

Portland Meadows, County Fair Meets and the Horse Racing Industry in Oregon

Impacts on Rural and Urban
Economies in 2010

Prepared for:

Portland Meadows

Eastern Oregon Livestock Show

Josephine County Race Meet

Crooked River Roundup

Tillamook County Fair

Harney County Fair

Oregon Horsemen's Benevolence
and Protective Association

Oregon Quarter Horse Racing Association

Oregon Thoroughbred
Owners & Breeders Association

Introduction

Portland Meadows is Oregon's only commercial horse racing track. Located off Interstate-5 in north Portland, its presence is critical to horse racing in the state. Besides the traditional economic impacts that any business has, a thriving Portland Meadows provides many other benefits that affect both rural and urban Oregon. ECONorthwest was engaged by Portland Meadows and other horse racing industry groups to calculate the impacts.

ECONorthwest found surprisingly large numbers of Oregonians rely wholly or partially on the presence of Portland Meadows for their livelihoods. This reliance extends well beyond the City of Portland.

Importantly, the racetrack's contributions to the Oregon economy come, in large part, from the many millions of dollars it draws into the state. Effectively, Portland Meadows is a major service industry exporter and, like other exporting (*i.e.*, traded-sector) businesses, it is a significant net job creator because it brings money into the state that would otherwise not be spent here.

ECONorthwest's research uncovered the ways that Portland Meadows positively affects Oregon's economy. How the track acts as an economic conduit stimulating the economies of rural areas in Oregon. This report summarizes the findings of ECONorthwest's research.

Major Findings of this Analysis

This study finds that Portland Meadows and the horse racing supply chain in Oregon had the following contributions in 2010:

- Altogether, the elements comprising Oregon's horse racing industry contributed more than \$202.6 million in output to Oregon's economy.
- Portland Meadows itself was responsible for \$6.4 million in labor income and 176 jobs.
- The horse racing supply chain comprises five distinct and diverse activities occurring throughout the state. It was responsible \$38.4 million in labor income and 1,171 jobs.
- While the overwhelming majority of racing-related spending originates in the Portland Metro area, a disproportionate number of direct racing jobs are found in rural Oregon.

Portland Meadows

Portland Meadows opened in 1946 as the country's first nighttime Thoroughbred racetrack. The facility is located at Hayden Meadows near the Columbia River and encompasses over 100-acres. It features a grandstand, restaurants, a one-mile track, and a backstretch with 850 stalls. In addition to holding live racing, Portland Meadows has a simulcast center where patrons can wager on races televised from out-of-state.



History

Although many states surpass Oregon in terms of the number of horse races held each year, the sport has a long history in the state. Racing in Oregon dates back to at least 1861, when horse races were held at Oregon's first state fair. The Oregon Racing Commission was established in 1933 to regulate pari-mutuel wagering, and the Multnomah Kennel Club began its first season of Greyhound racing the same year.

Throughout its history, live racing at Portland Meadows regularly ran from October to early spring. The Multnomah Kennel Club, east of Portland, operated during the summer. There was considerable overlap in the clientele of each type of racing. During the summer, horses that ran in Portland would go travel to tracks in Washington, California, and elsewhere. Horses would also compete at summer fair race meets in Oregon.

Live racing in Portland was well attended until the mid-1980s for both horses and Greyhounds. At that time, new forms of gaming emerged starting with the Oregon Lottery in 1985. This was followed by the introduction of satellite wagering on out-of-state races in 1987, wagering *via* telephone and the Internet in 2000, Washington Indian casinos in 1991, Oregon Lottery video (slot machine) gaming in 1992, Oregon Indian casinos in 1994, and Washington cardroom casinos in 1996.

Competition eroded attendance at racetracks. This reflected the decline in racing that was occurring nationwide. Revenues at both Greyhound and horse tracks fell. Many regional horse tracks closed including those in Salem, Klamath Falls, Spokane, Washington, and San Mateo, California. In 2004, live racing ended at the Multnomah Kennel Club. Portland Meadows itself struggled, but has persevered to this point.

Changes and Innovations

Portland Meadows, the Oregon Legislature, and the Oregon Racing Commission (“ORC”), the state regulatory agency overseeing the industry, all reacted to the changing competitive landscape and new technologies. Among the changes made in Oregon:

- Legalization of off-track betting (“OTB”), which is wagering on races at places, such as bars or restaurants, that are away from where the races are run. A person can place a bet on a Portland Meadows horse race from an OTB in Bend, for instance. All the OTBs in Oregon are operated by Portland Meadows in independently owned bars and restaurants.
- Simulcast wagering on races transmitted to Oregon from out-of-state and shown on television monitor through satellite connections. A person at Portland Meadows or at an OTB in Bend, for example, can wager and watch a race simulcast from a Florida racetrack.
- Export wagering is the reverse of simulcasting. Races run at Portland Meadows are telecast to racetracks and OTB sites in other states where bettors place wagers that are transmitted back to Portland. Bettors at the OTB in New Haven, Connecticut wager and watch races from Portland Meadows. Portland Meadows also exports through hubs.
- Advance deposit wagering (“ADW”) hubs started in 2000 in Oregon. Today the state handles more ADW bets than any other. An ADW hub is a business that allows people from across the country to open accounts and deposit money in them. Patrons can then place wagers by phone or over the Internet from their accounts on races in Portland or elsewhere around the world. Races are streamed over the Internet and cable television. Betting is allowed on flat (traditional) horse racing, and also dog, steeplechase, and harness racing.

In addition to these changes, Portland Meadows has tried several innovations. For example, the track started scheduling races for Monday and Wednesday — days when there are few other racetracks around the country competing for players’ attention. This greatly increased out-of-state wagering at Portland Meadows. The racetrack, local horse owners, and others in Oregon all derive revenues from this wagering. A second innovation is the introduction of a summer meet starting July 15, 2012.

Scope of the Analysis

This study looks at the economic significance of the Portland Meadows racetrack and other horse racing activities in Oregon that depend on it. It is a surprisingly complex industry.

Economic Impacts

The business of Portland Meadows and all of the horse racing activities around the state are intertwined. The racetrack cannot function without people willing to invest in horses or work with them. And those people need Portland Meadows as a venue for their livelihoods. Similarly, rural fair race meets, the ORC, breeders, and the OTB sites, owe their survival to Portland Meadows. They all rely on revenues from ADWs. Thus, the scope of this report covers the economic impacts of Portland Meadows, but also all other horse racing activities in Oregon that are part of the industry.

The racetrack provides a place for horse racing and wagering. In addition, it operates OTB sites and exports wagers out of state. These are sources of economic impacts from the racetrack itself.

However, Portland Meadows does not own racehorses, breed horses, train them, care for them (beyond providing a safe and secure training facility and barns), or pay for jockeys, grooms, exercise riders, and others that work with horses. It does not run summer fair race meets at places like the Tillamook County Fair. Those are not economic impacts of the racetrack, but rather are what economists call “supply-chain impacts” — economic activities that happen because of Portland Meadows, but that the track does not directly pay for or manage. They are all parts of the supply-chain of the Oregon horse racing industry.

Impacts of the Racetrack Itself

For Portland Meadows, an economic impact analysis estimates effects of the racetrack’s direct spending at other businesses and how the flow of that money affects spending by those and other businesses. Impact analysis does the same for employment. Starting with the racetrack’s direct payroll, it estimates where Portland Meadows employees spend their wages and benefits and how that spending ripples through the economy. The spending of others whose jobs are linked back to the racetrack is also counted in an impact analysis.

The economic impacts of Portland Meadows start at the facility with the payroll of the racetrack, its purchases of utilities, what it pays for advertising, the maintenance of the racing surface, and all the other costs the track directly pays.

Portland Meadows also operates OTB sites around the state, including at its simulcast center at the racetrack. The cost of staffing and operating the OTB system are sources of Portland Meadows’ economic impacts.

Supply-Chain Impacts

In the context of this report, a supply-chain impact is one that results from earnings, jobs, and spending not directly paid for by Portland Meadows, but without Portland Meadows, likely would be economically unsustainable.

A simple example is the backstretch, the restricted access area at Portland Meadows where horses are cared for and trained. Portland Meadows, and the fair race meets it helps support, provide places for trainers to work, compete in races, and earn a living in Oregon. The trainer buys feed and vet services, which causes indirect economic impacts. The trainer provides work for an exercise rider, groom, and jockey, which cause additional impacts. Collectively, all this activity behind the scenes at racetracks represents the backstretch economy. Without it, there would be no racing in the state.

For this report, ECONorthwest counted five supply-side effects. The economic impacts of each of these are included in the analysis:

1. **Backstretch activities.** Many people work at racetracks, but not for them. Their occupations mostly involve the caring and training of horses. They generally come under the category of backstretch activities. Horse owners directly or indirectly employ many who work on the backstretch. Examples of backstretch jobs include trainers, jockeys, grooms, hot walkers, farriers, jockey agents, racing commission officials, and outriders. Racing officials and regulators, who work for the ORC, are part of the backstretch economy, although they are paid through taxes on wagering. Spending on the backstretch includes feed, vet services, horse tack and accessories, bedding, and transport services.
2. **Fair race meets.** In 2010, there were 23 days of racing held at five Oregon county fairground meets. They were held in the cities of Grants Pass, Union, Tillamook, Prineville, and Burns. The purses (prize money won by horses and their owners) for these meets come largely from fees on wagering that the State of Oregon charges ADW hubs. Many of the horses that race at the fairs train and race at Portland Meadows.
3. **ADW hubs.** These financial intermediaries facilitate betting by receiving wagers and distributing payouts. They are integral to horse racing and provide funding for purses, the ORC, and also the Oregon general fund. Portland Meadows offers account wagering, but the bulk of the play comes through hubs taking mostly interstate bets.
4. **Breeding.** Oregon Thoroughbred and American Quarter Horse breeders, as well as the owners of Oregon-bred racehorses, rely on Portland Meadows. They receive incentives and enhanced purses drawn from a share of wagering at the track, at OTB sites, and ADW hubs.

5. **Linked spending.** Some engage in horse racing for profit, but for many owners it is an avocation that involves spending more than they directly earn. This is typical of activities that involve contests and carry with them the potential benefits of status, group associations, and other nonfinancial values. Economic impacts occur because of this. Besides owner spending on breeding and backstretch services, which this analysis accounts for separately, owners also spend while visiting racetracks. Using data from the Oregon Tourism Commission, the effects of this spending are included in this study.

Limitations

As with all economic studies, there are limitations in both scope and data that affect the analysis.

Visitor spending at the racetrack is counted in the analysis. So too is some of the spending near the racetracks in Oregon by visiting horse owners. For others that may spend money outside of the racetracks, information about their spending is very limited because no daytrip visitor surveys have been conducted. Therefore, the impacts reported in this analysis understate the total contributions of racing.

Industry Definition

Horse racing is a complex business that, by nature, is difficult to define. It does not resemble most other industries. Instead it is composed of several interrelated activities. Furthermore, even basic information is not forthcoming. For instance the Department of Agriculture tracks the livestock breeding industry, but does not separate out Thoroughbreds and racing Quarter Horses.

One of the first tasks in such a study is to determine what will be counted and what will not. The availability of data often influences this decision. For example, should the care and maintenance of retired racehorses be counted? Should racehorses in Washington that race in Oregon be counted? How should unpaid labor be valued?

Furthermore, horse racing is not the sole agricultural activity of many industry participants. This means the study must disregard all spending not directly related to horse racing. Racehorse owners' expenses were limited to training and backstretch spending, plus some linked spending in Oregon. For owners residing outside of Oregon, only their spending in Oregon is counted.

For horse racing at fairs, the analysis attempts to isolate impacts attributable to racing, rather than to other fair activities.

Individuals at farms and ranches, rather than dedicated racehorse breeders, breed other livestock. This analysis only counts direct expenses associated with racehorse breeding. This is based on the number of foals, weanlings, yearlings, stallions, and broodmares.

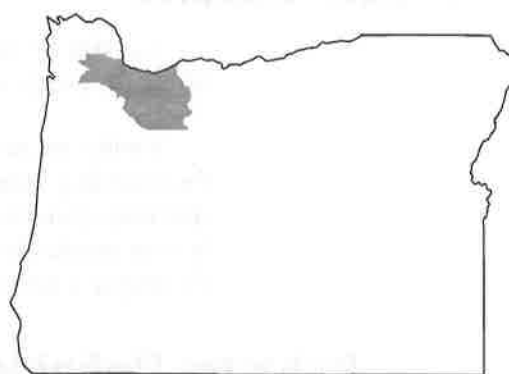
The goal of ECONorthwest was to narrow down the data to just horse racing in Oregon. In doing so, the results of this analysis are realistic appraisals of the importance of Portland Meadows and the racing industry to the state.

Range of the Analysis

This report measures the employment, spending, and economic impacts of the racing industry in calendar year 2010. The racing season at Portland Meadows extends past the end of the calendar year, so racing season statistics (2010-11) will differ from 2010 calendar year data, which include parts of both the 2009-10 and 2010-11 seasons.

Impacts for urban Oregon are for the area encompassed by Multnomah, Washington, and Clackamas counties (basically Portland metro). Rural Oregon is defined in this report as the rest of the state.

Figure 1: Urban and Rural Oregon



Counties comprising "urban Oregon" are shaded in gray. The remainder of the state is considered "rural Oregon" for the purposes of this study.

Economic Impact Analysis

Economic impact analysis measures all the effects of payroll and supplier spending by Portland Meadows including all the subsequent *secondary* impacts as those employees and suppliers spend money downstream in the economy. The direct impacts also include its OTB operations and the effects of its exports. The presence and operations of the racetrack trigger five major supply-chain effects. They indirectly add to the overall economic impacts of the industry on Oregon.

Economic Impact Model

ECONorthwest estimates impacts using the economic modeling software IMPLAN (Impact Analysis for Planning). IMPLAN calculates economic impacts in a transparent manner using well-known and robust data sources for its calculations. This transparency allows for the inclusion of data specific to the industry being studied, which in this analysis are Portland Meadows and its related supply-chain effects.

IMPLAN is a widely used economic impact modeling system.¹ The U.S. Department of Agriculture and U.F. Forest Service developed IMPAN as a product of the Rural Development Act of 1972. It is a system of county-level secondary data input-output models. The Forest Service made IMPLAN widely available. The relationship among university-based researchers, USDA extension specialists, and the Forest Service became bilateral. Researchers and specialists questioned data and assumptions, made suggestions, and recommended changes.

To accommodate this, the U.S. Forest Service privatized IMPLAN and it is now operated by the Minnesota IMPLAN Group (“MIG”). In addition to updating and improving the databases and software, MIG holds regular training sessions, biannual user conferences, and maintains a collection of hundreds of papers that have used IMPLAN.

Industry Data

The IMPLAN model divides the economy into 440 industry sectors, as well as government and households. For each sector, IMPLAN allocates spending and employment impacts between the local and non-local economies.² The IMPLAN data, derived from U.S. Census and other government sources, approximates how, from where, and on what products and services various local industries spend money. IMPLAN also estimates the employment effects by industry.

¹ University of Wisconsin Center for Cooperatives and the Department of Agricultural and Applied Economics at the University of Wisconsin — Madison at <http://reic.uwcc.wisc.edu/implan/>

² IMPLAN production function and regional purchase coefficient data were used.

The statistics required for this analysis were obtained from a number of organizations. These included Portland Meadows, the ORC, the Oregon Thoroughbred Owners & Breeders Association (OTOBA), Oregon Quarter Horse Racing Association (OQHRA), Oregon Horsemen's Benevolent and Protective Association (OHBPA), ADW hubs, trainers, and fair operators. Detailed audited wagering, tax, and payroll data were provided. For supply-chain impacts, ECONorthwest used specific data where available and estimated, based on other records and secondary sources, other indirect impacts.

Relevant to the analysis are only expenditures and employment that occur within the borders of the State of Oregon. Any spending leaving the state is assumed to be lost to the local economy. The analysis later splits impacts between urban or rural Oregon.

Spending within the state does cause subsequent economic impacts, but it is not an endless effect. It lessens with each additional transaction away from the initial source (*e.g.*, a trainer buys feed from a farm, the farm then spends part of what they get on fertilizer, the farm store places an order with an ag-chemical company, *etc.*). The amounts diminish due to the effects of savings, taxes, or spending outside the study area. For instance, if the local farm that sold feed to the trainer uses half the money to buy a piece of equipment from Washington state, that purchase has no impact on the Oregon economy nor any further impacts.

For what stays in Oregon, for each round of spending and the employment it provides, more is added to the initial impact. In the end, the total economic impact on the state exceeds the initial impact by some multiple. Economists call this the *multiplier effect*.

Impact Levels

Transactions (and employment) occur at three different levels depending on how removed they are from the initial source. For this analysis those levels are:

- **Direct impacts:** Direct impacts happen at Portland Meadows' operations either at the racetrack in Portland or at one of the OTBs around the state.
- **Indirect impacts:** An indirect impact includes business-to-business transactions. If the racetrack pays a local advertising firm to produce an ad; that is an indirect impact (specifically a first round impact). If the advertising firm then pays the Oregonian newspaper to place the ad for Portland Meadows, that too is an indirect impact (a second round impact). Impacts can continue for many rounds and are counted as long as they occur inside the state.

- **Induced impacts:** An induced impact comes from household spending. For example, a jockey, earning money from riding a horse at Portland Meadows, spends some of what they made at a diner in Portland, that is a first round of induced impact. If the waitress at the diner spends the tip they earned from the jockey at a local hardware store; that is a second round of induced impact. Because induced impacts originate from household spending, they often are called “consumption-driven” effects.

Direct impacts are sometimes referred to as *primary* impacts because they start by the primary sources of economic activity. Induced and indirect together are called *secondary impacts*, and they happen largely away from the primary sources. The value of IMPLAN is that it can estimate all of the eventual secondary impacts, well beyond the first and second rounds.

In this analysis, however, supply-chain effects are being counted as indirect impacts even though some do happen at Portland Meadows. Backstretch work is a good example. While it occurs at Portland Meadows, Portland Meadows employees do not do it. Therefore, backstretch work counts as a secondary impact. The overall effects of this distinction in the final totals are negligible.

Types of Impacts

Impacts are reported using economic measures, such as jobs and income that, while not additive, do provide alternative perspectives for expressing the size of economic effects. The measurements used in this report are:

- **Jobs:** The annual average number of jobs, both of payroll employees and the self-employed, for either full- or part-time work done during a year. The term for this is “full-year equivalent” jobs. For horse racing, this is very difficult to measure and compare with other industries. It is very common for one person to hold more than one job (for instance, jockeys work as exercise riders; hot walkers as grooms). Many jobs last a few days. Most jobs are self-employed, not payroll positions, so they do not show up on the Employment Department payroll statistics. Furthermore, some workers may donate their time as volunteers, family members, or hobbyists who engage in horse racing activities intermittently.
- **Employee compensation:** Payroll cost of employers. It is the sum of wages, salaries, benefits (*i.e.*, health insurance, vacation pay, retirement), and employer paid payroll taxes.
- **Proprietor income:** The majority of people in the industry are self-employed. Earnings of self-employed workers, including farmers, are counted as proprietor income in economic impact models. This includes shares of purses earned by trainers and riders.
- **Labor income:** The sum of employee compensation and proprietor income.

- **Other property type income.** This includes several miscellaneous sources of income, but the main one in horse racing is purse money earned by horse owners. To the extent that purse money is earned by owners from Oregon and spent for purposes not otherwise counted in the analysis, such as for stall and training fees, that portion of income is counted as an induced impact.
- **Output.** The gross value of a year's worth of production is output. For Portland Meadows and other horse racing activities, it is roughly the value of services provided (revenues).
- **Value added.** The best overall measure of an industry's impact on the economy is value added. It is what is left after subtracting the value of non-labor purchases from output. For example, to determine the value added to the economy from the racetrack, you subtract its purchases (such as utilities and rent) from its output because utilities and rent are forms of output of other industries. Value added is a way of eliminating such double counting. Value added is also known as gross domestic product or "GDP" — a common measure of the size of an economy.³

³ The U.S. Bureau of Economic Analysis calculates national and local area GDP data. Some analysts reserve the term GDP for national data and call county-level results the gross regional product or GRP.

Portland Meadows

During 2010, Portland Meadows hosted 727 races for Thoroughbreds and quarter horses. There were 5,467 starters (horses that took part in races) vying for an average purse per race of \$4,866.

Overview of Portland Meadows in 2010

The 2010 calendar year consisted of the latter part of Portland Meadows' 2009-10 and beginning of the 2010-11 seasons. There was no live racing during the summer between May 2, 2010 and October 3, 2010. However, trainers work their horses at the racetrack year-round. In 2010 there were between 162 and 816 horses on the grounds each month, for an average of 517 for the year.

The ORC issued 402 licenses to people that could work at Portland Meadows. Overall, the track reported 73 full-time equivalent employees in 2010 at an average annual compensation of \$39,788.

Portland Meadows' racetrack operations brought in nearly \$7.5 million in revenue, while its OTB sites brought in about \$576,000. Three of the fourteen OTB locations, which had the least amount of wagering activity, were closed in 2010.

Wagering Handle

Racetracks reward the owners, trainers, and jockeys of winning horses. The tracks derive this income, called "purses," partly from a percentage of the bets made on the races. Total wagers made by the public are called the racing "handle." The ORC oversees and taxes this wagering, and reports the totals.

Horse racing in Oregon occurs at Portland Meadows racetrack and at fair race meets. Betting on horse racing takes place at these venues, as well as at OTB sites and through ADW hubs, usually *via* the Internet. Both Oregonians and bettors from other states wager on horse races using ADWs. Out-of-state bettors place bets on races at Portland Meadows and at fairs. Likewise, some Oregonians bet on simulcast races from other states. Oregon fairs only take bets live at the fairground racetracks. The total wagering in Oregon on both in-state and out-of-state races in 2010 was nearly \$97 million, as shown in Table 1.

Table 1: Wagers Made on Oregon Races and by Bettors at Oregon Racetracks and OTBs, by Residency of Bettor; and Total ADW wagering, 2010

Venue	Portland Area (a)	Other Oregonians (b)	All Oregonians (c = a+b)	Nonresidents (d)	Total Handle (e = c+d)
Live on-track	\$1,191,181	\$282,787	\$1,473,968	\$415,734	\$1,889,702
Exports from PM*	-	-	-	58,239,307	58,239,307
PM ADW bets in-state	165,528	219,886	385,414	-	385,414
Simulcasts at PM	9,845,644	2,337,359	12,183,003	3,436,232	15,619,235
County fairs	50,913	723,217	774,130	60,288	834,418
OTBs live handle	390,838	178,950	569,788	76,490	646,278
OTBs simulcast	11,605,644	5,313,793	16,919,436	2,271,300	19,190,736
Total Oregon Handle	\$23,249,748	\$9,055,992	\$32,305,740	\$64,499,350	\$96,805,090
ADW hubs	\$6,219,649	\$5,088,804	\$11,308,453	\$1,437,482,924	\$1,448,791,377

* Excludes wagers made by Oregonians over the Internet through ADW hubs on races at Portland Meadows. Those wagers are shown separately in the line below.

Source: ECONorthwest analysis of data from Portland Meadows and the Oregon Racing Commission.

In 2010, Oregonians wagered about \$32.3 million, of which about \$23.2 million was wagered in the Portland area. Nonresidents bet an additional \$64.5 million, bringing the total handle in Oregon to \$96.8 million.

Oregon ADWs processed over \$1.4 billion in wagers, with about \$11.3 million being made by Oregonians.

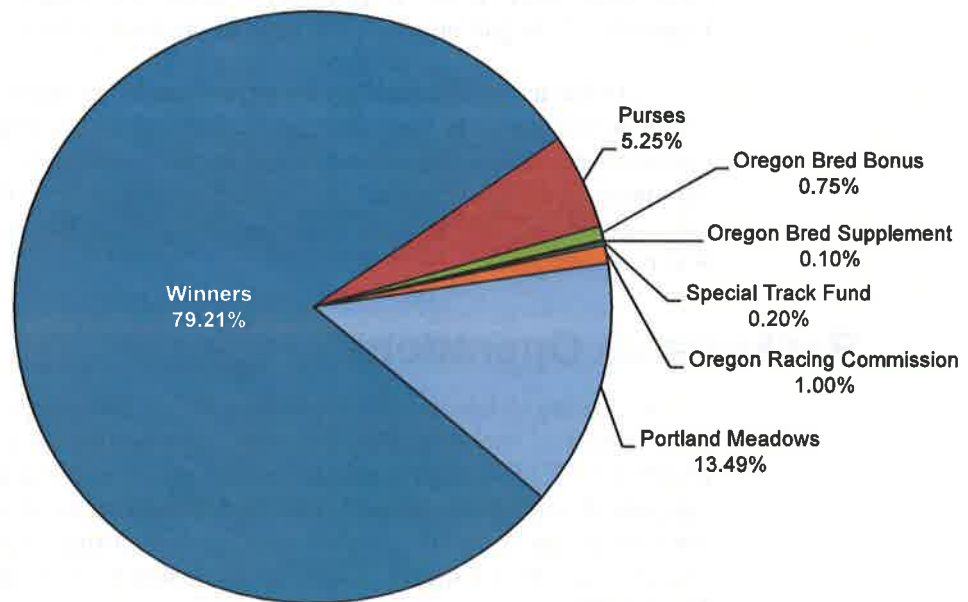
Wagering Revenue

The revenue from wagering is the amount retained by the industry from bets. This revenue is used to pay for purses, taxes, and operating expenses.

Racing revenues are distributed among various groups. Some revenues are paid to owners in the form of purses, while others go to fund ORC operations, Portland Meadows, and OTOBA. In addition, ADWs separately collect a percentage of the wagers they process. It is their source of revenue paying for their labor and operations.

Figure 2 illustrates the distribution of wagers by bettors at Portland Meadows. Distributions at fairs, other venues, and on other tracks vary from this.

Figure 2: Distribution of Portland Meadows Live Racing Handle



Source: Portland Meadows and the Oregon Racing Commission.

Almost 80 percent of wagers go back to winning bettors. Portland Meadows receives 13.49 percent, which is used to pay for its operations. Another 5.25 percent goes to general purses, which is paid to owners of winning horses. The ORC receives one percent. A special track fund, primarily for improving the racetrack facilities, is allocated 0.20 percent. One-tenth of a percent is dedicated to an Oregon Bred Supplement, used to enhance purses in races restricted to Oregon bred horses. Another three-quarters of a percent goes to an Oregon Bred Bonus, supplementing purses for owners of Oregon bred Thoroughbreds.

Supply Chain Impacts

Calculating supply chain impacts is challenging. Certain information is collected in good detail by the ORC, which tightly regulates racing. The ORC requires licenses for each job at racetracks, including in the backstretch. They track purse money and wagering very carefully.

In spite of the good data of the ORC, measuring jobs is problematic. Unlike most businesses, racing jobs can last a little as one day. For example, a trainer who entered a single horse on one race day in 2010 would count as one job. It is also common for jockeys visiting from other states to race a few times and leave. Their work in Oregon is also counted.

Therefore, when considering the findings of this study, one needs to recall that many jobs entail far less work than the full or part-time employment of a typical business. So the job numbers are high in proportion to the labor income.

ECONorthwest did account for persons holding more than one ORC license. For example, a jockey that was also licensed as a morning workout rider is counted here as one job, although it is for the same person holding two different occupations. ECONorthwest also excluded owners from the job calculations, although owners are licensed with the ORC, unless they also hold another license that is an occupation, such as trainer.

Backstretch Operations

According to license data from the ORC, 1,938 people were licensed to work in training and backstretch professions, not counting employees of Portland Meadows. ECONorthwest calculated that this was equal to 352 full-year equivalent employees. As with Portland Meadows itself, most of these jobs are seasonal or part-time with higher employment during Portland Meadows' racing season and fair race meets. Together, backstretch workers earned about \$7,032,000.

The ORC is also part of the backstretch. It was established in 1933 by the Pari-Mutuel Wagering Act, and oversees horse racing in Oregon. According to the Oregon Revised Statutes, the commission will "license, regulate, and supervise all race meets," as well as prepare "a complete set of rules to govern the race meets."⁴ Its duties include ensuring animal safety, issuing racing worker licenses, and producing statistical data and reports.

It employed 16 people in 2010, who earned a combined \$1.1 million in labor income. Its annual budget was almost \$3.1 million.

⁴ 2011 Oregon Revised Statutes § 462.270.

Fair Race Meets

Outside of Portland Meadows, horse racing was held at five fair race meets in 2010. These are summarized in Table 2.

Table 2: Summary of Fair Race Meets

Venue	City	Race Days	Track Workers	Total Handle	Race Meet Proceeds
Crooked River Round Up	Prineville	4	23	\$215,662	\$47,446
Eastern Oregon Livestock Show	Union	3	23	37,804	7,561
Harney County Fair	Burns	3	66	28,951	6,369
Josephine County Fair	Grants Pass	9	52	411,508	84,855
Tillamook County Fair	Tillamook	4	23	140,493	30,908
Total		23	187	\$834,418	\$177,140

Source: Fair representatives, Oregon Racing Commission.

Economic activity at the fairground and surrounding area is intensified during fair race meets. An influx of visitors to these areas injects cash into the local economy, especially the retail and service sectors. However, these events only last for a short time, making their annualized effects appear small.

Because these fairs involve many activities besides racing, it can be difficult to separate racing's effects from others. Nevertheless, ECONorthwest estimated the racing-specific data from information provided by the race meets. Together, they held 23 days of racing between June and September, totaling 1,358 starters. Racing at these events employed 187 temporary workers.

ADW Hubs

There were eleven ADW hubs operating in Oregon in 2010. According to the ORC, all ADW hubs operate in the Portland metropolitan area. Table 3 is a list of the ADW hubs and their betting handles. Some of these have since merged.

Table 3: ADW Hubs and 2010 Handle

Hub Name	Handle (millions)
AmWest Entertainment	\$37.8
BetPad	1.2
eBet Technologies	19.1
PayDog	22.0
Premier Turf Club	30.3
Racing 2 Day	1.8
The Racing Channel	31.8
TVG	608.6
Twin Spires	405.0
XpressBet	181.2
Youbet	110.0
Total	\$1,448.8

Source: Oregon Racing Commission.

The ORC licensed 496 ADW hub workers in 2010, but the hubs reported having 140 full-year equivalent workers. A person may have a license but not have worked during the year. Based on information from one ADW hub, average annual compensation rates were \$54,178 per person. Overall, hubs paid \$1.6 million in taxes to the ORC in 2010.

Breeding

Stallions and mares are selectively bred to produce offspring with the most desirable traits for racing. Breeders typically control the mating, foaling, and raising of these horses until they are old enough for sale or are of racing age. In Oregon, racehorse owners breed the majority of foals. Others breed expressly to sell foals for racing.

In addition to the usual costs of owning a horse, such as feed, bedding, and transportation, the breeding process often requires specialized care to ensure the health of the foal.

Breeders' expenses were calculated using several sources. These included survey data from OTOBA, OQHRA, information from and a prior New York study on racehorse breeding expenses. The resulting annual, per-horse spending pattern was applied to the estimated 521 non-racing age racehorses in the state (325 Thoroughbreds, and 196 quarter horses). Non-racing age horses include foals, weanlings, yearlings, stallions, and broodmares. They do not include retired racehorses. Dr. Dawn Sherwood, an equine specialist at Oregon State University, reviewed the resulting estimated expenses. Annual per-horse spending is shown in Table 4.

Table 4: Annual Breeding Expenses in 2010

Expense Category	Per Horse	Total
Boarding and Training Fees	\$5,040	\$2,625,840
Supplies, Equipment, Maintenance, and Repairs	\$1,495	\$778,895
Feed	\$1,362	\$709,602
Breeding Fees	\$1,131	\$589,251
Fuels	\$1,000	\$521,000
Farriers	\$960	\$500,160
Health and Veterinary Services	\$799	\$416,279
Insurance	\$616	\$320,936
Real Estate and Improvements	\$572	\$298,012
Other Fees, Payments, and Miscellaneous	\$496	\$258,416
Taxes	\$470	\$244,870
Utilities	\$392	\$204,232
Bedding	\$313	\$163,073
Travel and Transportation	\$233	\$121,393
Rent and Lease Payments	\$220	\$114,620
Total	\$15,099	\$7,866,579

Source: ECONorthwest.

Linked Spending

Linked spending, as previously defined, is the off-track spending by owners who attend races. Exact data for this are unavailable. ECONorthwest used an alternative source to estimate this effect. It is understood that other visitors also spend money due to racing, but this is unaccounted for due to a lack of useable data. Therefore, the numbers presented here represent a conservative estimate of linked spending impacts.

County-level visitor spending data from the Oregon Tourism Commission was used to calculate total spending associated with each venue.⁵ Owners and their families attend many of the races in which their horses participate. Therefore, the ratio of starts to person-visit days for all venues was estimated to be 1:5.⁶

Table 5: Linked Spending due to Racing

	Crooked River Round Up	Eastern Oregon Livestock Show	Harney County Fair	Josephine County Fair	Tillamook County Fair	Portland Meadows
Starts	276	142	147	602	191	5,467
Estimated Person-Visit Days*	1,380	710	735	3,010	955	27,335
Average Daily Spending per Person						
Lodging	\$18	\$18	\$18	\$20	\$32	\$30
Restaurant Food & Beverage	21	21	21	23	35	35
Retail Purchases	16	16	16	15	21	25
Transportation at Destination	13	13	13	15	16	13
Recreation / Entertainment	7	7	7	12	12	13
Total Per Person Per Day	\$75	\$75	\$75	\$85	\$116	\$116
Total Per Venue	\$103,500	\$53,250	\$55,125	\$257,054	\$111,162	\$3,170,860

* Visits count only those by owners and their families.

Source: ECONorthwest.

⁵ Oregon Overnight Travel Study, 2010. Longwoods International. Retrieved April 17, 2012. <http://industry.traveloregon.com/Research/General%20Research.aspx>

Lodging values were adjusted to reflect 60 percent of visitors staying overnight.

⁶ These calculations represent a rough estimate of the average spending per overnight stay due to horse racing. They are an average per starter.

Economic Impact Results

The section reports the economic impact of the Portland Meadows racetrack and horse racing supply chain in Oregon. First, the cumulative impacts are presented, followed by the impacts of each element separately.

Combined Impacts

Although horse racing in Oregon has declined from its peak, it was nonetheless responsible for significant economic activity in the state in 2010. Portland Meadows is responsible not only for the income and jobs it creates directly, but also for that elsewhere in the horse racing supply chain. Furthermore, the economic activity created by both groups ultimately yields even more benefits as the money flows through the state economy. Many of these benefits are due to non-residents. This brings in new revenue to the state economy that would not otherwise happen.

Portland Meadows and the horse racing supply chain together contributed \$146.1 million in direct economic output to the state in 2010. This led to a total of \$202 million in total output. They also directly contributed \$23.9 million in labor income to workers and small business owners in the state. With secondary impacts, the total labor income was \$44.5 million.

Horse racing directly supported 777 full-year jobs. The actual number of individual jobs, which includes many short-duration positions, was in excess of 3,000 based on ORC records and an analysis of breeder employment. The direct full-year equivalent jobs in combination with secondary jobs shows a total impact of 1,335 jobs statewide.

Table 6: Combined Economic Impacts of Portland Meadows and the Horse Racing Supply Chain in Oregon

	Rural	Portland Metro	Total Oregon
Output			
Direct	\$10,246,134	\$135,888,912	\$146,135,047
Indirect	\$3,944,045	\$20,810,088	\$24,754,133
Induced	\$1,977,974	\$30,108,927	\$32,086,901
Total	\$16,168,154	\$186,807,927	\$202,976,081
Labor Income			
Direct	\$1,429,620	\$22,511,574	\$23,941,193
Indirect	\$975,528	\$8,970,357	\$9,945,885
Induced	\$673,469	\$10,254,668	\$10,928,137
Total	\$3,078,617	\$41,736,599	\$44,815,216
Jobs (Full-Year Equivalents)			
Direct	226	551	777
Indirect	38	241	279
Induced	18	273	291
Total	282	1,065	1,347

Source: ECONorthwest.

Portland Meadows

Through just its own operations, Portland Meadows employed 102 FTEs in 2010. This includes Portland Meadows staff that work at OTB sites. These workers earned over \$3.3 million in wages and benefits. Track and OTB revenues totaled about \$8 million.

These direct effects supported additional economic activity both in Portland and throughout the state. These are shown in Table 7.

Table 7: Economic Impacts of Portland Meadows Itself

	Rural	Portland Metro	Total Oregon
Output			
Direct	\$198,983	\$7,840,630	\$8,039,613
Indirect	\$17,141	\$4,014,458	\$4,031,599
Induced	\$163,762	\$4,402,418	\$4,566,180
Total	\$379,887	\$16,257,506	\$16,637,392
Labor Income			
Direct	\$166,186	\$3,177,363	\$3,343,549
Indirect	\$7,373	\$1,483,097	\$1,490,470
Induced	\$55,788	\$1,499,626	\$1,555,414
Total	\$229,347	\$6,160,085	\$6,389,432
Jobs (Full-Year Equivalents)			
Direct	11	91	102
Indirect	0	32	32
Induced	1	40	41
Total	13	163	176

Source: ECONorthwest.

Portland Meadows spent more than \$4.1 million on goods and services from other businesses in 2010. Many of those purchases were made from businesses in Oregon, causing a total of \$4 million in additional business-to-business spending. This supported almost \$1.5 million in labor income and supported more than 32 jobs.

The earnings of Portland Meadows' employees also generated additional impacts as they circulated throughout the economy. These included \$4.6 million in economic output, and \$1.6 million in labor income. This sustained another 41 jobs within Oregon.

In total, Portland Meadows and its OTB operations supported \$16.6 million in output, \$6.4 million in labor income, and the equivalent of 175 full-year jobs throughout the state. Most operations take place in Portland, with the exception of OTBs elsewhere. Accordingly, most economic impacts originate from within the Portland metropolitan area.

Horse Racing Supply Chain

The horse racing supply chain in Oregon is extensive. It is composed of the five distinct elements previously described. They are backstretch activities, fair race meets, ADW hubs, breeding, and linked spending. Of these, the impacts of ADW hubs and ORC originate exclusively in Portland. The impacts of fair meets and linked spending originate exclusively in rural Oregon. Backstretch activities and breeding occur in both regions.

The dimensions of the horse racing supply chain in Oregon in 2010 was about \$138 million in direct revenue, \$20.6 million in labor income, and 675 full-year jobs. These direct impacts had additional effects as they circulated throughout the state. These included more than \$47.3 million in indirect and induced output, \$17.5 million in indirect and induced labor income, and 484 full-year jobs.

Table 8: Economic Impacts of the Horse Racing Supply Chain

	Rural	Portland Metro	Total Oregon
Output			
Direct	\$10,047,151	\$128,048,282	\$138,095,434
Indirect	\$3,926,904	\$16,795,630	\$20,722,534
Induced	\$1,814,212	\$25,706,509	\$27,520,720
Total	\$15,788,267	\$170,550,421	\$186,338,688
Labor Income			
Direct	\$1,263,434	\$19,334,211	\$20,597,644
Indirect	\$968,155	\$7,487,261	\$8,455,416
Induced	\$617,681	\$8,755,042	\$9,372,724
Total	\$2,849,270	\$35,576,514	\$38,425,784
Jobs (Full-Year Equivalents)			
Direct	215	460	675
Indirect	38	209	247
Induced	16	233	249
Total	269	902	1,171

Source: ECONorthwest.