

Indiana Racing and Breeding Industry Survey

-- Executive Summary --

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Background

In 1988, 62 percent of Hoosiers voted to remove the constitutional ban on all forms of gaming in Indiana. In September, 1994, the first pari-mutuel racetrack opened in the state. From the beginning of pari-mutuel horse racing in Indiana, our legislators displayed the foresight to give this fledgling industry a good head start and a solid foundation as we competed with older, more established state racing programs.

In 2007, the Indiana General Assembly passed, and the governor signed into law, a bill that would permit electronic gaming at the state's two pari-mutuel racetracks. The slots legislation was the product of unprecedented cooperation and more than ten years of effort put forth by representatives of Indiana standardbred, thoroughbred and quarterhorse racing and breeding associations and the state's two pari-mutuel race tracks in building public understanding of the industry and legislative support for this concept.

With the passage of the slots law, our state representatives and senators again demonstrated great judgment and vision in keeping Indiana dollars in Indiana by promoting the state's homegrown horse racing and breeding industry. The new law reinforced the framework for a growing, productive industry that would generate future agribusiness economic activity, revenue and jobs throughout Indiana.

In the campaign for passage of gaming at the tracks, tracks and horsemen relied on the results of a 2005 study by the American Horse Council, based on 2003 conditions, which reported a direct economic impact of \$181 million and a total economic impact of \$294 million for the Indiana racing and breeding industry.

Since then, legislators have asked for quantification of the effects of the 2007 slots law and an accurate representation of the current condition of the industry in the state. Accordingly, all four racing and breeding associations came together and commissioned a survey and business analysis of the racing and breeding industry and its economic impact on Indiana.

Economic Impact Survey -- Methodology

The survey was conducted and analyzed by Susan E. Conners, Ph.D., and Jonathan M. Furdek, Ph.D., of Purdue University Calumet; Laurent Couetil, DVM, Ph.D., of Purdue University; and

Mr. Greg Preston, of the US Department of Agriculture, using 2009 data, which is the most recent full year of data.

The economic impacts of horseracing and breeding related activities were estimated using 2008 IMPLAN multipliers for the State of Indiana. The IMPLAN modeling system has been in use since 1979 and is currently used by more than 500 private consulting firms, university research centers, and government agencies. The IMPLAN modeling system combines the [U.S. Bureau of Economic Analysis' Input-Output Benchmarks](#) with other data to construct quantitative models. Further analysis and interpretation of the data will be required for a complete snapshot of the industry and its economic impact. What is reported are the first applications of the IMPLAN model to the survey data.

The data collection portion of the research involved two surveys that were conducted simultaneously. One survey obtained economic data from the Indiana racetracks for the calendar year 2009 and both Indiana horse racing tracks responded with their data. The second part of the study involved a survey of over 7,000 members of the race horseracing and breeding community requesting their economic data for 2009. The breeder survey resulted in 1,000 responses.

Economic Impact Survey -- Conclusions

The 2005 American Horse Council study reported a direct economic impact of \$181 million and a total economic impact of \$294 million for Indiana racing and breeding industry. The findings of this study five years later indicate a \$733 million direct effect, with more than \$1 billion in total impact for the racing industry. The 2005 study reports \$5 million paid in state and local taxes, with the current study reporting \$69 million in state and local tax revenue. The industry generates direct and related employment of 9,865 jobs.

Regarding the industry, there are several important aspects that need to be explored. A significant share of racetrack revenues comes from off track and pari-mutuel sources. A significant investment in the breeding segment of the equine industry is from out-of-state interests. These elements indicate that the equine industry is a significant export industry, generating in-state revenues from out-of-state sources. A second factor is the amount and nature of investment spending as real investments have long-lasting impacts on the economy. A third factor is the impact of a relatively infant industry. Although the race tracks have been in operation for several years, the supporting components of the industry are growing and the IMPLAN multipliers tend to be backward-looking and may not properly assess this significant growth element.

The two racetracks in Indiana, Hoosier Park and Indiana Downs, generated a cumulative income of \$319,136,342 in 2009, paid out purses of \$49,043,165, paid State and local taxes of \$5,106,261, and have an investment of \$155,781,213 in land, facilities, and equipment, of which \$3,042,146 is new real investments. The industry employed 161 full time employees, 765 part time employees, and 596 seasonal employees in 2009, which computes to a full time equivalent of 1,240 employees. These totals are included in the overall industry totals.

When viewed from a nation-wide perspective, a racetrack is either expanding or declining, but not standing still. When a racetrack is successful, it can afford to offer larger purses and attract

better horses and athletes, drawing in larger incomes from pari-mutuel and off-track wagering, which then affords an opportunity to offer even more attractive purses. When a racetrack is less successful, purses decline and the cycle reverses.

This is an industry that is especially important to the two communities, Anderson and Shelbyville, and the surrounding areas, but the impact is statewide, because of the broad statewide involvement of the breeding services, and other equine/agribusiness activity.

It should also be noted that 2009 was a difficult year, economically, for the economy in general, the State economy, and also the equine industry. These results – though reflective of phenomenal growth – have taken place in an economic landscape in turmoil. The industry likely would be growing at a faster clip in a more stable economic environment. Concomitantly, in a stable environment, with its existing structure and funding mechanisms, the economic impact of the racing and breeding industry would be even higher throughout the state.

One inescapable conclusion emerges from the data and analysis of the report: the State of Indiana is generating extraordinary economic activity from its far-sighted design of and ongoing investment in the state horse racing and breeding industry.