

Impact of Slot Machines/Video Lottery Terminals (VLTs) on the Economy, Horse Racing and Breeding Industry, Agriculture and Open Space in States/Provinces where they Exist: Why is this Important for New Jersey?



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Better Horse Care Through
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Impact of Slot Machines/Video Lottery Terminals Executive Summary

The New Jersey equine industry is valued at \$4 billion and generates \$1.1 billion annually in positive impact on the New Jersey economy, is responsible for 13,000 jobs (7,000 jobs generated by racetracks and horse racing breeding and training operations), and pays an estimated \$160 million annually in federal, state, and local taxes (\$85 million generated by equine operations and owners and \$75 million generated by New Jersey racetracks). Contributing to the total economic impact are New Jersey's four racing venues (The Meadowlands, Freehold Raceway, Monmouth Park Racetrack, and Atlantic City Race Course), valued at \$502 million annually.

Regarding acres, 176,000 total acres support equine facilities; 96,000 of these acres are directly related to equine activities, 78,000 are devoted to pasture and hay production, with 46,000 additional acres producing hay for horses on non-equine-related operations. Equine-related acres represent more than one-fifth of the state's 790,000 acres in agriculture.

Regarding animals and operations, 42,500 equine animals are housed in New Jersey at 7,200 facilities. Of the 42,500 equine animals, 12,500 (nearly 30 percent) are in racing-related activities. These include 8,200 standardbreds and 4,300 thoroughbreds that are either actively racing or are racing breeding stock.

The installation of slot machines or video lottery terminals (VLTs) has proven to be a successful way to boost horse racing, specifically with enhanced purses and breeders awards in states/provinces where they are in place. Examples of these are: 1) the Delaware Certified Thoroughbred Horse Program whose intent is to contribute to the long-term economic prosperity of Delaware agriculture and encourage the preservation of Delaware farmland; 2) the establishment of the Pennsylvania Race Horse Development fund, within the state treasury, with the intent to further stimulate the viability and quality of racing; and 3) more than \$2.74 billion has been shared between racetrack owners and horsemen in the Ontario Lottery and Gaming Program. Over the eight year period between 1992 (pre-slots) and 2000 (post-slots) purses increased by 254% for standardbred horses and by 115% for thoroughbred horses in Ontario.

- In 2008, forty-four racetrack casinos in the United States generated \$6.19 billion in gross gaming revenues. Gross purses totaled \$135.3 million the year before slots were implemented at seventeen tracks in North America. In 2007, the same tracks had gross purses of \$295.2 million, a 118 percent increase.

- In states where slots exist:

- Average daily gross slot terminal revenue at horse racing facilities is higher on racing days versus non-racing days; total number of race days, live racing handles on-track, total export or simulcast handles, and total purses increased. Also, state treasuries are receiving additional income from slot revenue to be used for a variety of programs, e.g. property tax relief and education.

- The past two Purse Enhancement Agreements from New Jersey casinos have attempted to maintain the purse structure at the Meadowlands Racetrack. In 2006, New Jersey led the nation in total purses paid for harness racing. However, in 2008, New Jersey ranked third behind New York and Pennsylvania for total purses paid.
- Off-track and internet wagering have been successful in New Jersey. However, only three of the 15 authorized off-track wagering centers have opened since first authorized in 2001. Racing interests should take advantage of the 2001 legislation and proceed with the strategic opening of additional wagering outlets while at the same time being cognizant of the impact these gambling outlets will have on live handle at the racetracks.
- The Garden State stands to lose its premier agribusiness which generates \$780 million of economic impact annually, 7,000 jobs, \$110 million in federal, state and local taxes and 57,000 acres of working agricultural landscape and open space if racing-related activities leave New Jersey. These figures do not include the non-racing segment of the horse industry.
- The current business model which exists is no longer viable, with 2009 projections by the New Jersey Sports and Exposition Authority of losses of \$10 million and \$10.8 million for The Meadowlands and Monmouth Park racetracks, respectively.
- It is estimated that the combined impacts of existing and scheduled future machines in Pennsylvania and the New York City metropolitan area racetracks will reduce Atlantic City gross gaming revenue by as much as 12.3 percent. It was also projected that installation of video lottery terminals at three New Jersey racetracks would reduce Atlantic City gross gaming revenue by 1.8 percent.

The national economic downturn certainly has had an impact on household discretionary income available for gambling interests regardless of the outlet. Pari-mutuel wagering can no longer ensure racing's sustainability; nor can it fund the ever increasing costs of improving an aging plant infrastructure or with the promotion and marketing that needs to be conducted to introduce racing to a "new" generation of fans. These additional funds might be supplied by state funds as a direct subsidy, through continued Purse Enhancement Agreements from the Atlantic City casinos; or by increasing revenue by adding slot machines or video lottery terminals to New Jersey racetracks and providing a portion of that revenue for the horse racing and breeding industry.

The installation of video lottery terminals at New Jersey racetracks has the potential to be a "win-win" situation for both the racing and casino industries. The revenue would enhance the state budget significantly and provide capital for use by the horse racing industry to keep it competitive. Racinos would add jobs to the state, during construction and renovations of the racetracks as well as during operation. Video lottery terminals run by the operators of Atlantic City casinos would help these interests diversify sources of revenue.

Irrespective of the source of much needed revenue to ensure the future of racing in the Garden State, the racing industry needs to invest a portion of those dollars in things besides purses to ensure continued viability. These include: marketing of live racing and creation of a racing brand, creating innovative wagers, reductions in costs of regulating racing and the role of the New Jersey Racing Commission, investment in capital improvements and maintaining the integrity of racing, including research to benefit the equine athlete.

It was the intent of this paper to provide an overview of what slot machines or video lottery terminals have done for the economy, horse racing and breeding industry, and agriculture in states and provinces where they exist to assist policy decision makers in the state as they deliberate racing's future. It is the belief of these authors that the horse racing and breeding industry are commodities worth saving in New Jersey. The issue at hand is not an emotional one driven by the fact that the state animal is the horse which has a long and prominent history in New Jersey's agricultural and sports businesses. Horse racing is the economic driving engine of the entire horse industry in the state and is extremely valuable to the quality of life in the form of agricultural working landscape which benefits all residents of New Jersey.

Background

In 2006, at the request of the Hall Institute of Public Policy, the director of the Rutgers Equine Science Center was invited to address the future of horse racing in New Jersey and economic development for the equine industry in a white paper. The review stated that while the horse industry in New Jersey was an important agricultural commodity in the state, it was not without its challenges. At that time the New Jersey horse racing industry was facing extreme pressures that challenged its sustainability. The Equine Science Center in fulfilling its mission to ensure the well-being of horses and the equine industry, took the lead to address the future of horse racing in New Jersey.

This initiative began in July of 2003, when the Center hosted a blue-ribbon panel of horse racing industry leaders, legislators and government officials interested in the preservation of the entire horse industry, including the horse racing sector in New Jersey. The roundtable discussion primarily focused on three essential areas: 1) policy and regulation of racing, 2) marketing and growth of racing, and 3) operations and management of racing (Malinowski, 2006).

In July of 2006 the Center undertook the challenge of conducting a true economic impact assessment of the entire New Jersey equine industry. The purpose of the study was to assess the economic and land use impact of horses to the state, begin regular benchmarking of the equine industry, profile all components of the state's equine industry (including pleasure and sport/recreation), and to go beyond a simple enumeration of the industry. A related motivation was to provide insight into the number of dollars, jobs, and agricultural acres that would be put at risk if the state's four racing venues were to disappear. This exercise was useful to be able to trace out and communicate economic relationships and multiplier effects that might otherwise be ignored in state level policy discussions (Gottlieb, et al., 2009).

The study found that the New Jersey equine industry was valued at more than \$4 billion and generated \$1.1 billion annually in positive impact on the New Jersey economy, was responsible for 13,000 jobs (7,000 jobs generated by racetracks and other racing-related segments such as breeding and training of racehorses), and paid an estimated \$160 million annually in federal, state, and local taxes (\$85 million generated by equine operations and owners and \$75 million generated by New Jersey racetracks).

Regarding the acres to support equine facilities, 176,000 total acres were reported by equine operations; 96,000 of these acres were directly related to equine activities, 78,000 were devoted to pasture and hay production, with 46,000 additional acres producing hay for horses on non-equine-related operations. Equine-related acres represented more than one-fifth of the state's 790,000 acres in agriculture. A remarkable number of today's horse farms previously were other types of agricultural operations. For example, 24 percent used to be cattle, dairy, poultry or other livestock facilities; 13 percent were in field crops, fruits or vegetables; and 18 percent were used for other traditional agricultural activities.

Regarding animals and operations, 42,500 equine animals were housed in New Jersey at 7,200 facilities. Of the 42,500 equine animals, 12,500 (nearly 30 percent) were in racing-related activities. These included 8,200 standardbreds and 4,300 thoroughbreds that were either actively racing or were racing breeding stock. The equine-related assets were valued at \$4 billion, which was broken down into \$582 million in equine animals, \$2.9 billion in land and buildings (not including racetracks), and \$476 million in racetrack assets (land and buildings).

In addition, the economic impact of New Jersey's racing venues (The Meadowlands, Freehold Raceway, Monmouth Park Racetrack and Atlantic City Race Course), which were surveyed separately, contributed an additional \$502 million annually (Gottlieb, et al., 2007).

Far from an industry that some outsiders felt was dying, the study found that the equine industry was very much alive and well. However, it also suggested two very important points: 1) the racing subset is an economic driver for the entire equine industry and; 2) since it is no secret racing is facing tough competition from neighboring states that have added gaming operations to their racing venues – any further erosion of racing in New Jersey could have disastrous consequences for the state's economy and the rest of the equine industry.

It was also suggested that revenue from slot machines or video lottery terminals (VLTs) would provide direct benefits to the economy, racetracks, horse owners, breeders and trainers, and track attendees. The state/province would have a revenue source for resident tax relief, growth of agribusiness, travel and tourism, and would experience a ripple effect to consumer economy. Tracks would be able to make capital improvements that were long overdue and would have the opportunity to partner with established gaming companies which are highly successful at marketing their product. Horsemen and women would earn more dollars from enhanced purse structures, and owners and breeders would benefit from an enhanced Sire Stakes Program and Breeders Funds (Malinowski, 2006).

It was the objective of this paper to review what is now known about the impact that slot machines and video lottery terminals have had on the economy, horse racing and breeding activities, and agriculture and open space in states and provinces where they exist. It was also the authors' purpose to assess the current status of New Jersey's gaming industries and to project the impact that will be felt on the aforementioned parameters in the "Garden State" if horse racing were to cease to exist in New Jersey.

What are slots doing for horse racing in other states/provinces?

The status of horse racing in New Jersey is not unique in its decline and questionable sustainability. In North America the trend of on-track handle and attendance and parameters which measure the quality of the racing product (such as field size, number of live races, driver and jockey profiles, etc.) mirrors what is happening in New Jersey (Figure 1). The installation of slot machines or VLTs has proven to be a

Figure 1: Trends in On-Track Handle at U.S. Thoroughbred and Standardbred Tracks



Source: Jockey Club Online Factbook, Harness Tracks of America Quarterly Report

successful way to boost horse racing, specifically with enhanced purses and breeders awards, in states/provinces where they are in place. A recent report on the impact of 17 North American racinos (racetracks with slot machines) on purse money available stated that gross purses totaled \$135.3 million the year before slots were implemented at the respective tracks. In 2007, the same tracks had gross purses of \$295.2 million, a 118 percent increase (Kyle, 2008).

In 2008, forty-four racetrack casinos in the United States generated \$6.19 billion in gross gaming revenues (a 17.2 percent increase over 2007); \$2.59 billion in direct gaming taxes to state and local governments, and employed over 29,000 people. The racetrack casino market experienced growth, as a whole, even in view of a tough economic climate. The bulk of industry growth between 2007 and 2008 was due to the opening of new properties in Pennsylvania and Indiana. Pennsylvania experienced the largest percentage increase in gross gaming revenue for the period of 50.3 percent. New York experienced an increase of gross gaming revenue from 2007 to 2008 of 14.4 percent and Empire City at Yonkers Raceway in New York was the top racetrack casino market in the United States, grossing \$486.46 million in gaming revenue in 2008. Six of the top ten racetrack casino markets in the nation are located in the northeast region in close proximity to New Jersey; in New York, Pennsylvania, and Delaware (Table 1; American Gaming Association, 2009).

Table 1: 2008 Top Ten Racino Markets

Gross Gaming Revenue in Millions	
1. Yonkers, NY	\$ 486.46
2. Charles Town, WV	\$ 454.01
3. Providence, RI	\$ 407.50
4. Bensalem, PA	\$ 345.50
5. Dover/Harrington, DE	\$ 335.63
6. Chester, PA	\$ 328.44
7. Delaware Park/ Wilmington, DE	\$ 253.29
8. Chester, WV	\$ 251.21
9. Meadow Lands, PA	\$ 244.05
10. Broward County, FL	\$ 230.21

Source: American Gaming Association, 2009

Delaware

Delaware was the first to introduce slot machines at race tracks in 1994, in an effort to salvage horse racing. Total gross purses in Delaware were around \$650,000 before slot machines and now are more than \$35 million annually. Delaware law allocates revenue from slot machines as follows: 35 percent to the state, 48 percent to the racetracks, 11 percent to purses and 6 percent to slot machine vendors (Ellis, 2003). As an example, at Delaware Park (a thoroughbred/arabian) track, slot machines have become

a hit any business would consider to be phenomenal, generating \$300 per day per machine with 715 machines. This equates to \$200,000 daily or \$73 million annually.

At Delaware’s harness track, Dover Downs, slots have been the savior of the small track by raising purses from \$10,000 per day to \$150,000 per day. This jump has allowed Dover to become competitive with other tracks in its ability to draw horsemen and women and quality horses. Handle and purses paid at Dover Downs and Harrington Raceway in 2008 are shown in Table 2. Eighty and one-half percent of the handle was on the export of the tracks’ races to other outlets; 16.7 percent was on-track handle of imported simulcast races; and 2.8 percent was handle on-track on live races, suggesting the majority of dollars wagered were in other states at outlets wagering on the Delaware product. Total harness purses paid in 2008 were \$46.3 million (Delaware Harness Racing Commission, 2008).

Table 2: 2008 Handle and Purses - Dover Downs and Harrington Raceway

Handle on Track (Live Races)	\$ 5,463,368.00	2.80%
Handle on Track (Simulcast Races)	\$ 32,531,224.00	16.70%
Total on Track Handle (Live + Simulcast)	\$ 37,994,592.00	19.50%
Export Handle on Live Races	\$ 156,824,045.00	80.50%
Total Handle	\$ 194,818,637.00	-
Total Purses Paid	\$ 46,363,406.00	-

Source: Delaware Harness Racing Commission, 2008

For thoroughbred and arabian racing, the Delaware Racing Association saw a tremendous upward trend in purses paid, rising from \$7.9 million in 1994 before the installation of slots, to a high of \$42.5 million in 2002 and totaling \$34.8 million in 2008. Average purses paid per day followed a similar trend, beginning pre-slots in 1994 at \$58,642 per day, to the high of \$301,342 per day in 2002 and averaging \$256,098 in 2008 (Table 3). This “leveling off” of purses paid can be expected, and has been seen in other states where the purse structure is tied to slot revenue, as competition for the gambling dollar increases in surrounding states resulting in reduced income to individual slot machines.

While wagering trends reflect the national decline of live on-track wagering, they also reflect the impact that the installation of slot machines had on the quality of Delaware horses (Table 4). In 1994, 51 percent of wagering at Delaware Park was on the imported or foreign product via simulcast signals from other tracks; 30.5 percent was on live handle on track; and 18 percent was on the exported product via simulcast out to other tracks. In 2008, one sees a different picture reflecting the increased quality of the Delaware exported product. Seventy percent of money wagered in 2008 was on the exported signal from Delaware Park to other simulcast outlets; 25 percent was on the imported product from other tracks; and 5 percent was wagered live on-track (Delaware Thoroughbred Racing Commission, 2008).

Table 3: Delaware Purse Distribution Trends - Thoroughbreds and Arabians

1994 - 2008							
Delaware Racing Association - Purses Paid							
Year	Live Race Days	Thoroughbred	Arabian	Total Purses	Average Thoroughbred/Day	Average Arabian/Day	Average Purse/Day
<i>1994</i>	<i>135</i>	\$ 7,639,238	\$ 277,503	\$ 7,916,741	\$ 56,587	\$ 2,056	\$ 58,643
1995	129	\$ 10,041,651	\$ 350,500	\$ 10,392,151	\$ 77,842	\$ 2,717	\$ 80,559
1996	139	\$ 20,922,178	\$ 810,300	\$ 21,732,478	\$ 150,519	\$ 5,829	\$ 156,349
1997	149	\$ 26,115,489	\$ 1,347,659	\$ 27,463,148	\$ 175,272	\$ 9,045	\$ 184,316
1998	143	\$ 27,377,338	\$ 1,344,467	\$ 28,721,805	\$ 191,450	\$ 9,402	\$ 200,852
1999	143	\$ 33,129,264	\$ 1,911,785	\$ 35,041,049	\$ 231,673	\$ 13,369	\$ 245,042
2000	149	\$ 36,478,964	\$ 1,529,950	\$ 38,008,914	\$ 244,825	\$ 10,268	\$ 255,093
2001	139	\$ 35,283,541	\$ 1,602,350	\$ 36,885,891	\$ 253,838	\$ 11,528	\$ 265,366
<i>2002</i>	<i>141</i>	\$ 40,846,211	\$ 1,643,050	\$ 42,489,261	\$ 289,689	\$ 11,653	\$ 301,342
2003	141	\$ 32,879,917	\$ 1,996,310	\$ 34,876,227	\$ 233,191	\$ 14,158	\$ 247,349
2004	134	\$ 33,909,303	\$ 1,948,800	\$ 35,858,103	\$ 253,055	\$ 14,543	\$ 267,598
2005	139	\$ 37,689,765	\$ 1,919,550	\$ 39,609,315	\$ 271,149	\$ 13,810	\$ 284,959
2006	136	\$ 34,015,629	\$ 1,855,690	\$ 35,871,319	\$ 250,115	\$ 13,645	\$ 263,760
2007	135	\$ 36,316,497	\$ 1,843,663	\$ 38,160,160	\$ 269,011	\$ 13,657	\$ 282,668
<i>2008</i>	<i>136</i>	\$ 33,029,292	\$ 1,800,163	\$ 34,829,455	\$ 242,862	\$ 13,236	\$ 256,098

Source: Delaware Thoroughbred Racing Commission, 2008

Table 4: Delaware Wagering Trends

Delaware Racing Association Handle Information 1993 - 2008							
Year	Live Handle on Track	% of Total	Simulcast De. Pk out	% of Total	Simulcast In (Other Tracks)	% of Total	Total
1993	\$ 46,305,350	50.03%	\$ -	0.00%	\$ 46,244,189	49.97%	\$ 92,549,539
1994	\$ 35,610,116	30.53%	\$ 21,422,110	18.37%	\$ 59,612,946	51.11%	\$ 116,646,172
1995	\$ 27,251,269	15.15%	\$ 64,589,960	35.91%	\$ 88,014,756	48.94%	\$ 179,855,985
1996	\$ 28,442,006	12.21%	\$ 107,368,067	46.08%	\$ 97,200,658	41.72%	\$ 233,010,731
1997	\$ 30,379,849	10.10%	\$ 177,445,871	59.00%	\$ 92,931,297	30.90%	\$ 300,757,017
1998	\$ 25,012,926	7.82%	\$ 205,023,148	64.14%	\$ 89,635,910	28.04%	\$ 319,671,984
1999	\$ 26,313,188	7.06%	\$ 254,768,856	68.33%	\$ 91,778,412	24.61%	\$ 372,860,465
2000	\$ 25,455,446	6.63%	\$ 264,338,726	68.80%	\$ 94,421,101	24.58%	\$ 384,215,273
2001	\$ 22,965,700	6.09%	\$ 259,539,722	68.84%	\$ 94,534,804	25.07%	\$ 377,040,226
2002	\$ 22,228,588	5.98%	\$ 260,456,580	70.09%	\$ 88,889,344	23.92%	\$ 371,584,512
2003	\$ 19,671,990	5.61%	\$ 252,378,766	71.94%	\$ 78,743,432	22.45%	\$ 350,794,188
2004	\$ 18,233,483	5.68%	\$ 230,272,674	71.77%	\$ 72,348,635	22.55%	\$ 320,854,792
2005	\$ 18,569,775	6.08%	\$ 216,709,900	70.90%	\$ 70,388,340	23.03%	\$ 305,668,015
2006	\$ 17,167,868	5.77%	\$ 211,195,699	71.01%	\$ 69,059,698	23.22%	\$ 297,423,265
2007	\$ 14,419,478	5.25%	\$ 198,360,276	72.16%	\$ 62,116,689	22.60%	\$ 274,896,443
2008	\$ 11,915,673	5.39%	\$ 153,917,895	69.64%	\$ 55,184,297	24.97%	\$ 221,017,865

Source: Delaware Thoroughbred Racing Commission, 2008

Delaware also has established an enhancement awards program for certified thoroughbred horses. The Delaware Thoroughbred Horsemen's Association contributes \$500,000 per year to the program from the horsemen's purse fund which is matched by \$500,000 from the state of Delaware. The intent is to contribute to the long-term economic prosperity of Delaware agriculture and encourage the preservation of Delaware farmland (Delaware Thoroughbred Horsemen's Association, 2009). The program is not aimed directly at breeders of thoroughbred horses in Delaware, therefore the numbers of stallions standing, mares bred and foals born have not increased. However, the program certainly attracts owners of horses stabled in the state.

In 2009 Delaware approved sports betting at its racetracks in an attempt to remain competitive with neighboring states for the gaming dollar.

Ontario

The picture of the Ontario horse racing industry before slot machines was not very bright, with little hope for permanent stability. Purses were not rising sufficiently to enable the industry to be competitive for the Ontario gaming or entertainment dollar. Measurements of the quality of the horse racing product such as field size, number of live races, individual horses and number of starters all were declining (Econometric Research Limited, 2005).

Prior to the introduction of slots revenue, both racetracks and horsemen were experiencing financial hardship. A racing simulcast system was proposed, concentrating on the big tracks such as Woodbine and Mohawk, in Toronto, at the expense of the smaller tracks. The estimation of industry size was that harness racing would have been only 35-65 percent of its present size if slot revenue had not been implemented (Brinkman and Weersink, 2004).

The introduction of slots in 1999 immediately reversed the decline of horse racing with an improvement of horse racing indicators such as increased purses and later increased wagering. Slot revenues certainly gave horse racing in the province a shot in the arm, but one must question the sustainability of these changes. New trends emerging include the decline of wagering on live races, the repatriation of Ontario horses that left the province when purses were low, the extensive use of foreign products, the inordinate dependence of purse structure at small tracks on slot revenues, and the increased participation by higher quality horses from outside the region; many of which are owned by a small number of owners, some of which are from outside Ontario (Econometric Research Limited, 2005).

In 2000, the Ontario Casino Corporation and Ontario Lottery Corporation merged to form the Ontario Lottery and Gaming Corporation (OLG). Since the beginning of the OLG program in 1998 more than \$2.74 billion has been shared between racetrack owners and horsemen. Tracks and horsemen share 20 percent of gross slot machine revenue, split equally between the two groups (OLG, 2009). In the elegant study by Econometric Research Limited, 2005, a number of emerging trends in the horse racing industry were

outlined after the introduction of slot machines at racetracks in Ontario in 1999. The research group admitted that it was difficult to disentangle the effects of technological change from those of slot revenue and that the market area of any racetrack was a thing of the past.

The primary objective of the Econometric Research study was to explore the impact of the implementation of slot machines at racetracks and the resulting slot revenues on individual segments of the racing industry and beyond to the agricultural sector as well.

Shown in Table 5 is an overview of industry benchmarks outlining changes in racing variables pre- and post- introduction of slots at racetracks in Ontario. The number of racing days, number of races, and number of individual horses, for both standardbreds and thoroughbreds, increased after 1999. The mainstay of the horse racing industry is the purse structure. Owners, trainers and hence, horses follow the higher purses which represent the potential for increased purse earnings by the owners. Over the eight year period between 1992 (pre-slots) and 2000 (post-slots) purses increased by 254 percent for standardbred horses and by 115 percent for thoroughbred horses in Ontario. In 2003 purse growth for both breeds began to decline. Reasons included: no new tracks introduced slot machines, existing slot earnings per machine leveled off and the possible cannibalization of pari-mutuel wagering by slots.

In Ontario wagering remained unchanged for the pre-slot period of 1992-1998 for standardbred horses and increased slightly for thoroughbreds. Post-slot implementation, total wagering on standardbred and thoroughbred horses declined. The disconnect between wagering and purses widened in 2003 because of cannibalization by slots and loss of churn. In 2004, wagering on standardbred races increased by 2.5 percent; while wagering on thoroughbred horses decreased 8.4 percent. This decline was partly explained by the widespread use of illegal wagering outlets outside the pari-mutuel system through off-shore accounts.

Average field size per track is a critical indicator of the attractiveness of a race. In Ontario this remained unchanged from 1992-1998 but increased substantially thereafter; ranging from 7.72 in 1992 to 8.17 in 2004 for standardbred horses. Average field size for thoroughbred horses actually declined during the period 1992-1998, and declined further in 2000, but rebounded in 2001, and experienced continuous increases during the period 2002-2004.

Wagering on live races for both standardbred and thoroughbred horses has declined while wagering at remote places and over the internet and telephone has increased. These trends have been seen all over North America as technology and innovation continues to impact live handle at racetracks.

The province of Ontario has been challenged by the infusion of foreign products. This is reflected in the fact that slot revenue enhanced purses have attracted foreign horses and that simulcast signals from foreign tracks are invading the total wagering

Table 5: Ontario Racing Industry Benchmarks

<i>Racedays, Live Races, Starters, and Individual Horses</i>										
Year	Racedays		Number of Races		Starters		Individual Horses		Purses (thousands)	
	<i>Standardbred</i>	<i>Thoroughbred</i>	<i>Standardbred</i>	<i>Thoroughbred</i>	<i>Standardbred</i>	<i>Thoroughbred</i>	<i>Standardbred</i>	<i>Thoroughbred</i>	<i>Standardbred</i>	<i>Thoroughbred</i>
1992	1,151	235	12,020	2,310	94,337	20,444	8,647	3,097	\$ 39,851	\$ 41,545
1993	1,085	237	11,275	2,352	88,513	20,647	8,266	3,117	\$ 36,648	\$ 38,538
1994	1,206	279	12,321	2,611	98,278	20,551	7,564	2,767	\$ 55,541	\$ 40,809
1995	1,169	291	12,195	2,700	98,463	20,718	7,396	2,770	\$ 69,862	\$ 50,339
1996	1,182	296	12,103	2,699	99,307	21,138	7,417	2,917	\$ 69,306	\$ 59,975
1997	1,108	278	11,558	2,549	94,237	20,087	7,178	2,739	\$ 67,195	\$ 44,474
1998	1,192	246	12,258	2,240	98,373	17,327	7,371	2,621	\$ 71,355	\$ 47,092
1999	1,237	272	13,066	2,470	105,137	18,599	7,907	2,817	\$ 89,880	\$ 61,284
2000	1,306	267	14,665	2,514	121,844	20,024	9,180	3,176	\$ 141,425	\$ 89,387
2001	1,364	281	15,672	2,729	130,559	22,475	9,908	3,619	\$ 169,076	\$ 101,364
2002	1,396	282	16,435	2,722	136,999	22,580	10,300	3,786	\$ 189,042	\$ 115,688
2003	1,378	276	16,615	2,667	139,114	22,167	10,649	3,930	\$ 184,859	\$ 115,443
2004	1,424	248	16,881	2,328	140,766	19,936	11,027	3,728	\$ 171,293	\$ 98,721

Source: Econometric Research Limited, 2005

market share. Both suggest that foreign products are augmenting local products, but one must realize the impact that the stabling of foreign horses in Ontario had on the local agricultural links of the province.

An expected outcome of a slot revenue enhanced purse structure is the wider spread and disconnect between live wagering and purses. The share of purses as a portion of total wager increased sharply in 1999 and thereafter as slot revenues accumulated at tracks, and as part of these revenues were allocated for purses (Figure 2). The diversion trend between purses and wagering is expected to become more pronounced as purses (especially at smaller tracks) become more dependent on slot machines than on live handle. One must be aware that the negative correlation between live wagering and purse structure will challenge the sustainability of horse racing as live racing is increasingly overtaken by alternative gaming and betting outlets.

Stallion and yearling prices ultimately gauge the demand for the primary products of the racing industry. The breeding segment of the industry also represents a major portion of the agricultural component of the horse racing industry. There is no mistake that the introduction of slots in Ontario has invigorated the racehorse breeding industry for the period 1999-2004. It is also clear the upward trends in yearling and stallions sales are slowing down (Econometric Research Limited, 2005).

Pennsylvania

The Pennsylvania Gaming Control Board recently released its second Pari-Mutuel Wagering Benchmark Report which details the impact of slot machine revenue (2006-2008) on the state economy and horse racing industry in Pennsylvania. The positive impact is staggering. The report compares the status of pari-mutuel wagering for the years 2006, 2007, and 2008. It focuses on the impact of slot revenue on the various indicators of horse racing health such as number of race days, purse amounts, racing handle, and the export value of live racing from Pennsylvania tracks to other venues inside and outside of the state (Reuters, 2009).

As an example, of the impact of slot machines in Pennsylvania, purses at Philadelphia Park have increased 100 percent in five years. Purses pre-slots averaged \$120,000 per day and now are \$240,000 per day. Horse racing receives 12 percent of the gross slot revenue; the state gets 34 percent, the local municipality four percent, the Economic Development and Tourism Fund five percent and the track 45 percent (Jerardi, 2009).

The installation of slot machines resulted in the establishment of the Pennsylvania Race Horse Development fund within the state treasury, with the intent to further stimulate the viability and quality of racing. Each active and operating licensed gaming entity pays a daily assessment into this fund based on a percentage of each entity's gross terminal revenue.

