



FREEDOM FOUNDATION OF MINNESOTA
RACINO GROUP'S CLAIMS DO NOT STAND UP TO SCRUTINY

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RACINO ADVOCACY GROUP'S CLAIMS: FACT OR FICTION?

Racino Now, an advocacy organization led by former Senator Dick Day, recently launched its campaign to change state law to allow slot machines at racetracks. The group's website and legislative kit tout their racino proposal as a major revenue generator for the state and a boon for the state's horse industry. However, analysis by the Freedom Foundation of Minnesota shows that several claims made by Racino Now are misleading and often based on a misinterpretation of economic and statistical data. Among other things, Racino Now dramatically overstates the horse industry's economic impact in Minnesota and fails to substantiate its claims regarding the racino proposal's economic benefits to the state's farm economy. The Freedom Foundation of Minnesota's Fact Check seeks to set the record straight.

WHAT IS THE REAL ECONOMIC IMPACT OF MINNESOTA'S HORSE INDUSTRY?

Racino Now's legislative kit claims that "a 2004 University of Minnesota study found that Minnesota's horse industry is responsible for nearly \$1 billion in economic impact in the state every year, touching all sectors of our rural and suburban economy." There are several problems with this statement.

First, the University of Minnesota study they cite simply does not exist. The group seems to be referring instead to a PowerPoint presentation given by a U of M professor at a 2004 gathering of horse interests.¹ However, the more troubling aspect of their claim involves the "nearly \$1 billion" economic impact of the horse industry, which Racino Now based on the \$930 million estimate included in the professor's presentation's.

The estimate assumes a per head economic impact of \$6,002, which is based on data from Pennsylvania, not Minnesota. Regardless of whether the \$6,002 figure is applicable in Minnesota, Racino Now's economic impact claim appears to be wildly inflated because it assumes an equine population of more than 150,000. That number comes from a 1999 USDA sample survey, which included not just horses and ponies but also mules, burros, and donkeys. And it bears little resemblance to official USDA Census of Agriculture horse population figures of 69,689 (in 1997) and 90,140 (in 2007). Applying the USDA's 2007 estimate, the total economic impacts would fall to \$541 million.

DOES THE HORSE INDUSTRY REALLY NEED SUBSIDIES?

The Racino Now legislative kit states that “funds will be set aside for grants for non-racing equine development, promotion and service activities which will expand the statewide benefit of Minnesota’s horse industry.” The question is, does the non-racing horse industry really need subsidies?

In many respects, Minnesota’s non-racing horse industry is already thriving, a fact acknowledged by Racino Now. Despite dramatic declines in the horse population and the number of farms with horses during the latter half of the 20th century, several indicators suggest the state’s equine “leisure industry” is in excellent shape.

According to the USDA 2007 Census of Agriculture, the average Minnesota horse farm had 6.9 head, the highest number of horses per farm in modern record keeping.ⁱⁱⁱ And a 2004 survey of horse owners by the Minnesota Extension Service found that the average respondent had 14 horses on 30 acres of land.^{iv} Responses covered 86 of the state's 87 counties, and

Year	Farms w/ horses	Number of horses	Horses per farm
2007	13,048	90,140	6.9
2002	14,289	92,770	6.5
1997	11,456	69,689	6.1
1992	7,709	43,155	5.6
1987	10,274	54,303	5.3
1982	11,016	53,883	4.9
1950	101,000	277,000	2.7
1940	159,842	627,394	3.9
1930	166,139	805,093	4.8
1920	167,000	933,000	5.6

Source: USDA Census of Agricultureⁱⁱ

with twice the number of horse than the average USDA Census farm, these horse owners likely represent the most active members of the state's horse industry. Significantly, about half of the respondents derived some household income from horse sales or horse breeding, a third had earnings from boarding horses, and 16% earned income from hauling horses or selling hay and straw.

So the question is, if Minnesota’s horse industry is already thriving, why should it be subsidized by the state? This question becomes more challenging when the economic status of these horse owners is juxtaposed with the average Minnesota household. The Minnesota Extension Service survey shows that horse owners have significantly higher levels of household income than the general Minnesota population.

When asked about their 2003 household income, just 25% of horse owners reported making less than \$50,000 a year. By contrast, in 2004, the Minnesota Department of Revenue Tax Incidence Study found that 60% of all Minnesota households made less than \$47,000 a year.^v Only 10% of Minnesotans earned more than \$105,000, while 25% of horse owners had incomes exceeding \$125,000.

Horse owners 2003 income	Minnesota 2004 incomes
25% earned < \$50k	60% earned < \$47k
50% earned \$50k - \$125k	30% earned \$47k - \$105k
25% earned > \$125k	10% earned > \$105k

Source: MES horse owner survey **Source: MDR tax incidence study**

CASE FOR RACINO DOESN'T HOLD UP

Racino advocates promote the benefits of casino-style gambling at Canterbury Park and Running Aces harness Track as a “jackpot for Minnesota.” According to the Racino Now website, adding thousands of slot machines to the Twin Cities suburbs will cost the state nothing and will guarantee additional revenue for the state “without raising anyone’s taxes.”^{vi}

Furthermore, racino advocates want us to believe that one of their primary goals in expanding state-sponsored gambling in Minnesota is to save and even enhance our horse and breeding industry.

But facts are stubborn things. And facts prove that horse racing is an industry in serious decline. Nationwide track attendance is down and so are the sums wagered. Interestingly, this horseracing trend continues even in states that have added racino slot machines.

Nearly a dozen states currently have horse racetracks with some casino gambling including slot machines. Additional gambling to racetracks has been added across the country incrementally with the ostensible purpose of saving horse racing as entertainment. Yet, according to Kentucky’s *Lexington Herald-Leader*, “[W]hat they don’t necessarily do is save the horse industry.”^{vii} Adding Vegas-style gambling to Canterbury Park and Running Aces Harness Track isn’t about saving the horse racing industry, what was once dubbed “the sport of kings.” It’s about adding slot machines to our suburbs.

But more importantly, adding racinos to Minnesota will have little or no economic benefit to farmers, ranchers and other horse enthusiasts throughout the state. And, for all of the promises and hyped up benefits, lawmakers would be wise to consider the host of additional problems that will accompany this expansion of gambling. In the end, the economic benefits of adding racinos to our suburbs simply don't add up.

ENDNOTES

- ⁱ "Economic Value of Horses in Minnesota". Brian Buhr. University of Minnesota. Department of Applied Economics. January 2004. PowerPoint Presentation.
<http://www.extension.umn.edu/horse/components/pdfs/EconomicValueHorsesMN.pdf>
- ⁱⁱ "Census of Agriculture by Year". USDA, National Agricultural Statistical Service. Washington, DC.
<http://www.agcensus.usda.gov>
- ⁱⁱⁱ "2007 Census of Agriculture. State of Minnesota. Table 15 - Horses and Ponies". USDA, National Agricultural Statistical Service. Washington, D.C. December 2009.
http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1_Chapter_2_County_Level/Minnesota/index.asp
- ^{iv} "University of Minnesota Horse Owner Survey". Journal of Extension. December 2006. Volume 44. Number 6. <http://www.joe.org/joe/2006december/rb4.php>
- ^v "2007 Minnesota Tax Incidence Study: an analysis of Minnesota's household and business taxes". See Table 2-2: 2004 Population Deciles. Minnesota Department of Revenue. March 2007.
http://www.taxes.state.mn.us/legal_policy/other_supporting_content/07_incidence_report_links.pdf
- ^{vi} Racino Now website. www.racinonow.com
- ^{vii} Cheves, John. "Are racinos saving the horse industry in other states?" *Lexington Herald-Leader*. June 15, 2009.