Plunging Into Mutuel Pools

Arrogate’s TVG San Diego Handicap and Delaware’s 9th race on August 10 had unusual commonalities. Both had “plungers” swelling betting pools dramatically, with an outsize 94% of the show pool bet on Arrogate. At Delaware, Paddy’s Day went one up on Arrogate in two respects, drawing 98% of place money, and winning by 20 lengths. The different outcomes illustrate the extremes that bettors and racetracks encounter. The Del Mar folks were pleased to pay out boxcar show figures. Had Arrogate run third or better, paying $2.10 per $2 bet, that 5% minimum return on the $1.32 million bet on show tickets from a show pool of $1.4 million would have had show payouts exceeding the show pool. Instead, Arrogate’s fourth-place finish meant the bet-takers retained the standard 15.43% takeout on show bets, so approximately $216,000.

At Delaware, the plungers who bet 98% of a place pool of $464,932 on Paddy’s Day got back $478,312, and an additional $5,097 was paid on the place horse. The Treasurer’s office at Delaware Park couldn’t have been a happy place, having seen place bettors get back $23,000 more than they bet. David Scheing, VP of Wagering and Simulcast Operations at the Maryland Jockey Club, sees negative pools more frequently now than in years past, but calculates that their financial impact to Laurel and Pimlico remains virtually immaterial, in part because of loss sharing agreements. Delaware Park most likely has similar agreements in place that mitigated its losses on Paddy’s Day.

Plungers have been around as long as there has been pari-mutuel betting. Tracks sometimes allow only win or win/place betting in trying to balance the plusses arising from plunging tactics (bigger pools--the Delaware place pool was 100 times normal--so more takeout when the favorite runs out) against the minuses (negative takeouts that can approach 5%). Delaware did disallow show betting on Paddy’s Day’s race. Tracks always potentially face two variations of an “adverse selection” problem: 1) bettors may have better information than tracks about a favorite’s prospects, and 2) in cases where the percentage bet on the favorite is in the high 90s, bettors can sometimes arbitrage the pools so that they are guaranteed to profit. Certainly the latter possibility occurred in the Delaware case, where the following strategy would have generated better than a 3% return regardless of the order of finish.

The actual Delaware pools are shown on RLLosey.com. Similar round numbers below make the math easier. If you had place bets of $470 on Paddy’s Day, $4 each on LS1 and LS4, and $2 each on LS2 and LS3 ($482 total), and Paddy’s Day ran one or two (he did), you would earn the minimum $2.10 on each of the 235 Paddy’s Day place tickets (so $493.50) plus at least another $4.20 on your long shot bets, so $497.70 on total bets of $482. Your profit is $15.70 and your ROI is 3.25%. Had two long shots run 1-2 your ROI (see calculations on RLLosey.com) would have been 3.32%

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| Horse | Paddy’s Day | Long Shot1 | Long Shot2 | Long Shot3 | Long Shot 4 | Total Pool |
| Place Pool | 441,000 | 3,000 | 1,500 | 1,500 | 3,000 | 450,000 |

526 words to this point. Claire/Mary – FYI, the calculations for the payoffs if Paddy’s Day had run 3rd or worse follow. I figure that 526 words is about my limit.