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# Ohio tracks watch others win

## No slots, slimmer purses

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Another underwhelming season just ended at River Downs.

Though outperforming other thoroughbred tracks in Ohio, total betting at the riverside track for the racing year that ended Sept. 8 was down 6.9 percent, to \$54.4 million. In the same period, thoroughbred betting was down 9.9 percent and all horserace betting was down 11.9 percent, to \$274.1 million.

The declines continue a long-term trend seen here and at the six other tracks in Ohio, including Lebanon Raceway in Warren County. Horse betting in the Buckeye State has slid more than 30 percent over the last half-decade to \$430.3 million last year from \$618.9 million in 2001.

The future doesn't look any brighter. A bill to allow machines letting players place "instant bets" on unidentified pre-recorded horse races died earlier this year in the General Assembly. Indiana soon will join neighboring states allowing slots at horse tracks - and Kentucky voters might consider a similar move.

That depends on who wins this year's gubernatorial election.

"Ohio racetracks are just about all ready for the glue pot," said state Rep. Bill Seitz, R-Green Township, who sponsored the instant racing bill. "All these factors propel folks with good horses to states with higher-paying purses."

Broader gambling elsewhere is siphoning money away from a \$1 billion industry that directly employs nearly 20,000 at tracks and farms across Ohio, industry spokesmen say.

River Downs general manager Jack Hanessian understands that horse racing is declining across the country. But unlike Ohio, states elsewhere are supporting the industry with revenue generated by other forms of gambling. He expects River Downs will take a hit after Indiana Downs in Shelbyville begins operating slots next year, thanks to legislation approved this spring.

"The problem is, we're surrounded," he said, alluding to Indiana, Pennsylvania and West Virginia that have liberalized broader betting at their tracks.

North America's largest operator of horse tracks, Aurora, Ontario-based Magna Entertainment Corp. (MEC), expressed similar frustration early this month when it announced it would sell another Ohio track - Thistledown in suburban Cleveland.

MEC said Thistledown was saddled with "very difficult operational and regulatory challenges."

The company said Thistledown lost \$4.5 million last year - including \$3.1 million it invested in an unsuccessful referendum to allow slots at Ohio tracks. As part of a broader strategic review, the company said it couldn't keep hold of Thistledown or another track in Portland, Ore. also put up for sale.

"This has led to MEC's decision to immediately pursue the sale of these unprofitable tracks," the company said.

### WHAT CAN CHANGE IN KY.

Hanessian and other Ohio track officials are also closely watching the governor's race in Kentucky where Democrat Steve Beshear has promised a referendum on slots at tracks. If such a measure passed, it could put slot machines less than 20 miles from River Downs at rival thoroughbred track Turfway Park in Florence.

"They could just stick a fork in us - we just couldn't compete," he said. "We'd be a parking lot for Riverbend."

Mel Hagemeyer, director of operations at Lebanon Raceway, which starts its harness racing on Sept. 28, said the industry has fundamentally changed. So far this year, Lebanon betting is down 15.2 percent, to \$25.1 million.

"We're really getting hurt - we're just trying to keep on the same playing field," he said.

In addition to offering other attractions at race tracks, slots and other gambling at rival venues give them another competitive advantage: the extra revenue enriches the "purses" or prizes for winning horses - making those tracks more attractive to the best horses and allowing them to stage better races.

The average daily thoroughbred purse in West Virginia last year was \$182,900 - nearly three times the Ohio average of \$62,613, according to industry group Save Ohio Racing. Foals registered in Ohio - the baby horses that are bred for future racing - fell to 292 in 2006, compared to 611 in 1997.

"It's a troubling time for horsemen in Ohio," said Dave Basler, executive director of the Ohio Horsemen's Benevolent and Protective Association. He said the declining foal numbers reflect the shift of horses and horsemen out of the Buckeye State.

## **STRICKLAND OPPOSED**

Seitz's bill, designed to generate extra money at Ohio tracks by permitting "instant racing" machines, stalled this summer in the House as Gov. Ted Strickland vowed to block any broadening of gambling in the state.

"The governor considers instant racing akin to an expansion of gambling in Ohio just as Tic Tac Fruit and other illegal gambling machines," said Keith Dailey, spokesman for Strickland. He noted 57 percent of Ohio voters shot down slots at casinos in a referendum last year.

While the Buckeye State keeps restrictions, other states are lifting them. Pennsylvania is adding slots at racetracks. Racetracks in West Virginia, which already have slots, are getting clearance to add table games, such as blackjack.

Meanwhile, the legislation permitting 2,000 slots machines at Indiana Downs has enhanced the value of the Shelbyville facility based on its estimated future cash flow, according to Matt Sodl, president of Los Angeles-based Innovation Capital, which advised the minority owner of the track in its August sale of its stake to majority holder, Oliver Racing.

Before legislators permitted slots, Sodl estimated the facility's entire value was about \$40 million. But after the law changed, LHT Capital, an Indiana-based homebuilder, was able to reap \$58 million for the sale of its 34.3 percent share - suggesting the venue's total value is about \$171 million.

Sodl said he's not surprised by Ohio's rejection of broader gambling.

He said state legislators usually only turn to gambling in severe budget pinches. He said Indiana supported more slots to avoid higher taxes.

"Better education is not enough," he said, referring to the 2006 sales pitch for Ohio's referendum.

"Gambling is a stopgap measure used to solve a big unforeseen problem."