



**A CRITICAL MOMENT**  
**in the History of the**  
**California Horse Racing Industry**

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# **THE ECONOMIC IMPACT** of the **California Horse Racing Industry** on the **State of California**

## **California Horse Racing Generates:**

**\$2.5 Billion**

in **direct economic impact** annually

**\$11.1 Billion**

in **indirect economic impact** by industry suppliers annually

**48,400**

**jobs** in racing-related occupations

**\$55 Million**

in **state and local Revenues** from license fees & sales taxes (FY 2004), including \$40 Million to fairs and state administration

**Hundreds of thousands of acres**

productively utilized by the industry and enjoyed by all Californians

**Endowments** for nationally recognized and honored **equine research and testing programs** at California's higher learning institutions

**Millions of dollars raised for charitable programs** on national, statewide and local community levels over the years

Sources: California Horse Racing Board, California Horse Racing Information Management System, Barents Group study, "The Economic Impact of the Horse Industry in the United States."

## ***California's Racing Industry is in a Crisis***

### **Key Reasons:**

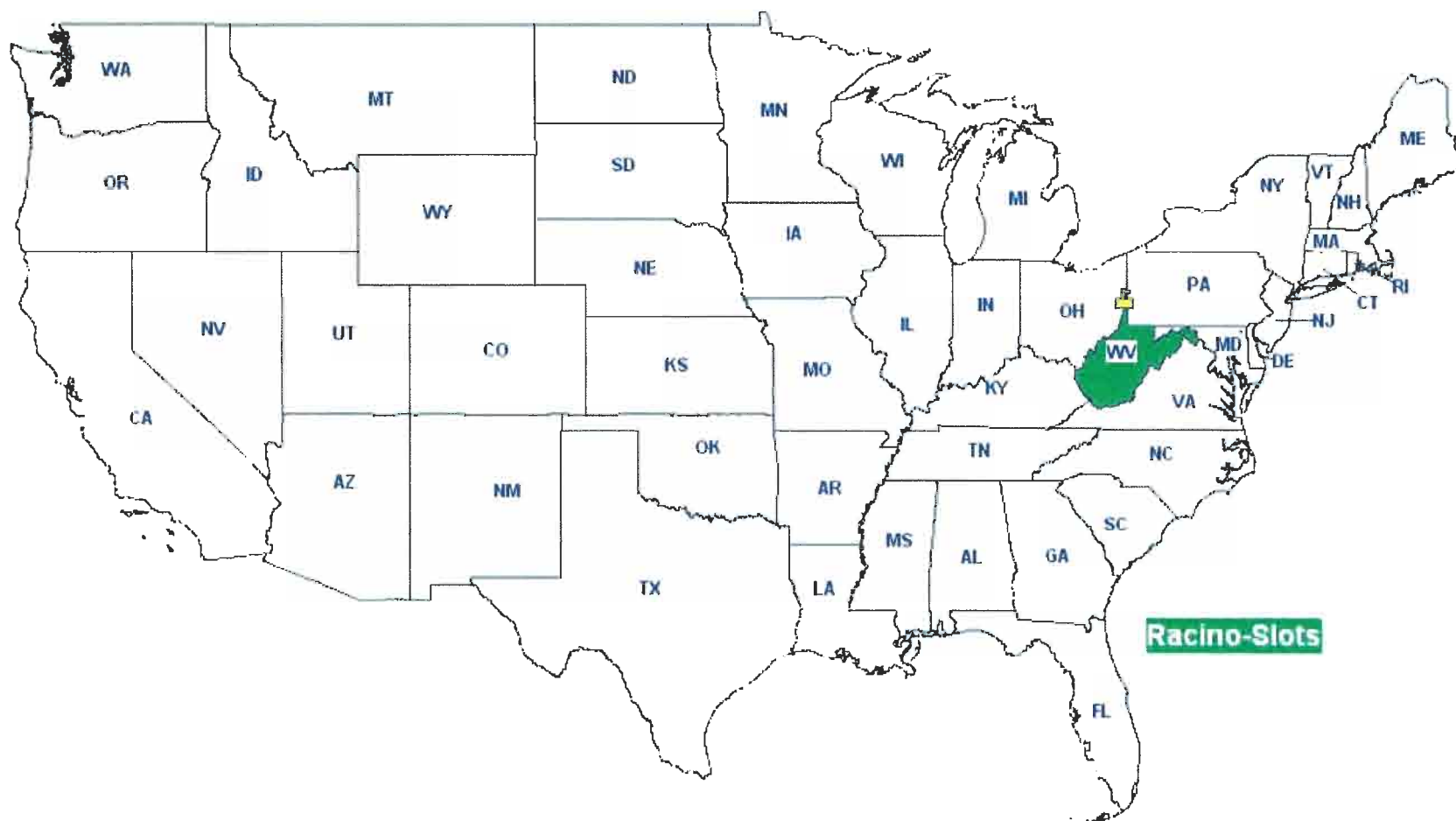
- **Purses in other states, enriched from revenues from alternative forms of gaming, make it increasingly difficult to keep horses here**
- **Flat purses and the relatively high cost of doing business in California make it extremely difficult to lure horses from outside the state**
- **Pari-mutuel wagering at racetracks is at a severe disadvantage vs. the expansive casino gaming industry in California**

## ***Higher Purses in Other States Threaten California's Industry***

**Many states have experienced tremendous industry growth founded on an infusion of new revenues derived from the use of alternative forms of gaming at racetracks.** Since this strategy was first introduced some 11 years ago, many out-of-state racing programs, once considered "minor circuits" in far away places, have transformed themselves into serious competitors to California.



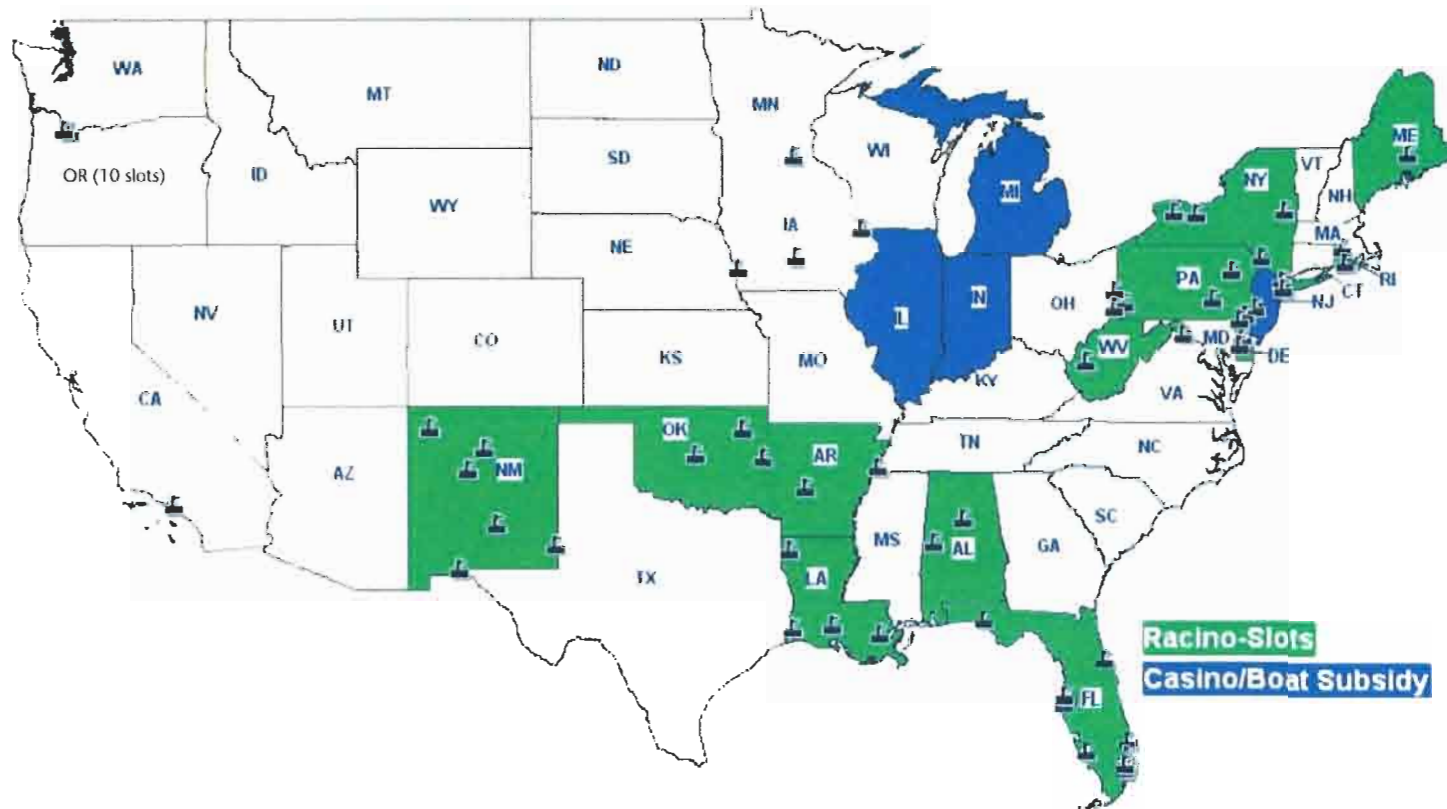
## STATES WITH PURSES ENHANCED BY ALTERNATIVE GAMING: 1990



***In 1990, there was only one racino in the nation.***

The state of West Virginia decided to engage in an experiment to help the horse racing industry by placing a limited number of VLTs (114 average) at Mountaineer Park, a small Thoroughbred racetrack in Chester.

# STATES WITH PURSES ENHANCED BY ALTERNATIVE GAMING: 2005



*Fourteen states currently permit alternative gaming at pari-mutuel racetracks.*

# **CALIFORNIA TRACKS ARE FALLING EVEN FURTHER BEHIND**

**as more states acquire slots, other forms of alternative gaming, and subsidies**

## ***Key Race States with Current Slot/VLT Support:***

- **New York:** VLTs authorized at three racetracks, including Aqueduct and Yonkers near New York City.
- **Florida:** Slots operational at Gulfstream Park in Broward County (Miami).
- **Pennsylvania:** The first of more than 60,000 new slot machines are on line in the state, with installation nearing completion at racetracks.



## **PURSES IN OTHER STATES BEFORE AND AFTER ACQUIRING ALTERNATIVE GAMING**

	<b>Daily Avg. Purse/Race Before</b>	<b>Daily Avg. Purse/Race 2004</b>
Mountaineer Park (1995)	\$2,863	<b>\$17,510</b>
Delaware Park (1995)	\$8,459	<b>\$27,561</b>
Charles Town (1997)	\$4,019	<b>\$20,860</b>
Prairie Meadows (1995)	\$4,666	<b>\$16,685</b>

(date indicates amount of purses as of that year)

# AN EXAMPLE OF THE IMPACT OF GAMING REVENUES ON PURSES

Evangeline Downs Racetrack, (Louisiana)  
Excerpt from Condition Book - May 26, 2006

*The Impact of Slots Revenues on ONE DAY at ONE TRACK last March:*

**Of the \$264,500 in purses,  
\$231,000 (almost 87%) came from alternative gaming.**

**California horse racing receives no  
funding from any other source.**

## **THE MOUNTAINEER PARK SUCCESS STORY:**

***With revenues from VLTs, Average daily purses have also been greatly increased from \$19,000 per day to \$175,000 per day, raising Mountaineer Park from 75th to 27th in the nation.***

# COMPARATIVE TRACK PURSES

## on Claiming Races

### Northern California vs. Slot-Supported States

*Comparing Northern California track purses with states  
whose purses BEFORE SLOTS were traditionally only ONE-THIRD OF CALIFORNIA'S*

Claiming Race Level	No. Cal. (Bay Meadows) Purse	PURSES FOR SLOT-SUPPORTED STATES		
		West Virginia (Charles Town)	Delaware (Delaware Park)	New Mexico (Sunland Park)
<b>\$5,000</b>	<b>\$9,000</b>	<b>\$15,000</b> <b>+67%</b>	<b>\$14,000</b> <b>+56%</b>	<b>\$9,700</b> <b>+8%</b>
<b>\$10,000</b>	<b>\$11,000</b>	<b>\$21,000</b> <b>+91%</b>	<b>\$17,000</b> <b>+46%</b>	<b>\$15,000</b> <b>+36%</b>
<b>\$15,000</b>	<b>\$19,000</b>	<b>\$26,000</b> <b>+37%</b>	<b>\$20,000</b> <b>+10%</b>	<b>\$23,000</b> <b>+21%</b>

## ***Smaller Purses and Higher Business Costs are Accelerating the Migration of California's Horse Racing Industry***

California purses grow comparatively weaker than those of other states every day. With labor and cost-of-living expenses among the highest in the country, California's industry has always counted on a competitive purse structure to encourage horsemen to participate in our racing and breeding programs. However, with many other racing jurisdictions now able to supplement purses with additional revenues derived directly or indirectly from alternative forms of gaming, **California's purses are insufficient to attract out-of-state stables here.** If this trend continues, it is not an exaggeration to say that the entire California equine industry will soon be in jeopardy.



## ***Non-Competitive Purses Lead to a Decrease in State and Industry Revenues***

**Higher out-of-state purses have led to declining racing inventories and smaller field sizes in California**, which means a less attractive product to customers, and a downward spiral for the entire industry. **The net reduction in industry revenues triggers a proportionate reduction in revenues to the state**, as well as diminishing resources available for investment in supporting infrastructure.

# HOW DOES THIS AFFECT THE CALIFORNIA HORSE RACING INDUSTRY?

**Out-of-state competition is increasing exponentially**, as more and more states with slots and subsidies are luring horses from California, reducing the attractiveness of its product.

**Owners, trainers, and auxiliary personnel will leave California with their horses** to go where they can get larger purses and more money.

**The California breeding industry, already in decline, may soon be extinct.**

**Out-of-state racetracks that were barely on the map are now able to significantly increase their standing in the rankings.** Since slot machines

have been legalized in other states, they have allowed these once minor tracks to offer purses higher than some of the largest non-slot-supported tracks in the country.

**As the quality of racing at California racetracks declines,**

- Fewer horses will make for even smaller fields
- The industry fan base will continue to decline
- Even fewer dollars will be available for purse money
- There will continue to be less interest in the export signal for California tracks reducing national interest in its product...

## **THE COST TO CALIFORNIA**

**The Declines will only accelerate the current downward spiral, until the California horse racing industry IS FORCED OUT OF BUSINESS, with the resultant loss of :**

**\$55 MILLION**

**in state and local tax revenue**

**48,400**

**racing-related jobs and**

**\$11.1 BILLION**

***in positive overall economic impact  
on the state at large***

Sources: California Horse Racing Board, California Horse Racing Information Management System, Barents Group study, "The Economic Impact of the Horse Industry in the United States."