

# Sport of Kings: Horse Racing in Maryland

BY BETTY JOYCE NASH

Attendance at the Preakness Stakes in Baltimore fell by 30 percent last May compared to the previous year, yet total wagering on race day rose to nearly \$87 million, an 18 percent jump over 2008. That was unusual. Industry watchers called it an anomaly because odds favored the winner, Rachel Alexandra, a thoroughbred filly, and 85 years had passed since a filly had crossed the finish line at the Pimlico Race Track. The race is usually Maryland's biggest one-day sports event.

But Pimlico's future is in limbo. Owner Magna Entertainment is in bankruptcy, and the state Legislature has authorized the governor to use eminent domain, if necessary, to keep it in Baltimore. The 2009 racing schedule has also been curtailed from 31 to 20 days. Pimlico's plight illustrates an industry already dogged by sparse attendance and revenues dependent on slot machine gambling. Since the 1970s, horse racing has competed not only with alternative entertainment but also gambling via state lotteries, and, later, casinos, and racetrack casinos. While those "racinos" recently won legislative approval in Maryland, bidding for casinos and construction there are off to a slow start. In neighboring Pennsylvania, Delaware, and West Virginia, however, the racinos are thriving, stealing business from Maryland tracks.

## Patrons of the Turf

Horse racing today is thoroughly dependent on wagering. Portions of the gambling money provide funds for owners and trainers, and indirectly for breeders, since the value of a horse can be traced to expectations about its performance.

Of the many milestones in Maryland racing, perhaps the biggest was the introduction of the "French Mutuel" machine at Pimlico in 1873.

The method paid in proportion to the total amount bet, and it dominates horse racing today. Maryland's racing legacy also includes early off-track betting parlors as well as 19th century government incentives to build the historic Pimlico track.

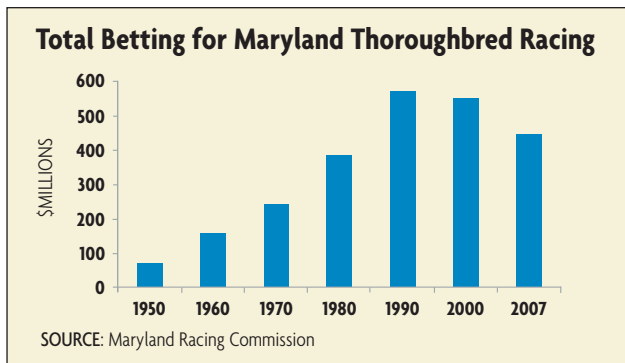
Maryland and Virginia were the cradles of racing in the American colonies. Colonial governors, appointed by the King of England, imported the best-bred mares and stallions from the mother country. One mare competed so well she was barred from racing in Virginia in the 1700s, says Joe Kelly, a newspaper man who covered horse racing for the better part of the 20th century. Her name was Selima, and Laurel Racetrack named a race in her honor.

Overland races known as steeplechases were so named because riders raced from church steeple to steeple, and people wagered in a "my horse can beat your horse" fashion. George Washington's diary noted wins and losses on his trips to race in Maryland, according to Joseph Challmes in *The Preakness: a History*.

The once-vibrant racing industry monopolized legal gambling until the 1970s, but now it faces eroding revenues because of competition from other types of wagering



*Two offspring of Man o' War raced at Pimlico in 1938. War Admiral was heavily favored to beat Seabiscuit but came up short by four lengths.*



Racing of all kinds, steeplechase and flat track, can be found throughout the District today. Those include country-day races where people don't bet — for example in Camden, S.C., at the Colonial and Carolina Cups, well-known and well-attended steeplechases in the fall and spring. There are also many on-track and off-track betting locations in Maryland, Virginia, and West Virginia. Colonial Downs in Virginia offers a racing summer season as well as off-track betting and simulcasts. At West Virginia's Charles Town and Mountaineer Park tracks, there's slot machine gambling. Portions of gambling proceeds go to fund purses, and the bigger purses bring in better horses, owners, and breeders.

### The Dinner Party

Maryland Gov. Oden Bowie, a horseman himself, attended a dinner party after the Saratoga races in New York in 1868. As Baltimore rebuilt from the Civil War and grew, the city was in a race of its own, vying with New York for economic supremacy on the East Coast, Challmes says. The Baltimore & Ohio Railroad rivaled New York's Erie Canal when the B&O became the nation's first public commercial and freight railroad. The city was known for other "firsts" such as the Baltimore clipper ships that sped around the globe returning with exotic cargo. This competition extended to racing, already thriving in New York and Chicago.

Bowie used his own track on his plantation to test the speed of his horses. He had also managed to hang on to his wealth through the Civil War and regularly raced his horses at Saratoga. When a wealthy land baron and owner of a famous horse, Preakness, suggested a winner-take-all sweepstakes, Bowie persuaded them at this dinner party to hold it in Baltimore.

It was a classic case of 19th century economic development. "Bring in wealthy people, they spend money," Challmes says in a telephone interview. It would be Maryland's first officially sanctioned race since 1859. But there was no race course because the city was still remaking itself after the war. The Maryland Jockey Club, formed in 1743 and now owned by Magna Entertainment, chose a 70-acre site called Pimlico. The track was partly funded by the state (\$35,000) and the city (\$25,000) along with another \$55,000 in private contributions, equivalent to about \$1.9 million in 2008 dollars. There were 4,000 seats in the grandstand.

In October 1870, the crowds arrived in force for a full race day that included the "Dinner Party Stakes." The stakes offered a purse of \$19,000, one of the biggest ever, \$320,000 in 2008 dollars. The name of the winning horse was

Preakness. And from that race, the 1.5 mile Preakness Stakes for 3-year-olds began in the spring of 1873.

The most enduring legacy of that 1873 Preakness may have been the popularity of the parimutuel betting machine that paid winners in proportion to the total amount they wagered. The machines allowed small bets, and would come to dominate horse wagering, even when other forms of betting were outlawed in some states. Previously, people had bought into betting pools or placed bets with bookmakers, which often led to corruption.

Maryland boasted many famous horsemen, and from about 1878 through 1882, George Lorillard of the Lorillard Tobacco family dominated Maryland racing. As Lorillard's health declined and he dispersed his stables, New York was pulling ahead as the hub of racing on the East Coast, offering more tracks and better purses. The Preakness even moved to New York and stayed until 1909, when that state, among others, banned betting in a nationwide reform movement (that ultimately prohibited alcohol as well). Maryland and Kentucky were the only states where you could gamble in that era, says Raymond Sauer, a sports economist at Clemson University.

In 1909, the Preakness returned to Pimlico, and built its reputation through horses like Sir Barton. In 1919, he became the first to win the Triple Crown: the Kentucky Derby, the Preakness, and the Belmont Stakes. Yet the Pimlico race still wasn't widely known outside of Maryland. "The Preakness in 1920 was not really on the map," Challmes says. "Most of the early Derby winners did not find their way to the Preakness."

That was about to change. In 1920, one of the most famous race horses in history ran not in the Derby but in the Preakness, in his first start as a 3-year-old. Man o' War was based on the Eastern Shore of Maryland. The horse was also the grand sire of the acclaimed Seabiscuit, who would become a racing star during the Depression. "After that, it [the Preakness] attracted so much attention and press that it became the normal thing, where the Derby winner would come to the Preakness," Challmes says. And by the late 1920s, the Triple Crown had evolved into the prestigious racing event.

Perhaps Pimlico's biggest day came in 1938 when the track hosted a match between Seabiscuit and a son of Man o' War, War Admiral, the favorite. Forty thousand people filled the stands and 40 million tuned in to the radio. Seabiscuit won by four lengths.

Racing in those days was dominated by stables such as Sagamore Farms, which in 1925 was given over to horse breeding by the Bromo-Seltzer magnate. The farm passed to his grandson Alfred Vanderbilt, the racing dynamo who arranged the Seabiscuit versus Man o' War match and at one time served as president and owner of Pimlico. Vanderbilt cultivated and bred champions such as Native Dancer (a Belmont and Preakness winner in 1953).

Maryland racing was some of the best in the country, says Doug Reed, director of the University of Arizona Racetrack

Industry Program. "It was a state rich in history and horse breeding."

### Racing's Debt: Wagering

While gambling sustains horse racing today, until the expansion of an audience through television, radio, and the Internet, tracks also made money on admission, parking, food, and beverage sales. Off-track betting, however, is relatively new. New York was one of the first states to allow off-track betting in the 1970s, a practice since adopted by virtually all race tracks.

"In the '70s and '80s you were a standalone race track," Reed says. "The revenue I can get from you at the track is different than what I would get from you far away."

Today the gambling provides most of the revenue in racing, about 90 percent. Yet the proliferation of wagering has hurt racing. "You just can't keep oversupplying a product," Reed says. "Racing is starting to see that. How much racing do you need when you can bet on every track over the country at the same time?" The Maryland Jockey Club reported a 22.5 percent drop in wagering in 2008 over 2007 at its tracks, Pimlico and Laurel. Total parimutuel handle (wagering) on thoroughbred racing in North America fell by 7 percent in 2008, according to the Jockey Club.

Joe Kelly covered the 1946 Preakness. "Racing changed to the point where you can see the racing in your living room," he says. "Technology took over and people decided it wasn't necessary to go into the physical part of it by attending the race track."

Economist Richard Thalheimer heads a consulting firm in Lexington, Ky. He studies the horse racing industry and notes, along with Sauer, that the introduction of state lotteries in the 1970s and the proliferation of casinos in the latter two decades of the 20th century have cut into horse race betting. Wagering peaked in real dollars in the mid-1970s, and has declined 45 percent to 50 percent, largely because of competition, according to Thalheimer.

"Back in the Seabiscuit days, you'd have 70,000 people at a track on a Wednesday afternoon," says Remi Bellocq, the chief executive officer of the Horsemen's Benevolent Protective Association.

Racing also got hurt because it resisted television broadcasts in the early years, Sauer says, under the misconception that TV would cut into live attendance. "The response was really slow and played out over a decade." Baseball and football broadcasts expanded, and so did those sports' attendance. In the long run, television builds interest in the sport, he argues, and racing suffered on a relative basis from the TV exposure that baseball, football, and eventually basket-

ball gained. Racing is also harder to broadcast, given its brief spurts of action followed by the lags between races. "I think the lack of regularly scheduled [television] racing and the difficulty of convening it on television hurt in a period where TV broadcasts made the landscape of modern sport."

The Interstate Horse Racing Act in 1978 changed the industry because it established the property rights of racing tracks over their own races so they could be transmitted. The 1974 Kentucky Derby was pirated by New York State off-track betting sites — back then, Bellocq says, they didn't think simulcast would amount to much. "Now of course, 80 to 85 percent of wagering at a track is off-track."

Those simulcasts allowed racing distribution and may have increased its popularity. "We usually measure interest in our sport almost more by betting handle than by attendance," says Reed. He adds that graphs of handles increased until 2003. But he agrees that the spread of gambling has hurt racing. "It exploded in the 1990s — state after state started approving riverboat, land based casinos, lotteries," he says. "The competition caught up to us." In particular, Maryland is ringed by states that made changes. "Charles Town is having a huge negative effect on the horse and customer population because of their change and Maryland not having that change."

Thalheimer notes that there is a decline in horse race parimutuel betting because many people play the slots rather than bet on the horses. In particular, he studied the Mountaineer Park track in West Virginia and found that parimutuel betting slowed when slots were introduced. "The horse race handle went down on the order of 30 to 40 percent," he says. "On the other hand, it produced enough revenue to greatly increase purses. So the net benefit was to the horse racing industry as well as to the state and track, which both got far more money." West Virginia is the only state in the District with racinos, approved in 1994.

Racino revenues are growing even as gross gaming revenues are falling. Expansion of racinos in Pennsylvania and Indiana fueled a 17 percent increase in gross gaming revenue from 2007 to 2008, according to the American Gaming Association.

The future of betting on the horses, Thalheimer says, may lie in wagering through telephone and the Internet, where it's legal. "It's a great product to send out where it's convenient to bet on it," he says.

And Maryland racing enthusiasts hope for a renaissance of sorts now that Vanderbilt's old place, Sagamore Farms, has been restored into a horse farm once more. Kevin Plank, who built the Under Armour empire, has entered the breeding business. He wants to win the Triple Crown. **RF**

### READINGS

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