

Measuring the Impact of Racing on Racinos

Richard Thalheimer, Ph.D.
Thalheimer Research Associates
Lexington, Kentucky
rthal@gte.net

2008 Symposium of Racing & Gaming
University of Arizona
Race Track Industry Program

December 9, 2008

**“An Economic-Statistical Analysis of
Racing and Slot Machine Wagering at
Prairie Meadows Racetrack and Casino”©**

by

**Thalheimer Research Associates
Lexington, KY (rthal@gte.net)**

for

**Iowa Thoroughbred Horsemen’s Benevolent and Protective
Association (IAHBPA)**

**Iowa Thoroughbred Breeders and
Owners Association (ITBOA)**

Iowa Quarter Horse Racing Association (IQHRA)

Iowa Harness Horse Association (IHHA)

August 18, 2008

Study Objective

The objective of this study was to measure the impact of changes in key gaming, parimutuel and economic factors on slot machine and horse race wagering at a racino-Prairie Meadows Racetrack and Casino in Altoona, Iowa.

Of particular interest in this study was the interrelationship between the racing and gaming sides of the racino.

Study Method

- **Two economic-statistical wagering models were developed one for slot machine wagering and one for on-track horse race wagering.**
- **The models allowed us to measure the effect of a number of key factors on wagering at the racino.**
- **An important property of the statistical method used was that the effect of a change in each factor on wagering could be measured, “*holding constant*” changes in other factors over time.**

Study Period

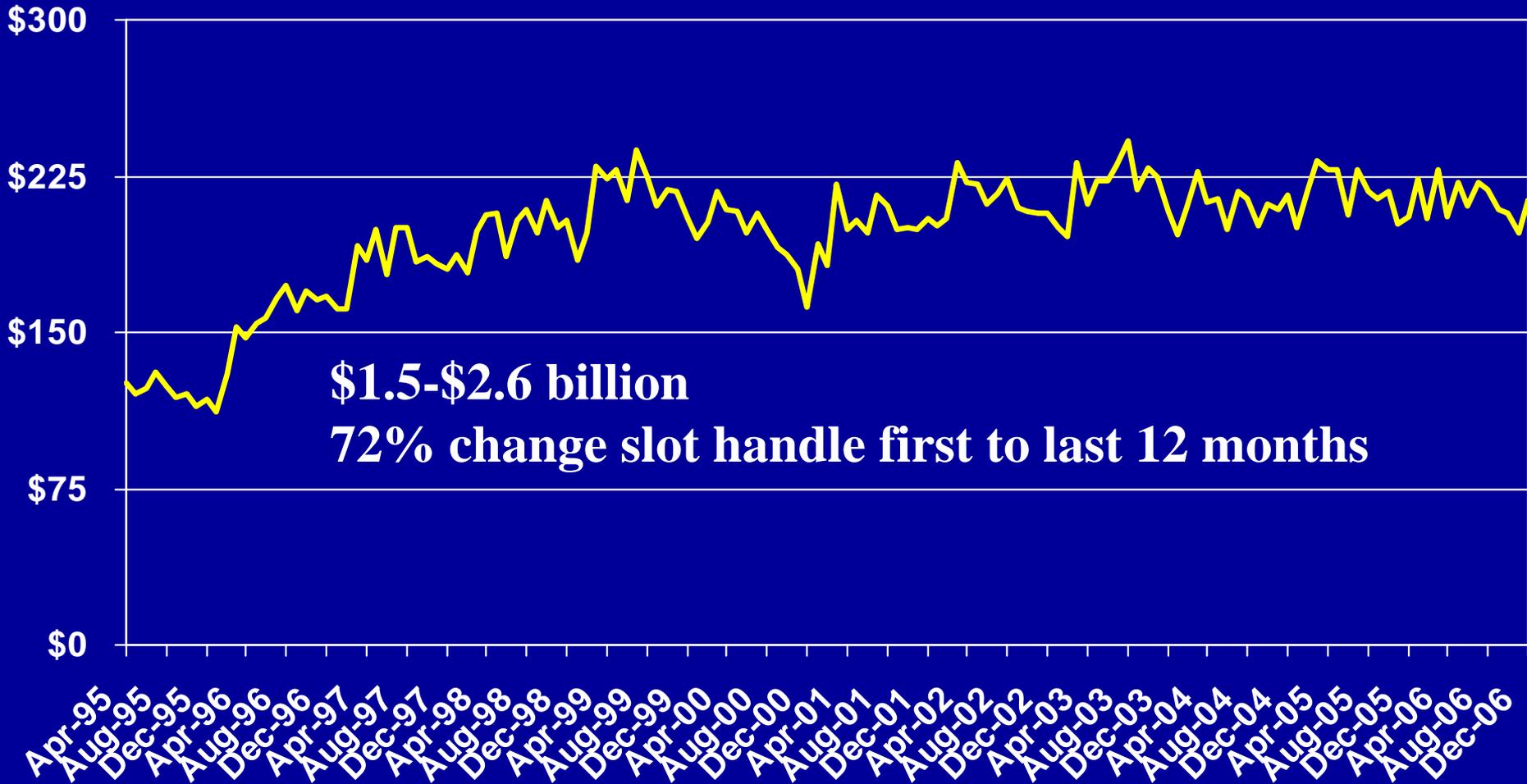
- **Horse Race Wagering Model Study Period**
 - **January 1993 through December 2006**
 - **168 months**
- **Slot Wagering Model Study Period**
 - **April 1995 through December 2006**
 - **141 months**
- **Tables introduced December 2004**

Factors Included In Both Slot and Horse Race Wagering Statistical Models

- **Seasonality (Jan, Feb, ..)**
- **Per capita personal income**
- **Gaming factors:**
 - **Number of slots at Prairie**
 - **Slot machine win percent at Prairie**
 - **Number of tables at Prairie**
- **Parimutuel Factors:**
 - **Number of live horse race days**
 - **Number of import simulcast horse & greyhound races**
 - **Average daily purse, quality races (Festival of Racing)**
- **Off-site competition factors:**
 - **Tama Indian Casino and Terrible's Lakeside Casino**

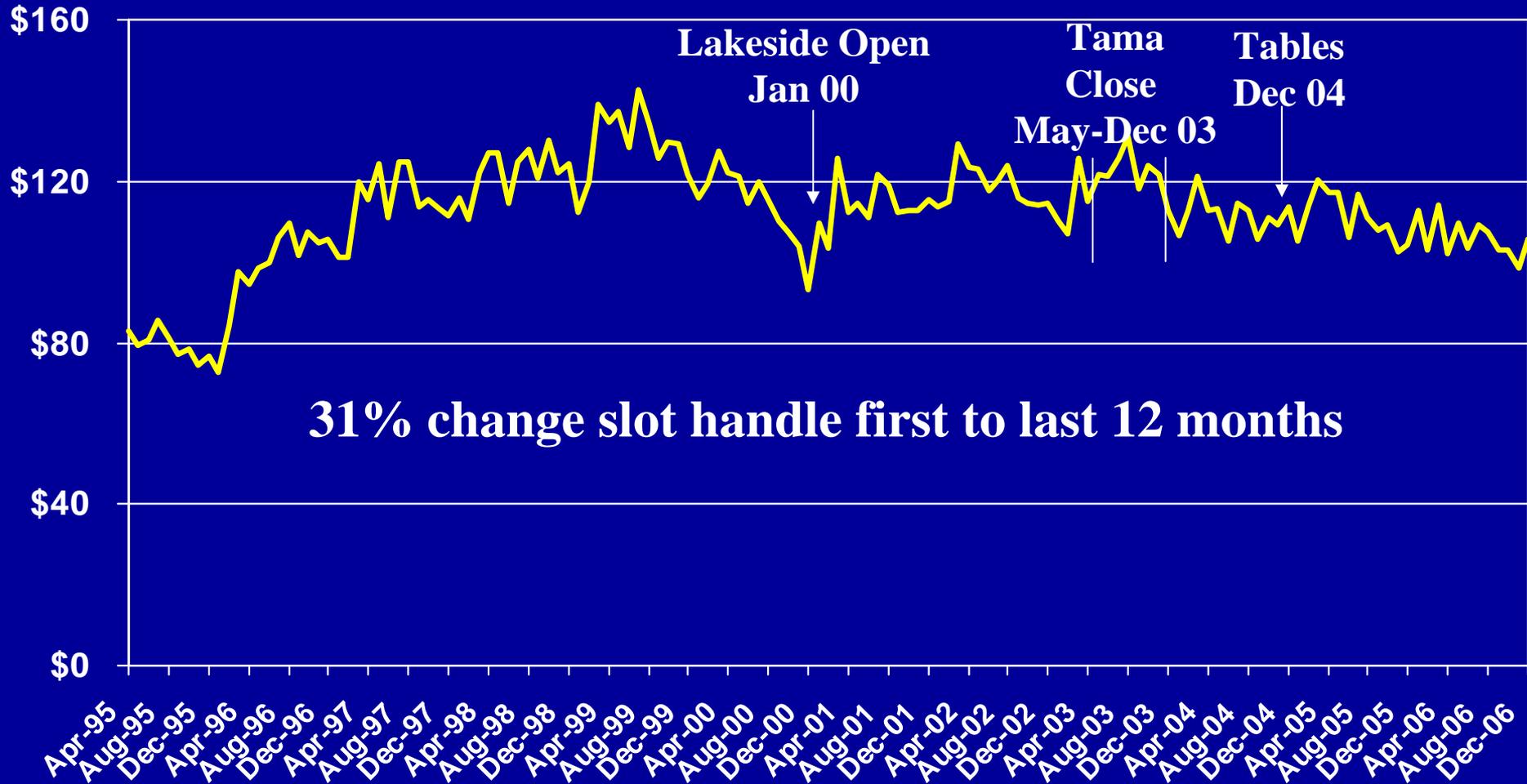
Selected Data Plots

Slot Handle (\$mill)



Source: Iowa Racing and Gaming Commission

Inflation-Adjusted Slot Handle (\$mill)



Source: Iowa Racing and Gaming Commission
U.S. Department of Labor, Bureau of Labor Statistics for CPI

Statistical Slot Machine Wagering Analysis Results

Selected Results of Economic-Statistical Analysis of Slot Handle at Prairie

“Holding constant” changes in other factors affecting slot handle, slot handle was –

- **up 17% from decrease in *slot win percent*: 8.0% to 6.4%**
- **up 24% from increase in *slots*: 1,100 - 1,700**
- **down 8% from increase in *tables*: 0 – 57**

Off-site competition caused slot handle to decrease -

- **25% from Terrible’s and Tama Indian casinos combined**

Relationship of Horse Racing to Slot Handle

“Holding constant” changes in other factors affecting slot handle, the following parimutuel factors caused 2006 slot handle to be -

- **up 12.9% from 4.4 months of live horse races**
- **up 13.1% from daily import simulcast horse races**
- **up 11.7% in July from Festival of Racing - quality races**

Relationship of Gaming to Parimutuel Wagering

“Holding constant” changes in other factors affecting on-track handle, the following gaming factors affected parimutuel wagering to be:

- **down 33% from combined slots-table effect**
- **down 13.7% from off-site competition - Terrible's**

Comparison to Prior Published Peer-Reviewed Economic-Statistical Racino Study*

- **Subject: Mountaineer Park Racino, WV**
Study Period: weekly 1994-2002
- **Selected Results of Economic-Statistical Model:**
 - **-39% change in parimutuel handle, VLT's 400-3,000**
 - **+22% change in slot handle, year-round live racing**
 - **dollar increase in VLT handle much greater than dollar decrease in parimutuel handle.**

*Thalheimer, R., "Government Restrictions and the Demand for Casino and Parimutuel Wagering", Applied Economics, 2008.

Did Revenue Created by Horse Racing at Prairie Meadows Help to Offset Purse Payments in 2006?

- **Parimutuel Revenue = \$4 million**
- **Slot Revenue = \$164 million**
- **Purses paid from Slot Revenue = \$17.8 million**

Racing's Effect on Slot Revenue-2006

Parimutuel Factor	% Slot Revenue Gain	\$ Slot Revenue Gain
Live thoro-mixed meet days- 4.4 mo.*	12.9%	\$7 mill
Import simulcast horse races-12 mo.*	13.1%	\$18 mill
Total slot revenue increase		\$25 mill

***Additional \$4 million revenue provided by parimutuel wagering.**

Summary of Findings on Interaction of Racing and Gaming at Prairie Meadows

- **Increased slot revenue of \$25 million from live and simulcast horse racing exceeded the \$17.8 million in purses and contributed to other expenses in 2006.**
- **Revenue from parimutuel wagering added \$4 million.**
- **The study did not address the potential increase in table revenue from horse racing.**

