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BETTING THE PICK SIX AT NYRA

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Betting the Pick Six at NYRA

Much attention was given to the Pick Six at NYRA earlier this year as NYRA lowered the takeout rate on non-carryover days of the Pick Six to 15%. By statute, the takeout for the Pick Six was traditionally 25%. In 2001, at NYRA's urging, it was lowered by statute to 20%. Now that New York State has opted for a flexible takeout structure under which racetracks can, with the approval of the State Racing Board, alter the takeout, NYRA lowered the takeout rate on non-carryover days to 15% commencing on April 1, 2004.

Thus far, basic handle on the Pick Six appears to have remained largely unchanged on non-carryover days. Whatever financial problems that may have resulted from this failure to increase Pick Six handle, however, are basically muted by the fact that Pick Six handle represents only a miniscule percentage of overall NYRA handle. For example on a recent Thursday (October 21, 2004), the Pick Six – without carryover - amounted to .6% of total NYRA handle. The handle on the final daily double that day was more than four times the handle of the Pick Six. Nobody got hurt much by this NYRA experiment, and no group offering the wager got helped by it. NYRA's fisc has probably been hurt slightly from its drop in retention of Pick Six handle, but it might have benefited indirectly from receiving favorable publicity based on its perceived efforts to lower takeout.

What hasn't received attention is what the effective Pick Six takeout rates are when there actually is a carryover. Under New York rules, if nobody picks six, 25% of the net pool (the remainder of total handle on the Pick Six minus the takeout) is distributed to the bettors who picked the most winners, and 75% of the net pool is carried over to the next day. Thus, if \$100,000 is bet on a non-carryover day, and nobody picks six, the carryover to the next day will be \$63,750. The \$100,000 is reduced to \$85,000 by the 15% takeout, and then further reduced by the 25% of \$85,000 paid to those who picked the most winners. The carryover is only paid to people who have correctly selected all legs of the Pick Six.

By carrying over 63.75% of the total handle wagered on the non-carryover Pick Six, NYRA has the potential to significantly reduce the effective takeout on the Pick Six on carryover days. Thus, if someone picks six on a carryover day, he or she wins 75% of the net pool for that day's bets plus the full amount contained in the carryover. The issue should be what is the effective takeout rate at NYRA on Pick Sixes conducted on carryover days. Since the technical takeout on carryover days returns to the traditional 25%, is the effective takeout rate much lower than the 15% takeout rate on non-carryover dates?

Looking at all Pick Sixes at NYRA from April 1, 2004 to September 30, 2004 and from April 1, 2003 to October 1, 2003, the short answer is that the carryover significantly lowers the effective takeout rate on Pick Sixes. Looking at the total Pick Six handle for this six month period in 2004, the effective takeout on the Pick Six with one day's carryover was 7.8%. On days where there was a two day carryover, the effective takeout was reduced to .3%.

The data for the Pick Sixes for the six months studied in 2003 is consistent with the 2004 data. The effective takeout rate for the Pick Six in 2003 with one day's carryover was 8.4%. For two day's carryover, the effective takeout rate dropped to .5%.

A detailed daily review of the 2004 Pick Sixes shows that per diem, (rather than total handle) effective takeout on the Pick Six with one days' carryover is 6.78%. On one day, September 1, 2004, the effective takeout actually favored the bettors by a margin of 7.6%. The highest effective takeout rate was on a one day carryover was Labor Day, September 6, 2004 when the effective takeout reached 13.2%. In any event, on every day, a bettor was theoretically better off wagering on a carryover with a technical 25% takeout than on a non-carryover day with a 15% takeout.

There is one additional quirk with the one day carryover and the Pick Six. The worst days for betting the Pick Six with a carryover appear to be Saturdays and holidays. It seems that these days attract lots of casual bettors who are attracted to betting on the carryover. On Saturdays and holidays in 2004 with a one day carryover, the effective takeout was 9.73%. (There were nine such days between April 1, 2004 and September 30, 2004.) By contrast on the ten days during this time period where there was a carryover on Wednesday and/or Thursday, the effective per diem takeout was reduced to 3.3%.

Two day carryovers are even better wagering propositions. The per diem takeout rate on these races was .075%. On four of the eight days with a two day carryover, bettors had a positive expectation of takeout. On Sunday June 13, the positive expectation reached 4.6%. Again, Saturdays were the worst days to bet. On the four Saturdays with a two day carryover, the effective per diem takeout was 2.35%.

There was only one three day carryover during this six month time period. The effective takeout for that day (May 30, 2004) was a positive expectation of 8.3% where there was a carryover of nearly \$525,000.

With low effective takeouts on these bets, there is certainly an opportunity for savvy bettors with deep pockets. If there is a minimal effective takeout on these wagers, and a big bettor can get a rebate of 10% on bets, that bettor already starts off with a significant positive expectation of success. Assuming the rebate bettor also possesses a significant skill, knowledge, and savvy advantage over the average bettor, it would not be beyond reason for a rebate bettor to be able to have a return of investment rate of over 15% from wagering specifically on Pick Sixes with carryovers. Even assuming taxable winnings, we're talking a real opportunity for wagering whales to make money here, especially if they bet on weekdays and not on Saturdays.