	\$37,888	+1.68%
Purses	\$373,388,007	\$392,394,177	-4.84%
Race Days	3401	3600	-5.53%



Racing In Delaware



Background

- ▶ **1760** Horse racing in the State of Delaware dates back as far as the colonial period when the first racing facility was built in the Town of Newark in 1760.
 - ▶ **1934 est. the Delaware Racing Commission** and in 1935, license was granted for selling pools through pari-mutual machines and wagering was allowed “within the enclosure of any horse race meet licensed and conducted under this Act.”
 - ▶ **In 1936**, five area business men, led by William duPont, Jr., formed the Delaware Steeplechase and Race Association and purchased a large amount of land on which would be housed facilities dedicated to the breeding and promotion of thoroughbred race horses. That same year, the Association principles met with the Delaware Racing Commission and proposed the design and building of a race track.
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DE

- ▶ Delaware Park and was designed by William duPont, Jr., who had previously designed twenty-three race courses throughout the country. The racetrack held its grand opening on **June 26, 1937**, with a thirty day meet.
 - ▶ **1945** – est. Delaware Harness Racing Commission.
 - ▶ **1946** A group of enthusiasts held a 60-day meet on the Harrington fairgrounds. The next year they formed an association called “The Harrington Raceway” and built the present day track. Today Harrington Raceway is the oldest continuously operating harness racing track in the country.
 - ▶ **Brandywine Raceway** open from 1952 to 1989, exclusively harness. Closed after failed attempt to get slots in late 1980s.
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DE

- ▶ **1967** Dover Downs is incorporated in 1967
 - ▶ **November 19, 1969** The first DD harness race takes place.
 - ▶ **1970s** - The influence of extended racing competition from surrounding states, primarily the Meadowlands in New Jersey, Atlantic City casinos and state lotteries in Delaware and Pennsylvania, takes its toll on the horse racing industry in Delaware.
 - ▶ **May 31, 1994**, The Delaware General Assembly passes legislation authorizing slot machines at pari-mutuel horse racing facilities. **The Delaware Horse Racing Redevelopment Act** is passed to revitalize the horse racing industry in Delaware.
 - ▶ Today increased slot competition from surrounding states and the reapportioning of slot revenues is hurting the local industry.
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Regulation

- ▶ Both Harness and Thoroughbred Racing are highly regulated industries with separate commissions and rules.
 - ▶ DE Harness Racing Commissions issues about 2,000 licenses per year to owners, trainers, drivers, grooms, vendors, and track employees.
 - ▶ DTRC issue appx 5,000 licenses per year.
 - ▶ Harness Racing has 200 days per year yielding 3,000 races
 - ▶ Thoroughbred has 80 race days/year yielding 700 races
 - ▶ Employees: Judges, (Stewards), Investigators, office staff, Paddock Inspectors, Identifiers, Blood Gas Machine Operators, Breathalyzer Techs, Veterinarins
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Regulation continued

- ▶ Ensure integrity of racing – including financial integrity
 - ▶ Oversee all aspects of actual race
 - ▶ Oversee tracks and paddocks
 - ▶ Ensure safety
 - ▶ Perform post race testing on winners and “specials”
 - ▶ Perform pre-race blood gas analysis
 - ▶ Perform human drug testing
 - ▶ Perform “Out of Competition” testing for blood doping
 - ▶ Arising issues – EPO and Cobalt
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Currently in Delaware

According to a 2004 USDA conducted Delaware Equine Study, there are:

- ▶ 4,300 Standardbred with avg. value of \$16,000
 - ▶ 1,800 Thoroughbred valued at \$19,000 per head
 - ▶ 10,000 ac. in horse farms, total value of \$177,000,000
 - ▶ \$245,190,000 annual racing related expenditures, with 43% or \$199,300,000 associated with the tracks
 - ▶ Total value of equine racing related assets at \$291,420,000 – horses, and other all capital and supplies
 - ▶ With a \$245M output, total impact est. at \$297M annual
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Today

- ▶ Estimate 775 Thoroughbreds housed in DE and approximately 100 farms
 - ▶ Estimate 3,000 Standardbred; 1,000 of them yearlings or breeding stock and 300 farms
 - ▶ Annual cost to keep a Standardbred: \$30 - \$ 36K for Racers; \$10k for Stud; and \$15k for Broodmare
 - ▶ Annual Thoroughbred cost is at least \$40 - \$50k
 - ▶ Apprx. 4, 200 jobs
 - ▶ 2013 Paid out \$28,000,000 in Harness Purses
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Show Me the Money - Purses

On a **\$100,000** purse to Owner

1st place	\$50,000	50%
2nd place	\$25,000	25%
3rd place	\$12,000	12%
4th place	\$8,000	8%
5th place	\$5,000	5%

5% of winnings to Driver

5% of winnings to Trainer

Show Me the Money - VLTs

100% of all lottery (VLT) proceeds are “swept” by the State every week

- 43.5% of DD funds go to the State general fund (GF)
- 42.5% of HRI funds go to the state GF
- 10.75% of SB funds go to purse acct.
- 9% of TB funds go to purse acct.
- The vendor (VLT) fees are 8%
- Leaves 38% for tracks

Reapportioned in 2014

- Vendor fees taken off top
- Tracks now getting approx 40%

Pre Financial Crash

- Process was the same but calculations were different
 - 12% to purse acct.
 - 50% remained for Casinos/Tracks
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The Many Parts

- ▶ Horseman/Horses
 - ▶ Support Personnel (Vets, Grooms, Farmhands, etc...)
 - ▶ Suppliers
 - ▶ Land
 - ▶ Casinos/Tracks
 - ▶ Betting Public
 - ▶ Government (Public /Tax Revenue/ Partners)
 - ▶ Commissions (regulators)
 - ▶ Associations (USTA, DSOA, ARCI, Jockey Club...)
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Any Questions

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