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Derby City Gaming Expansion: Its Impact on the Louisville Metro Area

By

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Expanding its operation in late 2022 after a \$76 million renovation, Louisville's Derby City Gaming on Poplar Level Road will feature a new hotel with over 100 rooms, upscale dining facilities, and up to 400 new gaming machines that will occupy up to 135,000 new square feet (Churchill Downs Press Release, July 28 2021). Derby City Gaming (DCG) is owned and operated by Churchill Downs, and since its opening in September 2018, it has generated a large amount of the corporation's revenues thanks to the popularity of its several hundred historical horse racing (HHR) machines.

But the \$76 million spent on the DCG renovation will be not the only impacts of the new gaming center's effects on the Louisville area. In urban and regional economics, there is the concept of regional economic multipliers which demonstrates that \$100.00 in direct spending in a local economy usually has an impact beyond what the recipient of the \$100.00 collects whether the recipient is a household, business, or some other entity. That is, not only does the recipient receive \$100.00, but that recipient in turn spends the \$100.00 on purchases of other items. A restaurant which receives \$100 in spending will in turn spend that money on payroll, supplies, and keep some for profits. The net impact on a region could be 2 to 3 times the amount of the initial \$100 of expenditures, however.

Therefore, the \$76 million to be received by local construction contractors and other vendors will have a greater net amount added to the Louisville metro economy which extends across Jefferson County (home county of Louisville) and counties in north central Kentucky and southern Indiana. Using economic multipliers from IMPLAN software (2021), Table 1 below shows that the \$76 million will result in a total increase in the Louisville economy of around \$140 million with total employment of around 854 jobs created due to the construction of the new facility (around 479 jobs estimated); and due to increased activity among the suppliers of the construction companies (around 161 jobs estimated); and due to overall increased spending by the employees of the construction and supplier companies (around 214 jobs). The overall result for labor income or payroll gains is estimated to be around \$51.1 million.

Table 1-Construction Impacts

	Employment	Labor Income	Output/Sales
1 - Direct	479.02	\$29,873,678.01	\$76,000,000.00
2 - Indirect	161.35	\$10,178,620.39	\$30,758,597.39
3 - Induced	214.38	\$11,056,653.17	\$33,042,225.79
Total	854.75	\$51,108,951.58	\$139,800,823.18

Additionally, since the expanded DCG basically will be similar to a casino (except without table games) the impact of the expansion will be similar to the expansion of a casino or casino hotel. Table 2 below shows that for every 10 people employed at the establishment, around 5 to 6 other jobs will be created in the Louisville region. Every \$100 dollar in payroll generated at the center will yield around \$69 more labor income in the local economy. Finally, for every \$100 in final output or sales originating from the track, another \$81 will be created in the Louisville area.

Table 2-Gaming Impacts

	Jobs Multiplier	Labor Income Multiplier	Output/Sales Multiplier
Gaming Operations	1.55	1.69	1.81

The decision to invest more in Derby City Gaming will have impacts that will reverberate across the region that takes in at least 13 counties in Kentucky and Indiana. Expanding DCG will make it more competitive with other gambling establishments and enable it to generate more jobs and income for itself and other businesses in the metro economy.

References:

Churchill Downs Incorporated. 2021. “Churchill Downs Incorporated Announces a Major Expansion at Derby City Gaming.” July 28, 2021. <https://ir.churchilldownsincorporated.com/news-releases/news-release-details/churchill-downs-incorporated-announces-major-expansion-derby> . Accessed on August 6, 2021.

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