thoroughbred IDEA foundation

BIENNIAL REPORT

Reviewing operations from 8/1/2020 through 12/31/2022

TIF EXECUTIVE DIRECTOR
Patrick Cummings

LETTER FROM FOUNDER & BOARD CHAIRMAN

The Thoroughbred Idea Foundation (TIF) was founded in 2018 to introduce, research and communicate ideas that – if implemented – would give our industry a more sustainable future.

CRAIG BERNICK
FOUNDER & BOARD CHAIRMAN

In 2022, several things that have never happened in the history of American racing were introduced and integrated to the sport, emanating from ideas driven by TIF or supported through TIF advocacy over the last four years.

This included a penny breakage provision on races run in Kentucky, the adoption of the Category 1 interference philosophy in Oklahoma, and the successful launch of fixed odds betting across an entire meet at a U.S. track (Monmouth Park). Each of these elements, on their own, are notable in that it takes either one track operator or jurisdiction to introduce something new and blaze a path forward for others to follow.

Kentucky might be the first to adopt penny breakage, but they should not be the last. The same goes for Oklahoma in Category 1 rules and New Jersey's fixed odds offerings. Someone always needs to go first. These examples, all strongly supported by TIF, should be followed and improved upon. Wagering is the lifeblood of the sport. Policies which reduce the expense of wagering, which increase oversight and transparency, and which diversify our offerings to customers in modern, approachable formats are sound for the sustainability of our industry.

TIF estimates show that over the last two decades, and adjusted for inflation, mainstream wagering from horseplayers is down roughly two-thirds while high-frequency betting, driven by algorithms, has more than doubled. This path is grossly unsustainable.

Over the biennial period covered in this report, TIF has compiled a tremendous amount of research from public sources on the growth of computer-assisted wagering (CAW). Some of the reports TIF created on this topic were published in 2023, but we share them in this biennial report due to their importance in the general dialogue seeking an improved future for the business of racing wagering.

Policies which attract, retain and grow mass market participation in horse racing are needed and they remain the focus of TIF's advocacy.

Regardless of the sport's direction on matters related to federal oversight and medication control, TIF has sought improvement for racing's customers – horseplayers and horse owners. Today, competition for those customers is greater than ever while racing's near monopoly on legal, regulated wagering has been chipped-away over the last five decades. Our sport must adopt policies that reflect modern business realities and present customers with a competitive offering.

I am thankful for the support TIF has received from its Board of Directors and remain hopeful that stakeholders across the industry will embrace a more sustainable future for our business.

This is TIF's second biennial report. To review the first, recounting TIF work from September 2018 to July 2020, please visit RacingThinkTank.com.

KENTUCKY FIRST TO IMPLEMENT PENNY BREAKAGE

The Kentucky General Assembly passed House Bill 607 during its 2022 session. Among the features of the legislation, the rounding of pari-mutuel dividends was amended to shift such calculations to the lowest penny. Nearly all other North American jurisdictions round to the lowest dime.

Breakage reform was the subject of TIF's first white paper, published in September 2018.

"Across just the last two decades or so," said TIF Executive Director Patrick Cummings, "approximately $1 billion has been retained in the form of breakage from winning bets on U.S. Thoroughbred horse races. The passage of this bill puts more money back into the pockets of horseplayers, stoking additional churn through subsequent wagers."

Kentucky's penny breakage provision went into effect in July 2022 at Ellis Park and roughly an additional $3 million had been paid through the first six months of the law being in effect.

"We are thankful for the leadership of the bill's House sponsors, Representatives Adam Koenig and Al Gentry, and Senator Damon Thayer in guiding its overwhelming passage," said Cummings.

"Until the rest of the continent follows its lead, Kentucky pays horseplayers more."

TIF Executive Director Patrick Cummings (middle) presented commemoratives celebrating penny breakage to Rep. Adam Koenig (left) and Sen. Damon Thayer (right) in December 2022

OKLAHOMA ADOPTS CATEGORY 1 INTERFERENCE PHILOSOPHY

The Oklahoma Horse Racing Commission (OHRC), in an annual update of its rules, adopted the Category 1 interference philosophy, becoming the first jurisdiction in North America to do so. Nearly all international jurisdictions have done so over the last 30 years.

Harmonization of interference rules was the subject of TIF's second white paper, published in November 2018, advocating for the very shift Oklahoma made.

Commensurate with the change, Oklahoma stewards take to the track's broadcast after each race with a reviewed incident, explaining their decision under the new rules, a relative rarity in the adjudication of the sport in America.

Given the lack of direct experience with Category 1 in America, TIF helped facilitate training of the Oklahoma stewards with the Hong Kong Jockey Club's Chief Stipendiary Steward, Kim Kelly, who is also the Chairman of the IFHA's International Harmonization of Raceday Rules Committee (IHRRC).

"It was a great honor to be asked to assist the OHRC in their transition to the Category 1 interference interpretation. From the very first meeting, I was impressed and encouraged by how receptive the Stewards and Commission staff were to making this change happen," said Kelly.

"A U.S. state's decision to shift to Category 1 represents significant progress in the international harmonization of a critical rule of racing. Standardized rules which significantly impact bettors and industry participants, such as owners, is something the IHRRC has been working at for many years.

"The OHRC's move follows that from the Japan Racing Association in 2013, both France Galop and Germany in 2017, as well as all jurisdictions in South America that switched during those years, and I would not be surprised if more in North America followed Oklahoma's lead."

COMPUTER-ASSISTED WAGERING IN SPOTLIGHT

TIF first tackled the topic of computer-assisted wagering (CAW) in its 2020 white paper, "Racing Not Only For (The) Elite."

Copious research conducted by TIF over the biennial period covered by this report, and beyond, suggests roughly one-third of total betting on U.S. Thoroughbred racing now comes from these high-frequency bettors. In some pools at certain tracks, the total is much higher. The impact of CAWs having direct access to pari-mutuel pools often leads to significant late odds changes, degrading the wagering experience for more mainstream players. How CAW play is managed in the future might be key to the evolution of all wagering on racing across North America.

SHARKS & MINNOWS

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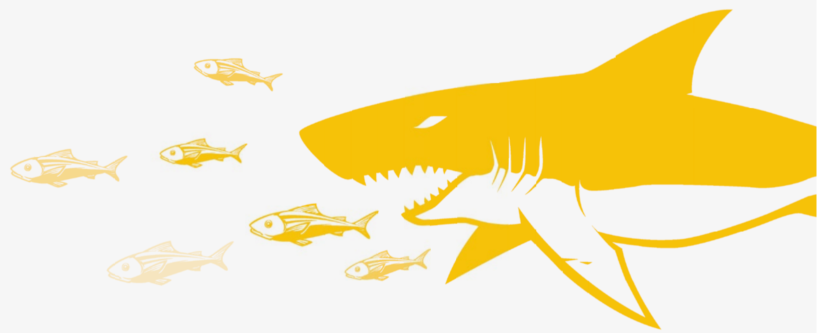

"TOTAL HANDLE FIGURES DECEIVE INDUSTRY"

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CRW IMPACT ON DISPLAY IN GOTHAM STAKES, NYRA POLICY LEADS SPORT

READ

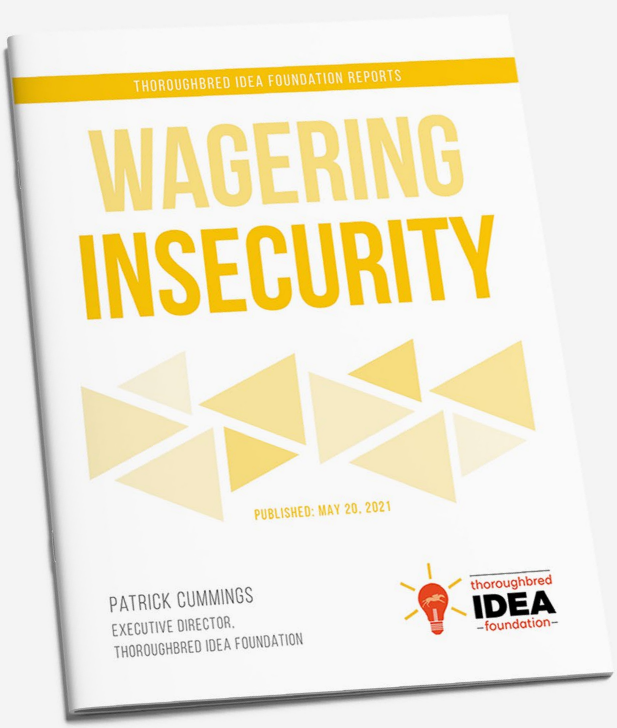
WAGERING, INTEGRITY INCIDENTS TRACKED BY TIF

TIF has reported on a variety of wagering and integrity incidents which impact horseplayers and the greater racing ecosystem.

From its 12-part series, "Wagering Insecurity," to incidents of pari-mutuel pool manipulation, advocacy to amend purse money-only rules, or long-standing wagering rules being ignored against customers' expectations, TIF continues to highlight the need for racing operators and regulators to protect the interests of its primary voluntary participants – the horseplayer.

"Racing must provide fair and consistent outcomes to customers," said TIF Executive Director Patrick Cummings. "There is no lack of incidents in recent years that test the confidence of horseplayers. Our industry must take every step to build trust with our customers. It's just good business."

Following TIF advocacy, the Kentucky Horse Racing Commission adopted a rule change in 2022 to require more public information for workouts of horses returning from long layoffs. This step brought Kentucky in line with other states that have long required multiple workouts for horses off longer than 180 days.



12 PART SERIES

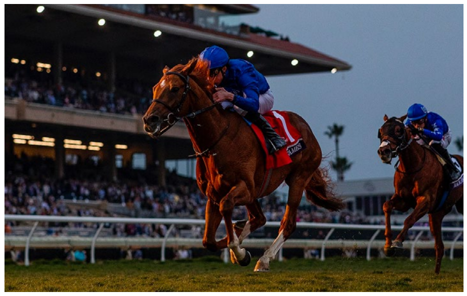
WAGERING INSECURITY

DOWNLOAD

COVERAGE OF HORSEPLAYER PROTECTION INCIDENTS

FEBRUARY 2021

OKLAHOMA ACCEPTS JACKPOT BET RULE CHANGE



NOVEMBER 2021

DISREGARDING BETTORS – MODERN GAMES AND THE FUTURE

MARCH 2022

COMMISSIONS, TRANSPARENCY AND CUSTOMER CONFIDENCE

APRIL 2022

KHRC ADOPTS AMENDMENTS IMPROVING TRANSPARENCY

JULY 2022

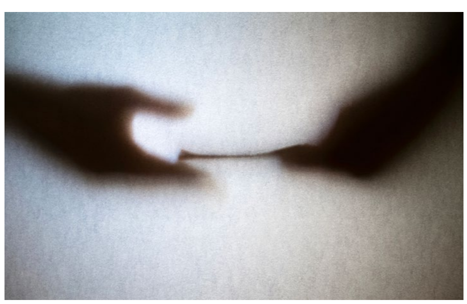
NEW YORK WAGERING RULES IGNORED IN SARATOGA PICK 5 FIASCO

AUGUST 2022

CROSS-COUNTRY PICK 5 PAST POSTING EXPOSES TOTE INSECURITIES

SEPTEMBER 2022

"UNSCRATCHED" HORSE SECOND AT MOUNTAINEER



NOVEMBER 2022

BETTING POOL MANIPULATION AT GULFSTREAM PROMPTS SWIFT ACTION

DECEMBER 2022

TAMPA STEWARDS ACKNOWLEDGE MISSED CALL, REVISE PROCEDURE

FINANCIALS

TIF welcomes contributions from concerned industry parties to help the organization continue its work.

The Thoroughbred Idea Foundation has been recognized by the Internal Revenue Service as a nonprofit organization under section 501(c)(6) of the Internal Revenue Code. Nonprofit organizations organized under section 501(c)(6) are exempt from Federal income tax, but contributions to them are not deductible as charitable contributions for tax purposes. However, under certain circumstances, contributions or dues paid to Thoroughbred Idea Foundation may be deductible as trade or business expenses. Please consult with a tax professional before deducting any amounts paid to Thoroughbred Idea Foundation.

CONTRIBUTORS (8/1/2020 – 12/31/2022)

Craig Bernick
Donna Brothers
Marshall Gramm
Muirfield LLC
Justin Nicholson
Operis Momentus Pty Ltd
Thomas J Reynolds
Virginia Equine Alliance
Jack Wolf

TIF BIENNIAL SPENDING (8/1/2020 – 12/31/2022)

Personnel (salaries, contractors, etc.):	$264,631.50
General (travel, conferences, office, etc.):	$51,198.98
Total Operating Expenses:	**$315,830.48**

Total Charitable Contributions (2019-2022):	$77,750

Contributions made by Lavin Family Foundation in support of TIF initiatives

QUESTIONS OR COMMENTS

Please email ThoroughbredIdeaFoundation@gmail.com for more information about TIF, or visit RacingThinkTank.com thoroughbred

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