



thoroughbred
IDEA
— foundation —

Breakage Reform Pari-Mutuel Wagering Taxation Task Force

About Us

The Thoroughbred Idea Foundation is a think tank and advocacy group which aims to improve the sport of Thoroughbred racing for all stakeholders, especially its primary customers - horseplayers and horse owners.



thoroughbred
IDEA
— foundation —

The Customers

Bettors are horse racing's customers.

Decisions made legislatively, and through rules, impact not only the horses and their owners, trainers and their staffs, but also the bettors.

Bettors are often under-represented.



**Photo:
United States Mint**



PENNY BREAKAGE

Published: September 7, 2018

The Thoroughbred Idea Foundation (TIF) was recently launched to provide an active forum for the exchange, curation and advocacy of ideas which will improve thoroughbred racing for all stakeholders, and specifically its primary financial participants – horseplayers and owners.

Implicit in this process will be the discussion of various industry policies and positions which

performance. For the sake of the industry's future, we suggest that such reliance be limited to the analysis of horses. The sport's existing model was developed decades ago, where elements of pricing, transparency and innovation were far less important to the sustainability of the business, especially while racing enjoyed a near-monopoly in the legal sports betting environment. Our intent is not to shift pieces of the proverbial pie from one group to another, but

TIF Considerations

How can the sport modernize pari-mutuel racing betting?

How can the sport generate additional revenue for racing, from racing?

How can the sport remain competitive, benefiting a Kentucky signature industry, in the most competitive marketplace ever for wagering customers?

What Is Breakage?

- Breakage is the difference between what winning racing bettors **should** be paid on winning bets and what they **are** paid.
- Essentially, **breakage is the rounding down of the return from winning** pari-mutuel racing wagers.
- **KRS 230.3615 (1), (2)**
“...and the breaks, which breaks shall be made and calculated to the dime...”

What Is Breakage?

- After deducting pari-mutuel takeout, the total pool is divided by the amount wagered on the winner or winning combination (in exotic bets).
- An example where the winning dividend was **\$9.7601**, the payout is rounded down to **\$9.70** for every \$1 wager.
- The \$0.0601 is the retained breakage.

Substantial Pennies

Kentucky FY 2021

Breakage Retained On-Track: **\$310,856**

Estimated Breakage Retained Off-Track: **\$9,317,516**

Approximately 96.7% of breakage was held by bet-takers that were not Kentucky racetracks

Daily Racing Form
April 5, 1938

**"Speeding up the
activity in the mutuel
department"**

Re-printed with
permission of the
Keeneland Library

1,111 MUTUEL WINDOWS

LOUISVILLE, Ky., April 4.—There will be 1,111 mutuel windows to handle the wagers of the enormous crowd which will attend the Kentucky Derby at Churchill Downs on May 7. This number includes a big increase in these facilities over last year and should go a long way toward speeding up the activity in the mutuel department. Perhaps no other track in the world can boast as many wickets for the sale and cashing of track wagers.

The History of Breakage

“The public should not be illegally plucked of its pennies by a scheme invented several years ago and **given the specious label of efficiency on the plea of saving time and not encumbering bettors with cent pieces.** Why not? And what legitimate claims have the State or the tracks on these moneys?”

Herbert Bayerd Swope

New York Times - March 27, 1940

Breakage on Kentucky Racing - FY 2017-2021

	Category	FY 2017	FY 2018	FY 2019	FY 2020*	FY 2021*	TOTALS
1	ON-TRACK Breakage	\$ 688,873	\$ 699,669	\$ 641,983	\$ 236,944	\$ 310,856	\$ 2,578,325
2	KY ON-TRACK Handle	\$110,614,295	\$109,401,963	\$103,324,490	\$ 37,964,470	\$ 46,136,416	\$ 407,441,634
3	Breakage Rate	0.62%	0.64%	0.62%	0.62%	0.67%	0.63%
4	OFF-TRACK Handle on KY Races	\$ 1,014,457,228	\$ 1,019,437,166	\$ 1,104,896,782	\$ 629,396,250	\$ 1,382,889,721	\$ 5,151,077,147
5	Estimated OFF-TRACK Breakage Retained	\$ 6,317,739	\$ 6,519,706	\$ 6,865,023	\$ 3,928,190	\$ 9,317,576	\$ 32,948,233

Data from Rows 1-4 Obtained via Kentucky Horse Racing Commission Reports

*On-track attendance limited due to COVID-19 restrictions

Breakage Realities

An estimated 93% of all breakage on Kentucky racing from the last five fiscal years was retained by bet-takers - essentially, technology companies or off-track betting sites.

Considerations

- **Suggest amending KRS 230.3615 (1), (2)**
 - Pari-mutuel breakage is unavoidable...the amount retained, however, is up to the Legislature.
 - Shifting breaks from every \$0.10 to every \$0.01.
 - For truly the first time ever, put those rounded pennies back in the hands of racing's betting customers.

Considerations

- Give Kentucky racing a strategic, attractive edge which favors its customers - the public.
- Customers who bet Kentucky racing will receive higher returns than tracks in jurisdictions without penny breakage parameters.
- Operators and horsemen will still benefit by those additional winnings being in hands of bettors through subsequent wagers.

Considerations

- Alternative ways to handle breakage.
- Tracks may need to develop more modern ways to pay coins.
- Well-known, though not publicly documented, that most professional betting syndicates are rebated their breakage (in addition to other rebates).



Questions?



CLAIBORNE BREEDERS' FUTURITY (G1)

10/9/21

RACE 9

MILE 1:37.52

3/4 1:11.90

1/2 :46.74

1/4 :22.81

ODDS 1 7 2 77 3 6 4 38 5 5 6 8 7 26 8 52 9 6 10 83 11 25 12 12 13 9/5

Rattle N Roll Wins at Keeneland

- Win price is shown to public as 8-1
- \$2 return could be between \$18.00 & \$19.80
- Winning bettors received \$19.40 for \$2 bet.
- Actual return is rounded down to nearest dime

Breakage Example - 10/9/2021 - Keeneland

Claiborne Breeders' Futurity	
A	\$ 670,704.00
B	\$ 563,391.36
C	\$ 57,783.00
D	\$ 9.750123
E	\$ 0.050123
F	\$ 9.70
G	\$ 19.40

Win Pool Total

Net Pool (less 16% takeout)

Total Bet on Winner

Unbroken Price (B/C)

KRS 230.2615 (1)

Round down to nearest dime

Broken Price

Return for \$2 stake