

**THE ECONOMIC IMPACT OF A
NEW RACETRACK
ON HORSE RACING IN LOUISIANA**

Prepared for

The Louisiana Racing Commission

By

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EXECUTIVE SUMMARY

In this report we have examined the recent history of horse racing in the U.S. and Louisiana. We have also built econometric models to determine the impact of introducing slot machine at racetracks and the impact of introducing a fifth racetrack in Louisiana that would be either just a live racing track or a racino. Our findings can be summarized as follows:

- There is growing evidence that the gambling market in general is near saturation. That is, any new gambling venture will draw much of its business from other existing gambling ventures---what we term “crowding out”.
- The legalization of casinos in several states has impacted the economic well-being of racetracks. The number of thoroughbred races run each year and the live racing handle have been falling in the face of this new competition.
- Racetracks have responded to this new competition by introducing off-track betting via simulcast and by adding slot machines at racetracks. These moves have enabled both the gross handle and gross purses to rise. There is some evidence that the foal crop has begun to rise again in response to the higher purses.
- Louisiana has four racetracks---Delta Downs, Louisiana Downs, Evangeline Downs, and the Fair Grounds. The first two have slot machines and Evangeline Downs will have slots when its new track is constructed. The Senate and House have passed legislation to allow the Fair Grounds to ad slots.
- Louisiana racetracks face a great deal of competition for the gambling dollar. There are 14 riverboat casinos in operation, with a 15th about to begin construction, three Indian casinos, a land-based casino in New Orleans, a state lottery, and 13,720 video poker machines in the state.
- Our models indicate that when slot machines are introduced at a racetrack there is no significant impact on the racing handle. In economic terms, slot machine revenues are neither a substitute nor a complement for racing wagers.
- The live racing handle is very sensitive to new competition. Our models show:
 - A racetrack loses 3.1 cents in live racing handle for every dollar of new casino revenue within 200 miles of its track. For example, a new casino

generating \$100 million in new revenues costs a nearby track \$3.1 million in live handle.

- A one-dollar increase in live racing at any new track within 200 miles of a racetrack reduces the latter's handle by 9.6 cents. That is, if a new racetrack opens up nearby with a \$200 million handle, an existing racetrack within 200 miles will see its handle fall by \$19.2 million.
- We estimated the impacts of a new *racetrack only* (not a racino) being opened in Crowley, Louisiana. Our models indicate:
 - Based on the demographics in the region and existing gambling competition, this new racetrack would generate \$4.2 million in live racing handle and \$11.3 million in simulcast handle, for a total handle of \$15.5 million.
 - The impact of this new track on *existing* tracks would be to reduce their handle by \$4.5 million. Thus, the *net* increase in handle at all tracks would be \$11 million.
 - We estimate that this new racetrack would earn revenues after state taxes and purses of about \$1.9 million a year. It may be difficult to fund track operations on such a low figure.
- We estimated the impact of allowing the proposed new racetrack at Crowley to open as a *racino*. Our findings are as follows:
 - The new Crowley racino would bring in an estimated \$91,794,000 in slot revenues. However, \$41,580,000 of those revenues would come at the expense of slot revenues at Delta Downs, Evangeline Downs, and the Fair Grounds and another \$46,723,000 would come at the expense of slot revenues at nearby casinos. That is \$88.3 million would result through the "crowding out" effect. Only about \$3.5 million would be net new slot revenues in the state.
 - Because the effective state tax rate on racino slot revenue is lower (15.17% versus 21.5%) than casino slot revenues, we estimate that the new racino in Crowley would cause a net decline in state revenues for slots of just over \$2.4 million.
 - Because of the difference in the dedication structure of racino slot tax revenue versus casino slot revenues, the general fund would gain revenue at the expense of the teacher pay fund and the State Police budget.

- We estimate that a new racino at Crowley would increase the purses for the horse industry by over \$8.6 million, about a 17.3% increase in purses. This represents a non-trivial boost to the state's horse industry.

We have not yet developed models to estimate the impact of additional racinos on the foal crop in Louisiana, nor have we addressed the impact over the long term of spreading the existing crop of race horses across more tracks. These are important issues that still need to be addressed when considering whether or not to authorize a new racino in the state.

I. General U.S. History of Gaming Competition

Americans' willingness to allocate considerable time and money to gambling coupled with more favorable public opinion of gambling spurred industry growth by more than ten-fold during the 1980's and 1990's. However, more recently gambling's growth in the U.S. has been decelerating. Christiansen and Sinclair (2000) argue that this deceleration indicates that the demand for commercial games has been satisfied. They note that "demand for gambling products and services are approaching their natural limits, limits imposed by consumer choice." **This idea---that the gambling market is approximately saturated---is an important concept in the analysis that follows.**

As casino gaming, lotteries and electronic video device machines accelerated in the 1990's, pari-mutuel betting suffered under the new competition. "Racetracks today need slots to continue to grow," Penn National Gaming's DeSanctis says. "There really is no growth in racing. It's a mature product. But slots aren't necessarily the answer for every racetrack," he adds. "It can improve the existing situation, but in a highly competitive market where there are other types of gaming, it would be difficult for racinos to survive."

Table 1 illustrates the downward trend in Louisiana handles from live horse racing relative to other gambling forms that exist in the state. These trends mirror trends seen throughout the United States.

Table 1: Louisiana Gambling Net Revenues (in millions)

Year	Video Poker	Riverboat Casinos	Land based Casino	Lottery	Live Racing Handle	Slots at Tracks
1990	-	-	-	-	131.9	-
1991	-	-	-	79.7	129.8	-
1992	94.7	-	-	380.2	114.4	-
1993	274.6	-	-	492.7	104.5	-
1994	474.6	309.3	-	350.0	87.1	-
1995	549.5	1050.0	-	305.3	73.2	-
1996	605.4	1211.5	-	289.2	73.7	-
1997	632.4	1245.0	-	280.7	74.9	-
1998	676.5	1212.9	-	292.9	68.1	-
1999	653.4	1361.0	-	296.2	69.5	-
2000	477.1	1427.8	163.0	276.4	67.7	-
2001	503.5	1545.9	168.8	284.5	67.0	-
2002	\$535.9	1635.3	204.9	311.6	62.2	\$10.9

Source: Louisiana State Police, Louisiana Racing Commission, Louisiana Lottery Corporation and "Gambling in Louisiana: A Benefit/Cost Analysis"

The largest sector within pari-mutuel gambling is the horse racing industry. A National Economic Impact Study established that pari-mutuel wagering on horse racing is legal in 43 states, generating annual gross revenues of approximately \$3.25 billion in 1998. However, the deceleration in legal betting in the U.S. has translated into actual declines in a number of measures of financial well being in the pari-mutuel wagering industry.

Number of Thoroughbred Races

One of these measures, the **number of thoroughbred races** in the U.S., has steadily fallen from 74,071 in 1989 to 54,304 races in 2002. Table 2 indicates that the largest decline in the number of live races came during the mid 1990's, just as casinos took hold in many states.

Table 2: Number of Thoroughbred Races Run in U.S. from 1989-2002.

Year	U.S. Thoroughbred Races Run	Percent Change
1989	74,071	+4.3
1990	72,664	-1.9
1991	71,689	-1.3
1992	70,393	-1.8
1993	65,354	-7.2
1994	64,118	-1.9
1995	61,996	-3.3
1996	58,259	-6.0
1997	57,832	-0.7
1998	55,894	-3.4
1999	54,644	-2.2
2000	55,486	+1.5
2001	55,127	-0.6
2002	54,304	-1.5

Source: Jockey Club Fact Book

As one antidotal example, Illinois' Arlington Park outside of Chicago, faced diminishing handles in 1994 due to gaming competition from Grand Victoria, a large riverboat on the Fox River in Elgin, only 12 miles from Arlington. The Arlington Park's reaction was to gain permission to cut racing dates to reduce losses. They cut their racing days from 131 days to 55 days (Nack, 1995). In another antidotal example, Oaklawn in Hot Springs, AR has also cut race days---from 68 to 52---in an effort to keep daily purses up. Oaklawn experiences competition from Mississippi casinos, Oklahoma tracks and Indian casinos, Louisiana horse tracks and casinos, and large horse tracks in Texas.

In 2002, only three states experienced an increase in the number of races during the 2002 racing year—Delaware (5.2%), West Virginia (4.8%) and Texas (3.0%). Coincidentally, two of these states, Delaware and West Virginia, have adopted casino gaming inside the track premises, becoming what are now called racinos. Table 3

Table 3: 2002 Analysis of Races by State

State	Number of Races	Average Field
AR	527	8.9
AZ	2,153	8.1
CA	5,111	7.7
CO	332	8.8
DE	1,264	7.8
FL	3,752	8.4
GA	10	6.5
IA	780	8.5
ID	270	6.5
IL	3,141	8.1
IN	741	9.1
KS	259	7.7
KY	2,621	8.8
LA	3,255	8.7
MA	1,363	8.3
MD	2,027	7.9
MI	1,093	7.2
MN	515	8.3
MT	92	7.0
NC	21	5.8
ND	40	6.3
NE	886	8.8
NH	711	8.0
NJ	1,329	7.6
NM	1,343	8.6
NV	28	5.6
NY	3,797	7.9
OH	3,509	8.7
OK	968	10.7
OR	605	9.3
PA	3,844	8.0
SC	24	6.6
TN	6	6.7
TX	2,075	9.1
VA	304	9.0
WA	884	7.6
WV	4,589	9.2
WY	35	6.9

Source: Jockey Club Fact Book

demonstrates the number of races and the average number of horses in the field in 2002 broken down by state.

The Thoroughbred Handle

Another measure of the U.S. pari-mutuel betting well-being is the **level of thoroughbred handle**. In the U.S., total handle has progressively escalated over the last decade with its largest increases in 1996 and 1997. However, as seen in Table 4, these gains in handle came almost exclusively from **off-track betting** that accounted for the vast majority (86.52%) of thoroughbred handles in 2002.

Table 4: Pari-Mutuel Handle in the U.S. from 1990-2002.

Year	On Track (Live)	Off Track	Total	Percentage Change
1990	NA	NA	9,385	1.1
1991	NA	NA	9,393	0.1
1992	NA	NA	9,639	2.6
1993	NA	NA	9,600	-0.4
1994	NA	NA	9,897	3.1
1995	NA	NA	10,429	5.4
1996	2,944	8,683	11,627	11.5
1997	2,703	9,839	12,542	7.9
1998	2,498	10,617	13,115	4.6
1999	2,359	11,365	13,724	4.7
2000	2,270	12,051	14,321	4.4
2001	2,112	12,487	14,599	1.9
2002	2,029	13,033	15,062	3.5

Source: Equibase Company LLC, CHRIMS (California Horse Racing Information Management Systems).

There are over 150 operational racetracks in the United State. However wagering increasingly takes place away from the location of the live race. Satellite broadcasting makes it possible to simultaneously broadcast races either between racetracks or at Off-

Track Betting sites (OTBs), where no racing occurs at all. The simulcasts provide for larger betting pools by increasing patron access to numerous racetracks.

Though the number of thoroughbred races and the live handle has been declining, many believe that the level of national purses is the leading indicator of a racetrack's health in the thoroughbred racing industry. Table 5 includes more information on the level of purses in the U.S., and Table 6 breaks the purses up by state. Despite several years of declining purses in the early 1990s, purses have grown for nine consecutive years since 1994. This increase in purse size could be attributed to the introduction of **racino** activities at a number of tracks in the U.S. Racinos are designed to increase interest in racing and to increase the level of purses. The weakest showing of the decade was in 2002 with only a 0.6% increase in purses. That year, however, was a weak one for the U.S. economy.

Table 5: Gross Purses in the U.S. from 1988 to 2002 (\$millions).

Year	Gross Purse	Percent Change
1988	676.8	3.4
1989	706.9	4.4
1990	714.5	1.1
1991	698.7	-2.2
1992	709.6	1.6
1993	692.1	-2.5
1994	718.4	3.8
1995	761.6	6.0
1996	792.7	4.1
1997	851.5	7.4
1998	904.0	6.2
1999	962.9	6.5
2000	1,030.9	7.1
2001	1,067.5	3.6
2002	1,074.2	0.6

Source: Jockey Club Fact Book

The larger purses since 1994 may partially be attributed to the implementation of racinos in a number of states. The states that have implemented casino gaming on their

track premises have been able to attract and capture more of the betting dollars available in their respective regions. As a result, some portion of every dollar bet at the slots is added to the live race purses.

Table 6: Gross Purses by State: 2002.

State	Gross Purses	State	Gross Purses
AR	11,413,700	NC	327,500
AZ	14,824,750	ND	107,725
CA	173,318,373	NE	8,148,912
CO	2,957,300	NH	6,954,600
DE	41,087,150	NJ	38,824,650
FL	81,960,124	NM	16,986,181
GA	357,500	NV	61,790
IA	16,301,701	NY	132,369,472
ID	960,146	OH	30,500,800
IL	95,664,127	OK	8,264,775
IN	11,746,855	OR	1,959,472
KS	1,971,261	PA	47,429,957
KY	83,680,090	SC	585,500
LA	49,821,059	TN	280,000
MA	15,120,814	TX	32,601,743
MD	44,567,290	VA	7,381,500
MI	10,189,634	WA	8,734,850
MN	7,904,634	WV	71,611,381
MT	194,955	WY	75,467

Source: Jockey Club Fact Book

Impact of Other Gambling Forms on Pari-Mutuel Betting

The pari-mutuel betting decline began when New York started a **state lottery** in 1967. Maryland followed in 1973; Delaware in 1975; California, 1985; Florida, 1988; and many others followed. The popularity of these state lotteries proved that people want to gamble, and that horse racing was not the only avenue to bet despite the industry's hundred-year head start on the lotteries.

Legal **casino gambling** weakened pari-mutuel betting even further. Indian tribal gaming and Atlantic City's casinos both prospered despite lacking the location of

prestigious tracks like the Belmont Park and Saratoga racetracks. Bettors traveled farther and bet more on casino-style gaming than at the tracks.

South Dakota first introduced video lottery terminals (VLTs) in 1989, and Iowa became the first state to legalize riverboat gambling in April 1991. Major casinos developed from scratch during the 1990's in Mississippi, Illinois, Louisiana and Connecticut. Of these gambling destinations, Mississippi's Tunica county and Biloxi's casinos have been the most successful with significant hotel and non-gaming development occurring around the casino facilities. However, riverboats and casinos in Iowa, Indiana, Missouri and Louisiana---excluding the Louisiana based casinos along the Texas boarder---have experienced rather disappointing performances partially due to excessive competition in many metropolitan areas like Kansas City, which boasts four casinos and one dog track, and New Orleans with three casinos and one horse track.

Casino gambling has squeezed out pari-mutuel betting in a number of locales. For instance, in places like Detroit, live racing no longer exists. However gambling at casinos is still present. In an effort to save live racing, some states have implemented racinos.

Introduction of Racinos

Delaware, Charles Town, Prairie Meadows, Arlington and San Juan Downs racetracks celebrated grand re-openings due to their respective state governments granting them **on-site slot machines**. These five racetracks had dwindling fan support and had trouble competing with other forms of gambling---particularly riverboats. Yet four of those five racinos (Arlington does not have slots) thrive now with substantial funding from slot machines. About the same number of bettors on horses attend the races

at Dover Downs as did before the track added slots. But the purses have ballooned from an average of \$8,000 a day before slots to \$140,000 a day now. The races are broadcast to more than 300 venues. (Plume, 2002)

This addition of a casino to a racetrack in order to create a multi-purpose entertainment center that combines existing live horse racing with slot gambling is a method for producing significant new revenues without expanding the number of gambling locations. The revenues from racinos (1) help support the horse breeding industries in the states that have racinos and (2) may provide additional net revenues to state governments. Table 7 provides some information on the revenues generated for state governments by adding slot machines to racetracks.

**Table 7: Annual Gross Revenues Generated to State Governments
by Adding Slot Machines to Racetracks**

State	Approximate Number of Machines	Gross Revenues to State Government in Millions
Iowa—2002	3574	\$97.2
Delaware—2002	5277	185.6
West Virginia—2001	6800	156.2
New Mexico—2001	1200	21.9
Rhode Island—2001	1700	104
Louisiana—2002	1494	13.3

Racinos and Purses

Racetracks install slots, generally hundreds at a time, on-site. Racing fans, presumably between races, spend money on the slots. The income made by the track, after payouts to the state, is funneled back in the form of bigger purses for each race.

Sunland Park near El Paso, TX has increased its purses 55% for this season and created a \$500,000 race---the WinStar Derby---due chiefly to its slots. Delta Downs in Vinton, LA took in more than \$64 million and quadrupled its purses to a daily average of \$170,000 (West, 2002). The difference between a racino-funded purse and one without slot money can be dramatic—some argue as much as \$175,000. For instance, the value to the winner of the 1974 Astoria was \$16,241. Years later, the purse to the 1999 winner of the Astoria, without the benefits of slot racing, had a purse of \$100,000 with a value to winner of \$65,760—an annual increase over the 25 year period of 5.75% compounded annually.

Compare this to the 1999 Iowa Oaks three-year-old fillies \$125,000 purse that was staged at Prairie Meadows Racetrack and Casino (established April 1995), only a five-year-old business. Prairie Meadows Racetrack (established in 1989) had been forced into bankruptcy three years before in 1992 because a lack of interest in racing. The July 2, 1999 day's total on-track handle on the ponies was \$118,550---less than the purse for the featured race while the total coin-in for Prairie Meadows Casino for July 2nd, 1999 was \$8,940,814.85(Beyer,1999).

Listed below are the winners and purses offered on the Iowa Oaks, formerly run as The Heartland Oaks, since slot racing at Prairie Meadows Racetrack and Casino was established in April of 1995:

1995	Beau's	Princess	-	\$16,350
1996	Rewana's	Okie	-	\$22,590
1997	Lucinda		-	\$50,000

1998 Nickel Classic - \$100,000

1999 Golden Temper- \$125,000

The purse payout increase over a five-year period was 50% compounded annually.

As tracks faced competition from casinos and other forms of gambling, live races declined to the distress of horse breeders. However, racino tracks can attract higher quality horses, paying larger purses benefiting breeders in states with racinos.

Trends in Foal Crops

Table 8 provides information regarding the total foal crop produced in the United State from 1990 to 2003. Note that during the expansion of casinos and the decline of live racing in the U.S. during the early 1990s, the foal crop faced a serious turn down. However, with the introduction of casino gambling at racetracks in the mid 1990's, the foal crop shows some evidence creeping up.

Table 8: Foal Crop in the U.S. from 1990-2002.

Year	U.S. Foal Crop	Percent Change
1990	40,333	-8.9
1991	38,149	-5.4
1992	35,050	-8.1
1993	38,801	-3.5
1994	32,117	-5.0
1995	31,879	-0.8
1996	32,238	1.1
1997	32,115	-0.4
1998	32,938	2.6
1999	33,801	2.6
2000	34,586	2.3
2001*	33,315	-3.7
2002*	32,235	-3.2
2003*	34,025	+5.6

*Foal Crop Estimates

Source: Jockey Club Fact Book.

Table 9 splits the foal crop up by state and indicates the market share that each state represents. Only the major foal crop producing states are included in Table 9. The states with the greatest increases in their foal crops are Iowa, Indiana, and Kentucky. Iowa has implemented racinos, and Indiana and Kentucky are contemplating adding casino gambling to their tracks.

Table 9: Top 20 U.S. Foal Crop Producers by State for 1991 and 2001.

State	Regular Foal in 2001	Percent of U.S. Foal Crop in 2001	Regular Foal in 1991	Percent of U.S. Foal Crop in 1991	Percent Change since 1991
KY	7,263	19.0	9,774	29.0	34.6
FL	3,816	10.0	4,252	12.6	11.4
CA	4,953	13.0	3,636	10.8	-26.6
TX	2,183	5.7	1,913	5.7	-12.4
NY	1,626	4.3	1,713	5.1	5.4
LA	1,676	4.4	1,358	4.0	-19.0
MD	1,709	4.5	1,097	3.3	-35.8
OK	1,706	4.5	1,031	3.1	-39.6
IL	1,473	3.9	951	2.8	-35.4
PA	881	2.2	901	2.7	2.3
WA	1,717	4.5	842	2.5	-51.0
OH	996	2.6	637	1.9	-36.0
NM	649	1.7	535	1.6	-17.6
IN	118	0.3	533	1.6	351.7
VA	747	2.0	501	1.5	-32.9
IA	186	0.5	478	1.4	157.0
WV	470	1.2	352	1.0	-25.1
AZ	414	1.1	333	1.0	-19.6
NJ	535	1.4	331	1.0	-38.1
MI	524	1.4	298	0.9	-43.1

Source: Jockey Club Fact Book

Louisiana's Foal Crop

Louisiana's foal crop is considered to be very high quality, competing with Kentucky, Florida and California horses. Many Louisiana-bred horses have successful careers and are well-known throughout the United States. Table 10 illustrates

Louisiana's foal crop numbers, Louisiana's U.S. market share, annual percentage change, and rank for each year from 1968 to 2001.

Louisiana's rank and market share appear to be a function of competition from other forms of gambling. Louisiana's rank and market share of the U.S. foal crop generally strengthened until legislation permitting casino gambling occurred in 1991 and when riverboats actually started to float in 1994. During the mid 1990's Louisiana lost U.S. market share and dropped from being ranked 4th in foal crop production to 6th. One argument is that as casinos got a toe-hold in Louisiana during the first half of the 1990's, live handle on Louisiana tracks fell and purses slipped. With smaller purses, fewer high quality horses—Louisiana-bred or otherwise—raced at Louisiana tracks. With smaller purses and less breeder take, breeders reduced their foal crop. One would expect with the implementation of racinos in Louisiana, purses should rise. The larger purses would provide a greater incentive for breeders to produce larger foal crops. The impact of racinos on the foal crop deserves further study.

Table 10: Louisiana's Foal Crop, Market Share, Percent Change, and Rank within the U.S. from 1968-2001

Year	Foal Crop in Louisiana	U.S. Market Share	Percent Change	Rank within the U.S.
1968	563	2.7	NA	10
1969	584	2.8	3.7	10
1970	733	3.4	25.5	8
1971	760	2.6	3.7	8
1972	784	2.7	3.2	8
1973	847	2.9	8.0	8
1974	838	2.9	-1.1	8
1975	887	3.1	5.8	8
1976	920	3.2	3.7	8
1977	1,121	3.9	21.8	8
1978	1,314	4.5	17.2	6
1979	1,632	5.4	24.2	4
1980	1,766	5.4	8.2	4
1981	2,053	5.8	16.3	4
1982	2,454	6.2	19.5	4
1983	2,540	5.4	3.5	4
1984	2,490	5.1	-2.0	4
1985	2,777	6.0	11.5	4
1986	2,656	5.6	4.4	4
1987	2,341	5.0	-11.9	4
1988	2,123	4.7	-9.3	5
1989	2,034	4.6	-4.2	5
1990	1,785	4.4	-12.2	7
1991	1,676	4.4	-6.1	8
1992	1,600	4.6	-4.5	5
1993	1,558	4.6	-2.6	6
1994	1,476	4.6	-5.3	6
1995	1,322	4.1	-10.4	5
1996	1,262	3.9	-4.5	5
1997	1,201	3.7	-4.8	6
1998	1,187	3.6	-1.2	6
1999	1,207	3.6	1.7	6
2000	1,239	3.6	2.7	6
2001	1,358	4.0	9.6	6

Source: Jockey Club Fact Book

Gambling Options by State

Table 11 outlines the gambling industry by state. There are 370 commercial casinos operating in 11 states, 235 Indian casinos operating in 21 states, 120 horse tracks with pari-mutuel betting operating in 29 states, and there are 47 greyhound tracks with pari-mutuel betting operating in 17 states.

Table 11: Gaming Options by State in 2002-03

State	Commercial Casino	Native American Casino	Horse Racetracks	Dog Racetracks	Total
Alabama	-	-	-	3	3
Arizona	-	20	3	3	26
Arkansas	-	-	1	1	2
California	-	44	15	-	59
Colorado	41	2	1	3	3
Connecticut	-	2	-	2	4
Delaware	-	-	-	3	3
Florida	-	6	5	16	27
Idaho	-	5	1	-	6
Illinois	9	-	8	-	17
Indiana	10	-	2	-	12
Iowa	10	-	2	-	16
Kansas	-	4	2	2	8
Kentucky	-	-	-	7	-
Louisiana	13	3	4	-	20
Maine	-	-	2	-	2
Maryland	-	-	-	5	5
Massachusetts	-	-	3	2	5
Michigan	3	16	7	-	26
Minnesota		17	1	-	18
Mississippi	31	-	-	-	31
Missouri	11	-	-	-	11
Montana	-	4	-	-	4
Nebraska	-	-	3	-	3

Source: Bear, Sterns & Company, Inc. North American Gaming Almanac: 2002-2003 Edition.

Table 11: Gaming Options by State in 2002-03 (continued)

State	Commercial Casino	Native American Casino	Horse Racetracks	Dog Racetracks	Total
Nevada	193	-	-	-	193
New Hampshire	-	-	1	3	4
New Jersey	12	-	3	-	15
New Mexico	-	11	4	-	15
New York	-	2	11	-	13
North Carolina	-	1	-	-	1
North Dakota	-	5	-	-	5
Ohio	-	-	8	-	8
Oklahoma	-	31	4	-	35
Oregon	-	8	2	1	11
Pennsylvania	-	-	4	-	4
Rhode Island	-	-	-	1	1
South Dakota	37	9	-	-	46
Texas		2	4	3	9
Virginia		-	1	-	1
Washington		23	1	-	24
West Virginia		-	2	2	4
Wisconsin		17	-	2	19
Wyoming		-	1	-	1
Total	370	235	120	46	817

Source: Bear, Sterns & Company, Inc. North American Gaming Almanac: 2002-2003 Edition.

Seven states---Iowa, West Virginia, Rhode Island, Delaware, New Mexico, New York and Louisiana---have approved operating casino gambling at racetracks calling them racinos. Table 12 identifies the approved racinos and their locations in the U.S and the years that they were authorized.

Table 12: Location of Racinos in the U.S. and the Year Approved

State	Year Racinos Authorized	Number of Tracks with Racinos	Tracks with Gaming Devices
West Virginia	1993	4	Mountaineer Park, Wheeling Downs, Tri-State, Charles Town
Iowa	1994	3	Prairie Meadows in Des Moines, Dubuque Greyhound Park, Bluff's Run in Council Bluffs
New Mexico	1999	2	Sunland Park near El Paso, Billy the Kid Casino at Ruidoso Downs.
New York	2001	5-but none have been installed due to arguments about the splits	Aqueduct, Yonkers, Vernon Downs, Monticello and Finger Lakes, Saratoga Springs, Batavia and Buffalo
Louisiana	2002	2, and 1 more to come	Louisiana Downs in Bossier, Delta Downs in Lake Charles, Evangeline Downs to be moved to Opelousas (approved but not installed)
Rhode Island	1992	2	Lincoln Park, Newport Jai Alai
Delaware	1995	3	Dover Downs, Delaware Park, Harrington Raceway

A number of other states currently are considering implementing racinos, and indeed, many have pending legislation that may increase the number of racinos in the U.S. by summer 2003. Indiana, Kansas, Kentucky, New Hampshire, Pennsylvania, Ohio, Minnesota, Massachusetts, Maryland, Texas, Illinois, and Arizona are examples of these states.

II. Louisiana's Gambling Competition Experience

Gambling is an important industry in Louisiana with 14 riverboat casinos, one land based casino, four thoroughbred racing tracks, 13 off-track betting (OTB) parlors, three Indian reservation casinos, 13,720 video gambling devices scattered over the state, and a state lottery. A license for a fifteenth riverboat casino has been issued to Pinnacle Entertainment, which will open in Lake Charles in about two years.

Delta Downs in Lake Charles and Louisiana Downs in Bossier City have had active casino gambling activities on their track premises since February 2002 and May 2003, respectively. Evangeline Downs in Lafayette and the Fair Grounds¹ in New Orleans have been approved to acquire casino gaming activities, but have yet to take advantage of this opportunity.

Wagering at the four thoroughbred racetracks is the oldest form of gambling in Louisiana. Races at what is now called the Fair Grounds began as far back as 1852. For more than a century pari-mutuel betting held a monopoly on gambling in Louisiana, but recently tracks have been losing betting dollars to other forms of gambling.

¹ The bill has passed both houses of the Louisiana legislature, but still awaits the governor's signature and a local referendum.

Gambling Competition for Racetracks

In 1991, the Legislature authorized **video poker gambling devices**, which spread like wildfire until 1998. In 1998 there were approximately 15,030 video poker machines in about 3,577 establishments. However in 1998, 33 parishes voted to make video poker illegal. By December 2002, 13,720 video gaming devices were operating in 2,869 locations in Louisiana.

Adding to the competition in gambling, in 1991 the Louisiana Legislature also passed legislation authorizing **15 riverboat casino** licenses statewide with a maximum of six in any one parish. Today, 14 riverboats and one land-based casino (excluding the new racinos) operate in Louisiana. Bally's Casino, Boomtown and Treasure Chest operate in the New Orleans area. Casino Magic, Hollywood, Horseshoe, Isle of Capri-Bossier, and Harrah's operate in the Shreveport/Bossier City area. Argosy Casino and Casino Rouge operate in Baton Rouge. Isle of Capri-LC, Harrah's Pride, Harrah's Star, and Boomtown operate in the Lake Charles area. In 1992, the Legislature passed legislation legalizing **land-based casino** gambling at the Rivergate site in New Orleans. Today, Harrah's land-based casino operates on Canal Street in New Orleans. Too, Pinnacle should open the 15th riverboat casino in Lake Charles in late 2004 or 2005.

Indian casinos developed during the period 1990 to 1998 in three separate locations. Today, the Paragon Casino operates in Marksville. The Coushatta Tribe operates in Kinder, and Cypress Bayou operates in Charenton.

Horse Racing Tracks in Louisiana

The first horse race was run on the **Fair Grounds'** current site was in 1852 when the Fair Grounds was known as Union Race Course. In 1872, the Metairie Association abandoned racing at the Metairie Race Course and transferred racing to the Fair Grounds, where they formed the Louisiana Jockey Club. The Fair Grounds Race Course took its present name just after the Civil War and has endured seemingly every possible adversity. The Fair Grounds' latest challenge is competition from all forms of gambling. The Fair Grounds is actually the oldest site of racing in America still in operation.

Evangeline Downs is in Lafayette. In November 1988, Evangeline Downs became the sole recipient of the first inter-track wagering signal in the state, simulcasting races from the New Orleans Fair Grounds. Today, wagering signals are offered at each track, and there are a number of off-track betting parlors in which bettors can bet on Louisiana races or races across the country.

Delta Downs operates in Vinton, just outside of Lake Charles. Much of Delta Downs' success depends on competition from Texas tracks and luring Texas bettors to Delta Downs. Delta Downs had 3500 patrons a day in 1992, before the riverboat casinos got a toe-hold in Lake Charles, but by late 2001 the count had fallen to around 300 patrons a day. In February 2002, Delta Downs became the first Louisiana track to offer casino gambling and is the only track in Louisiana where any racino revenue data are available (the racino at Louisiana Downs is too new to report). As expected, this racino took in more revenue and increased its purses to an average of \$170,000 per day.

By Louisiana state law, 15% of the revenues received from slots at a track must be added to the purses. Delta Downs announced it would be able to increase purses by

about 30% for the next season. With that announcement, annual attendance increased by 7.1% over the last year, live track handles rose by 9.57%, and total track handle increased by 10.5%.

The gaming landscape in Louisiana is ever changing. In fact, **Louisiana Downs'** first race days with casino gambling took place over Memorial Day, May 2003. The track opened with 905 slot machines and expectations are that the facility would be enlarged in the near future. Louisiana Downs---located in Bossier City---was approved for slots in March 2001. However, Harrah's Entertainment's 95% acquisition of Louisiana Downs did not pass until early 2003. Louisiana Downs made the announcement that it would offer casino-like gambling during the 2002 fall season.

Harrah's Entertainment expects the purse structure at Louisiana Downs to be similar to competitor tracks in the region like Lone Star Park in Grand Prairie, Texas. On Memorial Day 2003 Lone Star Park ran the Rebel Stakes with a purse of \$200,000. The USA Stakes is part of Lone Star Park's fifth annual Lone Star Million Program---a single day filled with seven stake races worth \$1 million. Based on Louisiana Down's announcement, expectations of purses range up to around \$300,000 per day after introducing slots. Harrah's Entertainment expects to expand Louisiana Downs by May 2004 to include 150,000 more square feet that will house a total of 1,500 slot machines.

Evangeline Downs currently operates in Lafayette, one of 33 parishes that voted down video gaming in 1998, prohibiting the track from becoming a racino. Since Evangeline Downs has already gained the approval needed to introduce casino gambling at the track, it is relocating just up the road to Opelousas and plans to open in December 2004.

Delta Downs has applied for an expansion permit to **widen the aisles** of its casino for fire hazard purposes. The debate on this proposal highlights the competition between Delta Downs and the Lake Charles casinos. If the Legislature grants Delta Downs permission to expand the square footage of its facility, Pinnacle Entertainment may modify plans to build the 15th riverboat casino---a \$325 million casino resort in Lake Charles.

Like Evangeline Downs, the Fair Grounds in New Orleans is also likely to be granted the right to offer casino gambling at their track facility but has yet to place video gambling equipment on the premises. As of Friday, May 30, a bill to grant the Fair Grounds the right to offer casino slots had passed the Louisiana House and Senate. The Fair Grounds awaits the governor's approval and a parish vote to allow as many as 700 slots on its premises (Moller, 2003). The public vote will probably be scheduled for later this year. When the Fair Grounds adds the gambling equipment, gambling competition in the New Orleans market area will certainly become even stiffer. The aforementioned issues along with others facing the legislative session this year must be taken into consideration when contemplating new gambling facilities in the state.

III. Methodology

We are interested in the impact that an additional fifth (or more) racino might have on the gambling industry in Louisiana. Our methodology is based on building econometric models for live racing handle and slot revenues using data from Louisiana, Texas, and Iowa. The data set consists of annual data for 1991-2002 for 17 live racing

facilities (4 from Louisiana, 10 in Texas, and 3 in Iowa). Louisiana and Texas were chosen because of our focus on Louisiana. In addition, the entry and exit of tracks over time in Texas allows us to better estimate the impact of competition from other tracks. Iowa legalized slot machines at racetracks in 1995 and is included primarily to focus on the relationship between live handle and the presence of slot machines at tracks. Iowa is also the only state other than Louisiana that has casinos and racetracks with slot machines. However, given the proximity of Texas racetracks to Louisiana's casinos, casinos served as competitors for tracks in all three states.

Data for live racing handle and other handle information were obtained from racing commissions in each state. State gaming commissions provided casino data. Using the Mapquest website, we measured the distance from each track to competing tracks and casinos. Appendix 1 contains a short description of each racetrack and a list of its competitors. Using this information, we constructed variables to measure competition from both tracks and casinos. The variable COMPTOT is the total live racing handle of all tracks within 200 miles, and CASTOT is total casino revenues within 200 miles.

As our history notes, the amount wagered through simulcast on races at other tracks has grown over time relative to live racing handle. To capture this impact, we include the variable RATIOREC_LIVE, which measures the average ratio of off track and simulcast betting (signals received) to live handle betting across our 17 facilities. We also included a dummy variable for whether slots were also present at the track---DRACINO. We used census data on the population, race, age, and income to include those factors for all living within a 25-, 50-, and 100-mile radius of each racetrack.

Using these data, we created econometric models to:

- (1) estimate the impact of slots at a racetrack on its racing handle;
- (2) forecast live racing handle for potential new tracks;
- (3) estimate the impact of new tracks on live racing at existing tracks;
- (4) estimate slot revenue of new tracks;
- (5) estimate the impact of a new track's slot revenue on revenues of existing tracks.

IV. The Impact of Slots on Live Handle

While slots at racetracks clearly offer the potential for additional revenue, their impact on racing handle at those tracks is less obvious. In the language of economists, the question is whether slots are a *substitute* for or *complement* of racing wagers. Rather than placing a bet and waiting fifteen minutes for the race to begin, some gamblers may opt for the faster pace of the new slots. However, slots should attract new bettors to the facility, and some of those coming for slots may also bet on races. If the faster pace of slots dominates and race handle falls when slots are introduced, economists say slots at the racetrack are a **substitute** for race wagers. If the attraction of new bettors dominates, the handle will rise and economists will conclude slots and racing are **complements**.

While there is a large amount of speculation in the popular press, Richard Thalheimer's (1998) *Applied Economics* article contains the only empirical estimates in the economics literature. Thalheimer focuses on the installation of video lottery terminals (VLT) at Mountaineer Park in West Virginia. Thalheimer (1998, p. 538) concludes "that VLT gaming at a pari-mutuel racetrack results in significant decreases in

both race and full-card simulcast racing.” Thus, Thalheimer concludes slots at a track are **substitutes** for race wagers.

Thalheimer’s results are based on a single park and may not generalize to other states. Thus, we initially estimate a fixed effects regression model to estimate the impact of slots in our sample of tracks from Louisiana, Texas, and Iowa. Table 13 summarizes the results. **Our model predicts that the introduction of slots lowers live handle by \$651,975 per year.** This figure represents a very small estimated impact relative to total handle and, given the uncertainty inherent in our statistical model, **we are unable to reject the hypothesis that there is no effect at all.** That is slots are **neither** a substitute nor a complement for racing wagers.

Table 13
The Impact of Slots at a Racetrack on Live Racing Handle

Dependent Variable: LIVE?
Method: Pooled Least Squares
Date: 05/30/03 Time: 13:28
Sample: 1991 2002
Included observations: 13
Number of cross-sections used: 17
Total panel (unbalanced) observations: 163
Convergence achieved after 6 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CASTOT?	-0.031138	0.014734	-2.113330	0.0363
COMPTOT?	-0.096646	0.062031	-1.558035	0.1215
RATIOREC_LIVE	-2485088.	1270762.	-1.955589	0.0525
DRACINO?	-651975.4	10364460	-0.062905	0.9499
AR(1)	0.467351	0.065637	7.120239	0.0000
Fixed Effects				
_BD--C	19181923			
_CC--C	38637656			
_GF--C	17816450			
_GG--C	1.49E+08			
_LS--C	91821017			
_MD--C	44975838			
_RT--C	38819328			
_SH--C	62622359			
_TM--C	45362204			
_VP--C	33818765			
_DD--C	55000951			
_ED--C	45796399			
_FG--C	50855835			
_LD--C	73918737			
_PM--C	27054961			
_DB--C	19987442			
_BR--C	33058177			
R-squared	0.753088	Mean dependent var	27121839	
Adjusted R-squared	0.716313	S.D. dependent var	37467008	
S.E. of regression	19955764	Sum squared resid	5.62E+16	
F-statistic	107.5132	Durbin-Watson stat	0.922070	
Prob(F-statistic)	0.000000			

Because slots have been present in Iowa racetracks since 1995, the experience of Iowa tracks likely drives the results in our model. Iowa has no formal policy on using slot revenue for purses while Louisiana does require that 15% of the slot revenue from racinos be used for purses at the track. Larger purses do attract better horses, and this increase in the quality of horses could increase both live and simulcast wagers on the

track in the future. However, because slots only appeared recently in Louisiana, this conjecture is impossible to test at this point. Thus, **our preferred estimate of the impact of slots on racing handle at Louisiana tracks is zero.**

To summarize, the empirical evidence suggests that slots at the track either decrease or have no effect on the handle at racetracks. Given the small estimated impact and margin of error in the statistical model, we proceed assuming the presence of a number of slots and live racing handle are independent and remove the racino dummy from all other models. This assumption allows us to treat slots and racing handles separately and simplifies the statistical models considerably.

V. The Effect of Competition on Live Handle

Everyone agrees that competition for betting dollars is perhaps the most pressing issue for today's racetracks. Table 14 contains our preferred model for estimating the **impact of competition on tracks.** The model includes fixed effects to capture the impact of demographics and local management on revenues, total casino revenues within 200 miles of the track, total competition from other tracks within 200 miles, and the average ratio of signals received to live betting across all 17 tracks. We estimate the model using ordinary least squares and used the Cochran-Orcutt technique to correct for autocorrelation.

Impact of Casino Revenue on Racing Handle

The model explains 77% of the variation in live racing handle, and the results indicate that **live racing handle is quite sensitive to competition.** The coefficient of CASTOT implies that **racetracks lose 3.1 cents in live racing handle for every dollar of casino revenue within 200 miles.** For example, a new casino generating \$100 million

new dollars of revenue costs the nearby racetrack \$3.1 million in live handle. For Evangeline Downs, which faces over \$1 billion of casino competition, the loss is larger – a \$31 million decrease in live handle occurs due to \$1 billion of casino competition.

Table 14
Preferred Model for Live Racing Handle

Dependent Variable: LIVE?
Method: Pooled Least Squares
Date: 05/30/03 Time: 13:29
Sample: 1991 2002
Included observations: 13
Number of cross-sections used: 17
Total panel (unbalanced) observations: 163
Convergence achieved after 6 iterations

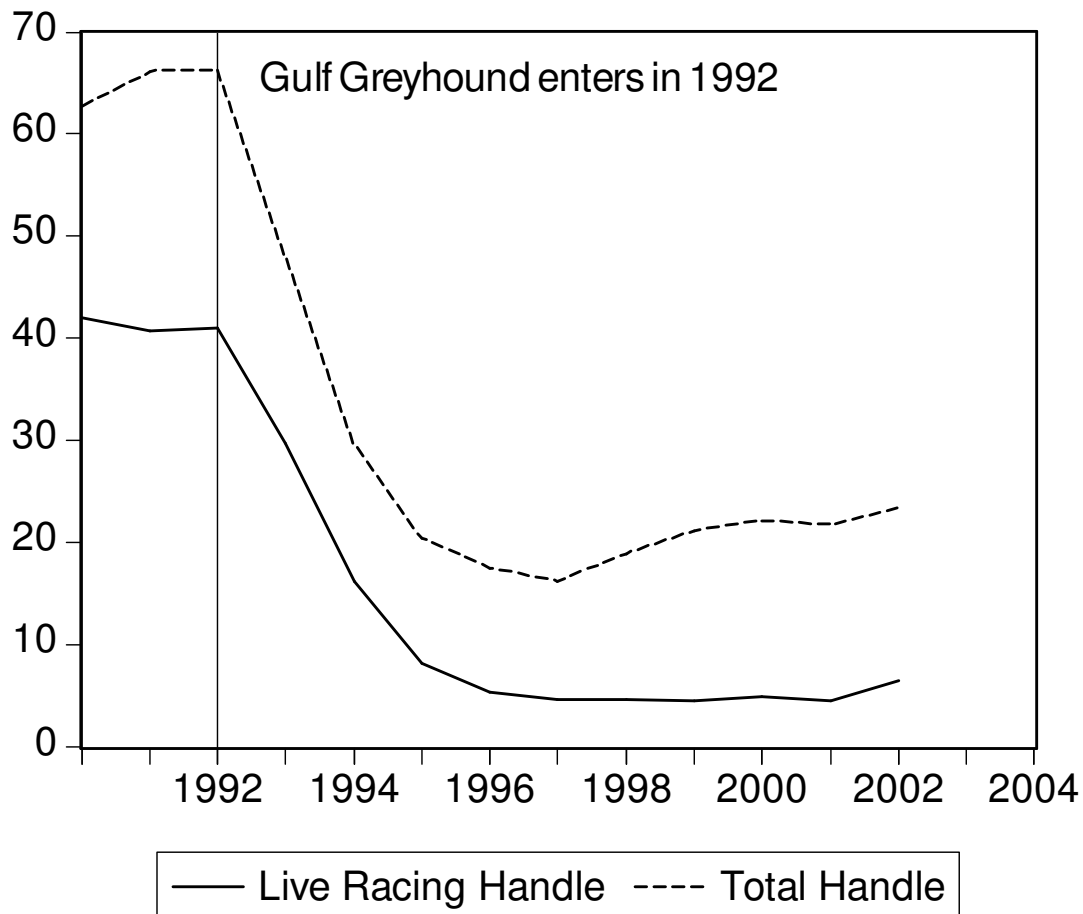
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CASTOT?	-0.031312	0.014433	-2.169490	0.0317
COMPTOT?	-0.096489	0.061776	-1.561922	0.1205
RATIOREC_LIVE	-2486740.	1266188.	-1.963957	0.0515
AR(1)	0.467404	0.065345	7.152860	0.0000
Fixed Effects				
_BD--C	19183431			
_CC--C	38637420			
_GF--C	17808255			
_GG--C	1.49E+08			
_LS--C	91954301			
_MD--C	44928857			
_RT--C	38796473			
_SH--C	62646531			
_TM--C	45359762			
_VP--C	33816128			
_DD--C	54916700			
_ED--C	45891745			
_FG--C	50919089			
_LD--C	73996240			
_PM--C	26523702			
_DB--C	19548618			
_BR--C	32597617			
R-squared	0.753081	Mean dependent var	27121839	
Adjusted R-squared	0.718303	S.D. dependent var	37467008	
S.E. of regression	19885653	Sum squared resid	5.62E+16	
F-statistic	144.3622	Durbin-Watson stat	0.922862	
Prob(F-statistic)	0.000000			

Impact of New Horse Racetrack on Handle at Existing Track

The model predicts that, holding other things constant, **a one-dollar increase in live racing at any track within 200 miles of your track reduces your live handle by 9.6 cents.** When a large competitor enters with a \$200 million dollar handle, the predicted loss of \$19.2 million in handle can be catastrophic.

As a check on our model, we considered a real event, the impact of Texas gambling on Delta Downs. Employees at Delta Downs recall an immediate, and seemingly permanent, 40% decline in handle when Gulf Greyhound opened just outside Houston. Figure 1 shows Delta Downs' handle over time and seems to corroborate the employees' recollection. Our data set shows that Delta Downs racing competition rose from \$99.4 million in 1992 to \$322.8 million in 1993. This constitutes a \$224.4 million rise in competition, which translates into \$21.5 million in lost handle according to our model estimate. Actually, Delta Downs' live handle fell approximately \$25 million over 1993-94 (very close to our model estimate). The track's handle fell further over time due to additional casino competition and the greater importance on simulcasts nationwide – both of which are captured by other variables in our model.

Figure 1
Delta Downs Handle over Time



VI. Forecasting Revenues for Potential New Racetracks Without Slots

While the above model does a good job of estimating the impact of competition, it is less useful for forecasting live handle of new tracks. The fixed effects components include both demographic factors and management skills, reputation or other track specific factors. To forecast revenues for a new racetrack, we replace the fixed effects terms with demographic factors to isolate the impact of location on revenues. A

drawback of this approach is that our new model now fails to capture other track specific factors such as racing history, management, etc.

Table 15 contains our forecasting model. The model predicts that each additional person living within 50 miles of a track adds \$12.12 to the live racing handle each year (note the first number to the right of POP50? in Table 15). Previous studies also find that the racial makeup of the population affects handle. Our model predicts that an increase of one percentage point in the proportion of African Americans (BLACKPC50?) within 50 miles raises the annual live racing handle by just over \$771,00. The model also predicts slightly smaller impacts of competition than our preferred competition model. Neither age nor household income improved the model, so both variables were omitted from this final specification.

Table 15
Forecasting Model for Live Racing Handle

Dependent Variable: LIVE?				
Method: Pooled Least Squares				
Date: 05/30/03 Time: 13:26				
Sample: 1991 2002				
Included observations: 13				
Number of cross-sections used: 17				
Total panel (unbalanced) observations: 163				
Convergence achieved after 8 iterations				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9667975.	10094027	0.957792	0.3396
CASTOT?	-0.023650	0.016251	-1.455281	0.1476
COMPTOT?	-0.050813	0.039253	-1.294506	0.1974
RATIOREC_LIVE	-1105589.	1350217.	-0.818823	0.4141
POP50?	12.12264	4.214660	2.876304	0.0046
BLACKPC50?	771385.7	485308.1	1.589476	0.1140
AR(1)	0.683842	0.051565	13.26172	0.0000
R-squared	0.705800	Mean dependent var	27121839	
Adjusted R-squared	0.694485	S.D. dependent var	37467008	
S.E. of regression	20709309	Sum squared resid	6.69E+16	
F-statistic	62.37523	Durbin-Watson stat	1.133047	
Prob(F-statistic)	0.000000			

Impact of A New Track In Crowley on Live & Simulcast Handle

The model above can be used to forecast live racing handle for **any new track**. Given a recent application for a track in Crowley, LA, we focus on the example of building a racetrack in Crowley. Based on the 2000 Census, the population within a 50 mile radius of Crowley is 682,982 and 28.44% are African American. The page for Crowley in Appendix A lists the competition for the proposed track which includes over \$1.2 billion in casino revenues and \$91.5 million of live racing within 200 miles. Plugging these values and the current average ratio of live simulcast to live racing for Louisiana (2.7) into the equation above supplies the forecast of live racing handle. **The model predicts \$4.2 million of live racing handle for the new facility.**

Table 16 contains itemized forecasts of track revenues. **Applying the current average of live simulcast to live racing (2.7) provides an estimate of live simulcast handle for the new track of \$11.3 million.** The estimated on-site track handle of \$15.5 million is small relative to the 2002 totals for existing tracks (Fair Grounds \$82.4 million, Louisiana Downs \$81.9 million, Evangeline Downs \$36.0 million, Delta Downs \$23.4 million). However, the additional competition should drive down the handle of existing tracks. Using our earlier model for the impact of competition, **we estimate that the total live racing handle across all existing tracks would fall by \$1.2 million and live simulcast handle of existing tracks would fall by \$3.3 million** (see the first two numbers in the middle column of Table 16). On the net, total handle at all racetracks---including the new Crowley track---would rise by just over \$11 million.

Table 16
Revenue Forecasts for Proposed Crowley Racetrack

Item	New Track	Effect on Existing Tracks	Total Impact on LA Racing
Live Racing Handle	\$4,185,657	-\$1,211,616	\$2,974,041
Live Simulcast Handle	\$11,301,273	-\$3,271,363	\$8,029,911
Total Revenue	\$15,486,930	-\$4,482,978	\$11,003,952
			\$0
Takeout	\$3,407,125	-\$986,255	\$2,420,869
Taxes paid	\$619,477	-\$179,319	\$440,158
Net Take	\$2,787,647	-\$806,936	\$1,980,711
Purse	\$1,393,824	-\$403,468	\$990,356
Track	\$1,393,824	-\$403,468	\$990,356
			\$0
Simulcast sent	\$33,485,254	-\$9,692,926	\$23,792,328
Track	\$502,279	-\$145,394	\$356,885
Purse	\$502,279	-\$145,394	\$356,885
			\$0
Total Revenue	\$1,896,103	-\$548,862	\$1,347,241
Total Purse	\$1,896,103	-\$548,862	\$1,347,241

Note: This table assumes an average takeout rate of 22% including breakage, average taxes equal to 4% of handle, and simulcast sent out of state equal to 8 times live racing handle.

Impact of Crowley Track on Takeout, Taxes, Purse, & Track Revenues

The remainder of Table 16 breaks the handle into takeout, taxes, purse and track revenues. The first column contains calculations for the proposed Crowley racetrack, the second column reports the impact of the Crowley racetrack on existing Louisiana racetracks, and the final column adds these to get the total impact on Louisiana racing if all tracks survived.

A closer look at the table raises questions about whether the proposed Crowley facility is viable as a standalone track. The revenues are based on the assumption that simulcast sent will be eight times live racing handle, roughly the ratio currently at Louisiana Downs. Simulcasts sent are based on competition nationwide and depend crucially on the quality of horses and reputation of the track. As a new entry with

relatively small purses, the track may have difficulty competing for out-of-state simulcast dollars. Thus, our estimate of \$502,279 may be overly optimistic. However, even with this assumption about out-of-state simulcast revenues, it will prove difficult to fund track operations on revenues of just under \$1.9 million per year (see the last number in column 1).

VI. Forecasting Revenues for a Racetrack with Slots

Given the presence of slot machines at other tracks in Louisiana, new tracks may also be allowed to include slots. In this section, we estimate the effect of a new track with slot machines on Louisiana racing, using the proposed Crowley racing facility again as the example. The effect of the new racino depends on its own revenues and the extent to which it crowds out both racing and slot bets at existing Louisiana racetracks.

Table 17
Slot Revenue and Competition

	Bluffs Run	Dubuque	Prairie Meadows	Delta Downs
Number of slots	1499	600	1444	1497
Avg. monthly revenue per machine	\$7,035	\$5,614	\$8,606	\$6,999
Number of Competing Slot Machines	1,734	5,052	900	1,734

Effects of Competition on Slot Revenue

Table 17 contains 2002 slot data for Iowa racinos and Delta Downs. The table clearly suggests that **competition reduces average monthly revenues**. Consider a comparison of Dubuque to Prairie Meadows. Facing the stiff competition of 5,052 alternative slots nearby, Dubuque's 600 slots only yield average revenue of \$5,614 per month. Prairie Meadows, facing much weaker competition, generates \$8,606 per slot

machine each month. While these figures are highly suggestive, an econometric model is needed to supply empirical estimates on the size of this crowding out effect.

We use a data set containing monthly observations of slot revenue, number of slots, and number of competitor's slots to estimate such a model. Table 18 contains the results. The main finding of the econometric model is that **an additional slot machine in a competing facility lowers a racino's monthly slot revenue per machine by \$770.**

Table 18
Effects of Slot Competition on Racino Slot Revenue

Dependent Variable: REV?				
Method: Pooled Least Squares				
Date: 05/29/03 Time: 23:10				
Sample(adjusted): 1995:07 2003:03				
Included observations: 93 after adjusting endpoints				
Number of cross-sections used: 3				
Total panel (balanced) observations: 279				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-492278.6	387288.5	-1.271090	0.2048
SLOT?	7995.349	246.9490	32.37652	0.0000
COMPSLOTOT?	-770.2695	78.66029	-9.792355	0.0000
POP50?	6.927564	0.442110	15.66932	0.0000
R-squared	0.914208	Mean dependent var	7907165.	
Adjusted R-squared	0.913272	S.D. dependent var	4040160.	
S.E. of regression	1189814.	Sum squared resid	3.89E+14	
Log likelihood	-4296.886	F-statistic	976.8045	
Durbin-Watson stat	0.625971	Prob(F-statistic)	0.000000	

Slots at Evangeline Downs' new location, the Delta Downs racino, the governor's signature on a new bill allowing 700 slots at the Fair Grounds combined with casinos nearby as well, presents the proposed Crowley racetrack with extensive competition. Our model implies that that this additional competition would lead to monthly revenue per machine of \$5,100, substantially below the \$6,999 current monthly yield per machine at

Delta Downs. However, this still implies that the new track would enjoy monthly revenues of \$7,649,500 or \$91,794,000 in annual slot revenue assuming 1500 machines.

The Crowding Out Effect on Racino and Casino Slot Revenue

However, it is very important to note that our model suggests that **this \$92 million in slot revenues at the Crowley racino would come at the expense of Delta Downs, Evangeline Downs, and the Fair Grounds.** Note the top number in the middle column of Table 19 indicates that our model projects that these tracks would lose a combined \$41,580,000 per year due to the presence of the new slots at a Crowley racetrack.

Further, our model of the impact of the new racino slots in Crowley would reduce slot revenues at **regular casinos** in the state by \$0.509 for every dollar taken at Crowley slots. That is, another \$46,723,000 dollars would simply be moved from other casino slots in the state. Thus, the net new slot revenues in Louisiana would be only \$3,491,000. This finding is in line with our earlier assertion that the gambling market is nearly saturated, and any new betting outlets would basically be shifting betting dollars from one locale to another. Table 19 provides further details on how the revenues would be divided.

Table 19
Beneficiaries of Proposed Crowley Racetrack Slot Revenues

	Crowley Racetrack	Other LA Tracks	LA total
Net Proceeds	\$91,974,000	-\$41,580,000	\$50,394,000
Total Deducted for Horse Racing	\$16,555,320	-\$7,484,400	\$9,070,920
Gross Distribution of Purses at 15%	\$13,796,100	-\$6,237,000	\$7,559,100
Net (70%) Purse TH	\$9,657,270	-\$4,365,900	\$5,291,370
Deduct 4% of Purses for HPBA	\$386,291	-\$174,636	\$211,655
Net TH Purses	\$9,270,979	-\$4,191,264	\$5,079,715
30% TH Purses for LA Bred	\$2,781,294	-\$1,257,379	\$1,523,915
70% TH Purses All Races	\$6,489,685	-\$2,933,885	\$3,555,801
Net (73%) Purse QH	\$4,138,830	-\$1,871,100	\$2,267,730
Deduct 4% of Purses for HPBA	\$165,553	-\$74,844	\$90,709
Net QH Purses	\$3,973,277	-\$1,796,256	\$2,177,021
60% QH Purses for LA Bred	\$2,383,966	-\$1,077,754	\$1,306,212
40% QH Purses All Races	\$1,589,311	-\$718,502	\$870,808
2% of Net Proceeds for Breeders LTBA	\$1,839,480	-\$831,600	\$1,007,880
1% of Net Proceeds for Breeders LQHBA	\$919,740	-\$415,800	\$503,940
Total Deducted for Horse Racing	\$16,555,320	-\$7,484,400	\$9,070,920
Subtotals before State Tax	\$75,418,680	-\$34,095,600	\$41,323,080
State Tax at 18.5% of Subtotal Proceeds	\$13,952,456	-\$6,307,686	\$7,644,770
Local Taxes at 4% of Subtotal Proceeds	\$3,016,747	-\$1,363,824	\$1,652,923
Net to Licensee	\$58,449,477	-\$26,424,090	\$32,025,387

Impacts of New Racino on State Tax Revenues and Distribution

The discovery from our model that the \$92 million in new slot money at the proposed Crowley track would crowd out \$41.5 million from other racinos and almost \$46.7 million from other regular casino in the state for a net slot revenue gain of only \$3.5 million has implications for state tax revenues and the distribution of those revenues. The reason is that revenues from racino slots are (1) taxed at a lower effective rate than revenues from casinos, and (2) racino revenues are directed to different parties than casino slot revenues.

Racino v. Casino Effective Tax Rates. Revenues from casino slots are taxed at 21½% of the device win or gross revenues. Racino revenues are taxed at an effective rate of 15.17% of gross revenues (a figure estimated by the Legislative fiscal Office). The reason racino revenues are taxed at a lower effective rate is because part of the slot revenues are taken off the top for purses and breeder associations before the tax rate is applied. From the state budget standpoint, the new racino in Crowley would raise \$529,585 from the net new slot revenue created by the track (15.17% times \$3,491,000). However, the state would lose 6.33% (21.5% minus 15.17%) on the \$46,723,000 diverted from casino slots to the new racino, for a loss on these “crowded out” monies of \$2,957,566. **Thus, the State would experience a net loss of \$2,427,981 in revenues from slots.**

Beneficiaries of Racino v. Casino Slot Revenues. Revenues from slot at racinos are divided up as follows: (1) a small amount goes for enforcement expenses; (2) \$12 million is dedicated to the Louisiana Agricultural Finance Authority; (3) \$1 million goes to two agencies for the blind within the Department of Social Services; (4) 5% of state

proceeds goes to the local government in the parish where the racino is located and (5) the rest goes into the general fund. On the other hand slot revenues from the riverboat casino is dedicated to (1) teacher pay and (2) the State Police, and slot revenues from the land-based casino are totally dedicated to teacher pay. Since we have estimated that \$46,723,000 would be diverted from the casinos to the racinos, that means 21.5% of that figure or just over \$10 million would have been available for teacher pay or the State Police budget will not now be available. Since the present racinos already generate enough money to cover the enforcement, LAFA, and DSS dedications, about 95% of the extra dollars collected via slots at a new racino would go into the general fund, and about 5% would go to the local government where the track is located.

Impact of New Racino on the Horse Breeding Industry

The data in Tables 16 and 19 provide preliminary evidence on the impact of a new racino on the horse industry in Louisiana. The word “preliminary” in the previous sentence is used deliberately, since at this point our models are not fully developed enough to develop impacts on the industry over the long term.

What we can determine from our models is the impact of a new racino in Crowley on the **total purses** going to the industry. Note in on the last line of Table 16 that our model estimates that the opening of a new racetrack in Crowley without slot machines would increase the total purse to the industry by \$1,347,241. In Table 19 we estimate that revenues from slots at a new racino would add \$5,079,715 to the purses for thoroughbred races (the 6th line of the last column) and \$2,177,021 to the purses for quarter horse races (line 11 in the last column). Summing these three numbers results in a **total net addition of \$8,603,977 to purses if a new racino is opened in Crowley.**

Back in Table 6 we reported that the gross purse in Louisiana in 2002 was \$49,821,059. The \$8.6 million net new purse money from the new racino represents a **17.3% increase in purses for the horse industry in the state.** That would appear to represent a non-trivial financial boost to the Louisiana horse breeding industry. However, our models at this stage do not reveal the impact or the timing of the impact of this new money on the foal crop in the State. As economists, we have expectations that this increase in purses will generate an increase in the foal crop. Our models also do not show the impact over the long term on the total handle of spreading the existing crop of racehorses across more tracks, deluting the total field in any one race. These are very important questions that require more econometric modeling work

VII. Conclusions

In this report we have examined the recent history of horse racing in the U.S. and Louisiana. We have also built econometric models to determine the impact of introducing slot machine at racetracks and the impact of introducing a fifth racetrack in Louisiana that would be either just a live racing track or a racino. Our findings can be summarized as follows:

- There is growing evidence that the gambling market in general is near saturation. That is, any new gambling venture will draw much of its business from other existing gambling ventures---what we term “crowding out”.
- The legalization of casinos in several states has impacted the economic well-being of racetracks. The number of thoroughbred races run each year and the live racing handle have been falling in the face of this new competition.
- Racetracks have responded to this new competition by introducing off-track betting via simulcast and by adding slot machines at racetracks. These moves have enabled both the gross handle and gross purses to rise. There is some

evidence that the foal crop has begun to rise again in response to the higher purses.

- Louisiana has four racetracks---Delta Downs, Louisiana Downs, Evangeline Downs, and the Fair Grounds. The first two have slot machines and Evangeline Downs will have slots when its new track is constructed. The Senate and House have passed legislation to allow the Fair Grounds to ad slots.
- Louisiana racetracks face a great deal of competition for the gambling dollar. There are 14 riverboat casinos in operation, with a 15th about to begin construction, three Indian casinos, a land-based casino in New Orleans, a state lottery, and 13,720 video poker machines in the state.
- Our models indicate that when slot machines are introduced at a racetrack there is no significant impact on the racing handle. In economic terms, slot machine revenues are neither a substitute nor a complement for racing wagers.
- The live racing handle is very sensitive to new competition. Our models show:
 - A racetrack loses 3.1 cents in live racing handle for every dollar of new casino revenue within 200 miles of its track. For example, a new casino generating \$100 million in new revenues costs a nearby track \$3.1 million in live handle.
 - A one-dollar increase in live racing at any new track within 200 miles of a racetrack reduces the latter's handle by 9.6 cents. That is, if a new racetrack opens up nearby with a \$200 million handle, an existing racetrack within 200 miles will see its handle fall by \$19.2 million.
- We estimated the impacts of a new *racetrack only* (not a racino) being opened in Crowley, Louisiana. Our models indicate:
 - Based on the demographics in the region and existing gambling competition, this new racetrack would generate \$4.2 million in live racing handle and \$11.3 million in simulcast handle, for a total handle of \$15.5 million.
 - The impact of this new track on *existing* tracks would be to reduce their handle by \$4.5 million. Thus, the *net* increase in handle at all tracks would be \$11 million.

- We estimate that this new racetrack would earn revenues after state taxes and purses of about \$1.9 million a year. It may be difficult to fund track operations on such a low figure.
- We estimated the impact of allowing the proposed new racetrack at Crowley to open as a *racino*. Our findings are as follows:
 - The new Crowley racino would bring in an estimated \$91,794,000 in slot revenues. However, \$41,580,000 of those revenues would come at the expense of slot revenues at Delta Downs, Evangeline Downs, and the Fair Grounds and another \$46,723,000 would come at the expense of slot revenues at nearby casinos. That is \$88.3 million would result through the “crowding out” effect. Only about \$3.5 million would be net new slot revenues in the state.
 - Because the effective state tax rate on racino slot revenue is lower (15.17% versus 21.5%) than casino slot revenues, we estimate that the new racino in Crowley would cause a net decline in state revenues for slots of just over \$2.4 million.
 - Because of the difference in the dedication structure of racino slot tax revenue versus casino slot revenues, the general fund would gain revenue at the expense of the teacher pay fund and the State Police budget.
 - We estimate that a new racino at Crowley would increase the purses for the horse industry by over \$8.6 million, about a 17.3% increase in purses. This represents a non-trivial boost to the state’s horse industry.

We have not yet developed models to estimate the impact of additional racinos on the foal crop in Louisiana, nor have we addressed the impact over the long term of spreading the existing crop of race horses across more tracks. These are important issues that still need to be addressed when considering whether or not to authorize a new racino in the state.

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**Bluffs Run Casino (Greyhound Racing)
Council Bluffs, IA**

Bluffs Run Casino is located 4 miles east of Omaha, Nebraska. It began operation as a Greyhound racetrack in 1986 then as a racino in 1995. Attendance in 2002 was 3,180,718 (down 2.99% since 01').

The 4,900 square foot Casino has 1500 slots ranging from nickel to \$100 machines. There are no table games. In the center of the complex visitors can find dining accommodations. Free nightly entertainment is provided at the show lounge on the main floor of the casino.

Competitors less than 50 miles away:

Horsemans Park, Harveys Riverboat Casino (6 miles), Harrahs Council Bluff

Indian Casino

Competitors 50 to 100 miles away:

Columbus Races (NE, Keno), Belle of Souix City Riverboat, Casino Omaha Indian Casino, Vina Vegas Indian Casino, Horsemans Atokad Park (NE), Nebraska State Park

Competitors 100 to 150 miles away:

Prairie Meadows Racetrack, Lakeside Riverboat

Competitors 150 to 200 miles away:

Fonner Park (NE, Keno), St. Joe Frontier Riverboat (MO), Argosy (KC, MO), Harrahs North (KC, MO), Isle of Capri-KC (MO), Ameristar (KC,MO)

**Dubuque Greyhound Park & Casino
Dubuque, IA**

Dubuque Greyhound Park & Casino is located on an island surrounded by the Mississippi river less than 2 miles from the Iowa/Wisconsin/Illinois borders along U.S. 61. This grants easy access to visitors from all three states. It houses 600 slot machines and can accommodate 5,000 visitors who to come to bet on races, slots, and/or dine out.

Competitors less than 50 miles away:

Diamond Jo Riverboat

Competitors 50 to 100 miles away:

Waterloo Greyhound Park, Quad-City park (IL), Miss Marquette Riverboat, Mississippi Belle Riverboat, Rhythm City Riverboat, Isle of Capri Riverboat, Rock Island Riverboat (IL),

Competitors 100 to 150 miles away:

Ho-Chunk Indian Casino (WI), Black River Falls Indian Casino (WI), Elgin Riverboat (IL)

Competitors 150 to 200 miles away:

Arlington Raceway (IL), Hawthorne Race (IL), Maywood Race (IL),

Sportsman's Park (IL), Catfish Bend Riverboat, Potawatamie Indian Casino,

Rainbow Casino & Bingo (WI), East Peoria Riverboat (IL), Aurora Riverboat

(IL)

**Prairie Meadows Racetrack & Casino (Horse Racing)
Altoona, IA**

Prairie Meadows Racetrack & Casino is located 5 miles north east of Des Moines and can hold a crowd of 8,392. It began operation in 1988. Attendance in 2002 was 2,657,764 (up 2.43% since 01'). According to the TRA, "Early in the track's history, competition from riverboats and Native American gaming interests severely hindered track revenues". On April 1, 1995 a solution was implemented with 1,100 slot machines. The response exceeded expectations and this racino has remained open since.

Competitors less than 50 miles away:

Competitors 50 to 100 miles away:

Lakeside Riverboat

Competitors 100 to 150 miles away:

Bluff's Run Racetrack, Waterloo Greyhound Park, Harveys Riverboat, Harrahs Council Bluff Indian Casino

Competitors 150 to 200 miles away:

Horsemans Atokai (NE), Nebraska State Fair Park (NE), Horseman's Park (NE), Miss Marquette Riverboat, Diamond Jo Riverboat, Mississippi Belle, Catfish Bend, Rhythm City Riverboat, Isle of Capri, St. Joe Frontier Casino (MO), Argosy (KC, MO), Harrahs North (KC, MO), Isle of Capri-KC (MO), Ameristar (KC,MO), Illinois Casino Rock Island (IL), Casino Omaha Indian Casino, Vinna Vegas Indian Casino

**Waterloo Greyhound Park
Waterloo, IA**

Waterloo filed for chapter 11 bankruptcy in December of 1993. It had been open since late 1986. In its last year of existence (1992) it held 227 performances and its attendance had dropped 24.48% to 164,437 from the previous year.

Competitors less than 50 miles away:

Competitors 50 to 100 miles away:

Dubuque Greyhound Park, Miss Marquette Riverboat, Diamond Jo

Competitors 100 to 150 miles away:

Mississippi Belle Riverboat, Rhythm City Riverboat, Isle of Capri

Competitors 150 to 200 miles away:

Catfish Bend Riverboat, Lakeside Riverboat

**Fairgrounds
New Orleans, LA**

Fairgrounds is located just north of the New Orleans CBD. It began operation in 1852 at a different site and moved to its current site in 1872. Fair Grounds Race Course concluded its 131st season recently with attendance up slightly and handle down both on-track and from all sources. In its 84-day meet, a total of \$357.5 million, or an average of \$4.26 million per day, was wagered on Fair Grounds races. That represented a 5.4 percent decline from last year's average of \$4.5 million. The average daily attendance of 2,217 was up 0.6 percent from last season though handle declined, indicative of the increasing methods to wager away from the track. On-track handle totaled \$19.3 million or \$230,326 per day, a drop of 9.9 percent. Wagers made on track through Fair Grounds accounts are not included in on-track handle numbers.

Competition within 50 miles:

OTB?, Boomtown Casino, Treasure Chest, Harrah's New Orleans, Bally's

Competition 51 to 100 miles:

Casino Rouge, Belle of Baton Rouge, Beau Rivage Resorts, Boomtown Biloxi Casino, Casino Magic-Bay St. Louis, Casino Magic-Biloxi, Copa Casino, Grand Casino-Biloxi, Grand Casino- Gulfport, Imperial Palace, Isle of Capri Casino-Biloxi, New Palace Casino-Biloxi, President Riverboat Casino, Treasure Bay-Biloxi

Competition 101 to 150 miles:

Mobile Greyhound Park, Cypress Bayou, Isle of Capri-Natchez

Competition 151-200 miles:

Evangeline Downs (153), Grand Casino Coushatta(208)

**Louisiana Downs
Bossier City, LA**

Louisiana Downs is located just east of the Shreveport/Bossier City area. It began operation in 1973. In May 2003 they opened with 905 slot machines. Recent developments coinciding with the acquisition by Harrah's have been followed by annual attendance increasing by 7.1% over the last year, live track handles rising by 9.57% and total track handle increasing by 10.5%.

Competition within 50 miles:

Hollywood Casino, Harrah's Shreveport, Horseshoe Casino, Isle of Capri-Bossier, Casino Magic

Competition 51 to 100 miles:

Competition 101 to 150 miles:

Competition 151-200 miles:

Paragon Casino, Grand Coushatta, Lone Star (205), Evangeline Downs(211), Vicksburg Casinos (176)

**Evangeline Downs
Lafayette, LA**

Evangeline Downs opened in Lafayette, LA and in November 1988, Evangeline Downs became the sole recipient of the first inter-track wagering signal in the state, simulcasting races from the New Orleans Fair Grounds. Today, wagering signals are offered at each track and there are a number of off-track betting parlors in which bettors can bet on Louisiana races or races across the country. Current data on attendance, handle, and total purse was not found.

Competition within 50 miles:

Competition 51 to 100 miles:

Cypress Bayou, Argosy Casino, Casino Rouge, Paragon Casino, Harrah's(Pride), Harrah's (Star), Grand Casino Coushatta, Isle of Capri-Lake Charles

Competition 101 to 150 miles:

Delta Downs, Treasure Chest

Competition 151-200 miles:

Fairgrounds, Harrah's New Orleans, Boomtown, Bally's Casino

@ around 200 Beau Rivage Resorts, Boomtown Biloxi Casino, Casino Magic-Bay St. Louis, Casino Magic-Biloxi, Copa Casino, Grand Casino-Biloxi, Grand Casino- Gulfport, Imperial Palace, Isle of Capri Casino-Biloxi, New Palace Casino-Biloxi, President Riverboat Casino, Treasure Bay-Biloxi

**Delta Downs
Vinton, LA**

Delta Downs operates in Vinton, LA outside Lake Charles. Much of Delta Down's success depends on competition from Texas tracks and luring Texas bettors to Delta Downs. Delta Downs had 3500 patrons a day in 1992, before riverboats got a toe-hold in Lake Charles, but in late 2001 the count fell to around 300 patrons a day. In February 2002, Delta Downs became the first Louisiana track to offer casino gaming and is the only track in Louisiana where any racino revenues are available. As expected, the racino took in more revenue and increased its purses to an average of \$170,000 per day. By Louisiana state law 15% of the revenues received from slots at the track must be added to the purses. Current data on attendance, handle, and total purse was not found.

Competition within 50 miles:

Harrah's(Pride), Harrah's (Star), Isle of Capri-Lake Charles

Competition 51 to 100 miles:

Grand Casino Coushatta

Competition 101 to 150 miles:

Evangeline Downs, Gulf Greyhound, Sam Houston, Cypress Bayou

Competition 151-200 miles:

Casino Rouge, Belle of Baton Rouge

Paragon Casino

**Lone Star
Grand Prairie, TX**

Lone Star Park is located in the center of the Dallas-Fort Worth area and is a Class 1 Horse Racetrack. It began operation in 1997. Attendance in 2002 was 1,150,416 (down 1.19% since 01'). The 2002 live on-track handle was \$50,608,096 (down 3.41% since 01'). The total on-track handle in 2002 was \$237,006,941 (up 3.08% since 01'). Total Purses paid in 2002 was \$21,180,661 (down 3.19% since 01').

The TRA directory lists it as “one of the most elegant racetracks in America”. According to the *Dallas Business Journal* it ranks among the Top 10 Most Popular Metroplex Attractions. It is also the host of the NTRA All-Star Jockey championship among a multitude of other events. Amenities for patrons and race personnel are most impressive and make for a grand atmosphere at the park. They include a family fun park, large climate controlled grandstand, and a new skate park that opened in 2001 and will be the site of EXPN broadcasts.

Competition within 50 miles:

Trinity Meadows (Closed in 96')

Competition 51 to 100 miles:

Competition 101 to 150 miles:

Competition 151-200 miles:

OK Indian?

Manor Downs (203)

Shreveport Casinos @ 206 miles: Harrah's Shreveport, Hollywood Casino, Horseshoe, Isle of Capri-Bossier,

**Manor Downs
Manor, TX**

Manor Downs is located 10 miles east of Austin and is a Class 2 Horse Racetrack. It began operation in 1990 when racing became legal in Texas. Attendance in 2002 was 69,659 (up 22.81% since 01'). The 2002 live on-track handle was \$1,978,049 (up 236.46% since 01'). The total on-track handle in 2002 was \$26,636,212 (up 2.15% since 01'). Total Purses paid in 2002 was \$2,309,709 (up 187.28% since 01'). It

Manor Downs can boast that it is the oldest Racetrack in Texas. They held their inaugural race on October 11, 1990. In 2001 many improvements were made to the facility which resulted in a slow year followed by a large increase in betting activity at the park. Last year they had put the finishing touches on its new 7 ½ furlong oval track with 6 furlong back chute and it is one of the few tracks in the Southwest to feature a Fontana safety rail.

Competition within 50 miles:

Competition 51 to 100 miles:

Retama, Gillespie County Fair and Festivals

Competition 101 to 150 miles:

Bandera Downs (Closed in 95')

Competition 151-200 miles:

**Sam Houston, Trinity Meadows (Closed in 96')
Lone Star & Gulf Greyhound @ 203 miles**

**Retama Park
Selma, TX**

Retama Park is located 20 miles northeast of San Antonio area and is a Class 1 Horse Racetrack. It began operation in 1995 and is sited as the reason for Bandera Downs' failure that same year. Attendance in 2002 was 419,952 (down 6.18% since 01'). The 2002 live on-track handle was \$9,196,253 (down 3.41% since 01'). The total on-track handle in 2002 was \$72,274,176 (down 9.40% since 01'). Total Purses paid in 2002 was \$7,047,683 (down 7.39% since 01').

A Belmont Stakes on-track handle record was shattered in 2002 when 6,732 fans wagered \$1,039,438. "Fifty Cent Night" promotions continue at the track to draw crowds in with 50cent Pepsi, hot-dogs, and programs. In Public Relations, Retama also donated \$187,938 in silent auction items to 237 local area organizations. The park was also thanked for their support of the Annual San Antonio Stock Show and Rodeo. 2003 Live Race Dates include: Quarter Horse Meet - May 2 - June 22 (minus exceptions =24 Dates), Thoroughbred Meet - August 1 - October 25 (minus exceptions = 51 Dates).

Competition within 50 miles:

Competition 51 to 100 miles:

Manor Downs, Bandera Downs (Closed in 95'), Gillespie County Fair and Festivals

Competition 101 to 150 miles:

Competition 151 to 200 miles:

Sam Houston, Corpus Christie

**Sam Houston Race Park
Houston, TX**

The Sam Houston Race Park is located in northwestern part of Houston and is a Class 1 Horse Racetrack. It began operation in 1994. Attendance in 2002 was 675,145 (up 0.90% since 01'). The 2002 live on-track handle was \$18,615,995 (down 11.68% since 01'). The total on-track handle in 2002 was \$146,275,555 (up 0.51% since 01'). Total Purses paid in 2002 was \$14,511,258 (up 17.96% since 01').

The facility cost around \$90 million to build and includes a Player's Lounge Jockey Club (private membership club), Winners' Circle Restaurant, Finish Line Cafe, 22 Luxury Suites, two meeting rooms (Paddock and Founders). The tracks include a one mile dirt oval and a 7/8 mile turf track. Live racing days in 2003 include: January 30 - March 30, Thoroughbreds; June 27 - Sept. 6, Quarter Horses; October 21 - Dec. 30 Thoroughbreds. The facility is seen as one of the strongest hubs in the nation for simulcast wagering. In order to cater to that business, a state-of-the-art bar and entertainment center was unveiled in June 2002.

Competition within 50 miles:

Competition 51 to 100 miles:

Gulf Greyhound

Competition 101 to 150 miles:

Delta Downs

Competition 151 to 200 miles:

Isle of Capri-Lake Charles, Harrah's Pride, Harrah's Star, Retama, Manor Downs, Grand Casino Coushatta, Retama Park, Evangeline Downs (220)

**Bandera Downs (Closed in 95')
Bandera, TX**

Bandera Downs was located about 45 miles northwest of San Antonio and was a Class 2 Horse Racetrack. It began operation in 1990. Attendance in 1994 was 167,596 (down 23.76% from 93'). The 1994 live on-track handle was \$10,651,121 (down 46% from 93'). The total on-track handle in 2002 was \$25,594,466 (down 13.38% from 93'). Total Purses paid in 1994 was \$2,297,470 (down 34.5% from 93').

Bandera Downs ceased operations on June 16, 1995, canceling the remaining 10 race days of their meet, citing mounting debts caused by sharp declines in handle and attendance. These declines were caused by the Class 1 Horse racetrack called Retama Park opening just over 50 miles to their east and closer to San Antonio. Plans were made to redeem the park but standards were not met and their license was surrendered.

Competition within 50 miles:

Competition 51 to 100 miles:

Retama Park (56), Gillespie County Fair and Festivals (74)

Competition 101 to 150 miles:

Manor Downs

Competition 151 to 200 miles:

Corpus Christi (205)

**Valley Race Park
Harlingen, TX**

Valley Race Park is located in the extreme southern tip of Texas and is a Greyhound Racetrack. It began operation in 1990 then closed between 95' and 2000. It has been open since 2000. Attendance in 2002 was 131,334 (down 6.25% since 01'). The 2002 live on-track handle was \$3,809,300 (down 13.79% since 01'). The total on-track handle in 2002 was \$22,234,611 (up 4.65% since 01'). Total Purses paid in 2002 was \$858,028 (down 17.32% since 01').

The first greyhound track to open in Texas, Valley Race Park had to cease live operations on September 4, 1995 then simulcast on the 30th of that month. Efforts to find new markets for its product failed and the decline in total handle that began in 1992 was not stemmed. However, its doors were reopened on March 17th, 2000 and live racing resumed on December 15th with over 3,000 in attendance. Valley Race Park is currently the site of several outdoor festivals and fundraising events.

Competition within 50 miles:

Competition 51 to 100 miles:

Competition 101 to 150 miles:

Corpus Christi

Competition 151 to 200 miles:

**Trinity Meadows (Closed in 96')
Fort Worth, TX**

Trinity Meadows was located in Fort Worth and held a Class 1 Horse Racetrack License until February 1996. It began operation in 1991. Attendance in 1995 was 386,408 (down 16.3% from 94'). The 1995 live on-track handle was \$23,075,246 (down 47% from 94'). The total on-track handle in 2002 was \$117,717,905 (down 3.8% from 94'). Total Purses paid in 1995 was \$8,258,549 (down 20.6% from 93').

Citing severe financial losses, on August 7th, 1996, Trinity Meadows requested to immediately cease all operations. As in the Bandera Downs case, plans were made to redeem the park. However, standards were not met and their license was surrendered. Competition with Lone Star must have been relevant to this case since Lone Star was less than 50 miles away.

OK Indian Casinos?

Competition within 50 miles:

Lone Star

Competition 51 to 100 miles:

Competition 101 to 150 miles:

Competition 151 to 200 miles:

Manor Downs

**Gulf Greyhound
La Marque, TX**

Gulf Greyhound Park is located 30 miles south of Houston is and claims to be “...the world's largest and #1 greyhound racing operation”. The track opened in November of 1992. Attendance in 2002 was 431,299 (down 16.98% since 01’). The 2002 live on-track handle was \$37,758,526 (down 15.81% since 01’). The total on-track handle in 2002 was \$78,164,604 (down 14.46% since 01’). Total Purses paid in 2002 was \$4,532,100 (down 11.75% since 01’).

Features of the site listed on their website(<http://www.gulfgreyhound.com/>) include:

- **Texas' largest restaurant, the Horizon Clubhouse, offers full-service dining in a relaxed atmosphere, with an exciting view of the track for more than 1,900 race fans.**
- **318 teller windows**
- **Over 1,100 closed-circuit televisions throughout the facility**
- **Parking to accommodate over 8,000 vehicles.**

The site is also host to special events including competitions and fund raising.

Competition within 50 miles:

Competition 51 to 100 miles:

Sam Houston

Competition 101 to 150 miles:

Delta Downs, Isle of Capri-Lake Charles, Harrah's Pride, Harrah's Star

Competition 151 to 200 miles:

Grand Casino Coushatta, Manor (203)

**Corpus Christi
Corpus Christi, TX**

Corpus Christi Greyhound Track is located in downtown Corpus Christi. It began operation in 1990. Attendance in 2002 was 164,224 (down 10.19% since 01'). The 2002 live on-track handle was \$10,392,704 (down 6.09% since 01'). The total on-track handle in 2002 was \$24,615,993 (up 0.67% since 01'). Total Purses paid in 2002 was \$1,509,804 (down 12.41% since 01').

The Corpus Christi Greyhound Track is involved in many areas of philanthropy including donations in 2002 to: Texas A&M School of Veterinary Medicine, Texas Special Olympics, Women's Shelter of Corpus Christi, American Heart Association, and many more. The facilities include dining and special Holiday racing.

Competition within 50 miles:

Competition 51 to 100 miles:

Competition 101 to 150 miles:

Valley Race Park

Competition 151 to 200 miles:

Retama, Bandera Downs (Closed in 95') (205)

**Gillespie County Fair and Festivals
Fredericksburg, TX**

Gillespie County Fair and Festivals is a Class 3 Horse Racetrack/non-profit county fair organization that is located in Fredericksburg, about 40 miles northwest of San Antonio. It began operation in 1990. Attendance in 2002 was 10,569 (down 5.60% since 01'). The 2002 live on-track handle was \$923,266 (down 7.80% since 01'). The total on-track handle in 2002 was \$1,731,964 (up 6.35% since 01'). Total Purses paid in 2002 was \$360,550 (up 17.05% since 01').

The Gillespie County Fair and Festivals Association (GCFFA) was organized in 1881 and has held horse races each since its inception. Their first pari-mutuel race was run in 1990. Earnings from their annual summer horse meet are used to maintain and upgrade the multi use facility and to benefit the county by funding scholarships. A new Simulcast facility was to be opened in the spring of 2003.

Competition within 50 miles:

Competition 51 to 100 miles:

Bandera Downs (Closed in 95'), Retama Park, Manor Downs

Competition 101 to 150 miles:

Competition 151 to 200 miles:

New Track in Crowley, LA

Competition within 50 miles:

Evangeline Downs New Location (44.5 miles)

Competition 51 to 100 miles:

Delta Downs, Cypress Bayou, Argosy Casino, Casino Rouge, Paragon Casino, Harrah's(Pride), Harrah's (Star), Grand Casino Coushatta, Isle of Capri-Lake Charles, Cypress Bayou Casino

Competition 101 to 150 miles:

Competition 151-200 miles:

Fairgrounds, Harrah's New Orleans, Boomtown, Bally's Casino, Treasure Chest

@ around 200 Beau Rivage Resorts, Boomtown Biloxi Casino, Casino Magic-Bay St. Louis, Casino Magic-Biloxi, Copa Casino, Grand Casino-Biloxi, Grand Casino-Gulfport, Imperial Palace, Isle of Capri Casino-Biloxi, New Palace Casino-Biloxi, President Riverboat Casino, Treasure Bay-Biloxi