

University of Louisville

ThinkIR: The University of Louisville's Institutional Repository

Faculty Scholarship

10-2022

The Economic Impact of Keeneland Race Course on the Lexington Metro Area with Projections for this Year's Breeders Cup

Thomas E. Lambert

University of Louisville, thomas.lambert@louisville.edu

Follow this and additional works at: <https://ir.library.louisville.edu/faculty>



Part of the [Economics Commons](#), and the [Gaming and Casino Operations Management Commons](#)

ThinkIR Citation

Lambert, Thomas E., "The Economic Impact of Keeneland Race Course on the Lexington Metro Area with Projections for this Year's Breeders Cup" (2022). *Faculty Scholarship*. 803.

<https://ir.library.louisville.edu/faculty/803>

This Technical Report is brought to you for free and open access by ThinkIR: The University of Louisville's Institutional Repository. It has been accepted for inclusion in Faculty Scholarship by an authorized administrator of ThinkIR: The University of Louisville's Institutional Repository. For more information, please contact thinkir@louisville.edu.

The Economic Impact of Keeneland Race Course on the Lexington Metro Area with Projections for this Year's Breeders Cup

Thomas E. Lambert, PhD
College of Business
University of Louisville
Louisville, KY 40292
502-852-7838

Thomas.Lambert@Louisville.Edu

Keeneland Race Course in Lexington, Kentucky has had a long tradition for quality horse racing going back to its inception in 1936 (Keeneland 2022). With the 2022 Breeders' Cup World Championships coming to the race track¹ this November, this paper examines what economic impact the race track has on the Lexington metro area (Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford counties in Kentucky) on an annual basis² and how the 2022 Breeders' Cup will boost the impact of the race track when compared to a typical year.

Table 1 below shows how the 200 or so jobs at Keeneland generate additional payroll and output throughout the metro area. The 200 jobs help to generate an additional 99.06 jobs from vendors and suppliers who sell to the track (indirect impact) and another 36.23 jobs from restaurants, movie theaters, and other retailers as well as from home builders and landlords and others who sell goods and services to the employees of the track and its suppliers (induced impact). The approximate \$5.1 million in estimated track payroll helps to create an additional \$4.8 million in payroll among the employees of its vendors and employees of establishments which provide services to the track's employees and the employees of track vendors. Track employees and employees of vendors spend money at Lexington area retail stores, buy housing, and consume a whole host of locally offered products. The track's approximate annual sales or

¹ The horse auctions held at Keeneland are a separate part of the Keeneland operations.

² Projections are based on 2019 data since the years 2020 and 2021 were unusual ones because of the Covid-19 pandemic crisis. All estimates are in terms of 2022 dollars. IMPLAN was the economic modeling system used for this paper (IMPLAN 2022 data).

output of \$16.5 million helps to make an additional local output/production of around \$15 million through orders to its vendors (track supplies, renovation expenses, etc.) and through increased sales of local establishments who service track and supplier employees. Finally, the “multipliers” of employment, labor income, and output are displayed in the last line of Table 1, and these show that 1) a single job at Keeneland supports 0.68 of another job; 2) each dollar earned by a Keeneland track workers supports another \$0.93 in pay elsewhere; and each dollar of output/sales by Keeneland helps to generate another \$0.92 in output in other establishments.

Table 1—Job, Payroll, and Output

Impact	Employment	Labor Income	Output
1 – Direct	200	\$5,131,962.41	\$16,471,610.64
2 – Indirect	99.06	\$3,072,697.92	\$9,779,252.42
3 – Induced	36.23	\$1,696,820.14	\$5,324,379.05
Totals	335.28	\$9,901,480.47	\$31,575,242.11
Multipliers	1.68	1.93	1.92

Keeneland Race Track also contributes quite a bit to local, state, and federal tax revenues during a typical year. Table 2 illustrates that for every \$1.00 in taxes at all levels paid by Keeneland, an additional \$1.07 is paid by its suppliers and local Lexington businesses that serve Keeneland and supplier employees. The greatest amount in taxes estimated to be paid by Keeneland, its vendors, and other local businesses is to the federal government (\$1.85 million), although it has a greater multiplier effect for local or state taxes generated, and this is mostly and probably due to sales taxes paid by vendors and other enterprises.

Table 2—Tax Effects

Impact	Local	State	Federal	Total
1 - Direct	\$ 145,767.01	\$ 266,871.20	\$ 971,822.81	\$ 1,384,461.02
2 - Indirect	\$ 102,566.15	\$ 185,710.59	\$ 556,336.43	\$ 844,613.17
3 - Induced	\$ 114,722.68	\$ 203,208.73	\$ 322,000.78	\$ 639,932.19
Totals	\$ 363,055.84	\$ 655,790.52	\$ 1,850,160.02	\$ 2,869,006.39
Multipliers	2.49	2.46	1.90	2.07

Implications and Projections for the 2022 Breeders' Cup

1. Wagering/handle at the track

Table 3 displays estimates of how \$25.3 million in wagering (an inflation adjusted amount of the approximate \$20 million spent in 2015 at Keeneland for the 2015 Breeders' Cup) causes even greater economic effects beyond the track for November 2022 (Keeneland 2022). An additional and approximate extra \$11 million in output is produced in the metro region, and employment at Keeneland is projected to increase by an additional 308 employees or so, and this in turn creates about 75 extra jobs elsewhere in the region due to the event.

Table 3—Projections on Wagering at the Track Impact

Impact	Employment	Labor Income	Output
1 – Direct	307.8	\$7,898,149.74	\$25,350,000.00
2 - Indirect	33.24	\$1,458,311.48	\$4,586,057.36
3 - Induced	41.26	\$1,933,399.60	\$6,066,648.49
Totals	382.3	\$11,289,860.82	\$36,002,705.84

Regarding tax receipts for track handle, Table 4 illustrates projected tax revenues for the event at Keeneland. The Cup is estimated to bring an additional and approximate three-quarters of a million dollars to state tax coffers while garnering a total of over \$400,000 in local taxes and over \$3 million in federal taxes.

Table 4—Projected Wagering Tax Receipts

Impact	Local	State	Federal	Total
1 - Direct	\$ 224,337.13	\$ 410,717.87	\$ 1,495,646.58	\$ 2,130,701.59
2 - Indirect	\$ 57,306.68	\$ 103,185.82	\$ 261,853.26	\$ 422,345.76
3 - Induced	\$ 130,767.60	\$ 231,627.30	\$ 366,906.63	\$ 729,301.53
Totals	\$ 412,411.42	\$ 745,530.99	\$ 2,124,406.48	\$ 3,282,348.88

2. Spending at local hotels, restaurants, etc.

Table 5 shows conjectures on the economic impact of around 50,000 patrons (an average of the 2015 attendance for each day) for spending on lodging, transportation, and/or local retailers. Over 500 additional jobs in the Lexington region in these industries are projected to be created thanks to the Breeders Cup event on November 4 and 5 of 2022. Regional payroll is boosted by around \$21.45 million, and local output also rises by \$62.6 million. The combined effects of on-track spending and spending by patrons at other local establishments while participating in the event **total nearly \$99 million**. Around 70% of this probably represents spending in Fayette County alone since it is the heart of the metro region and has the greatest population and workforce among all the counties in the region.

Table 5—Spending on Hotels, Restaurants, Retailers, Transportation, etc.

Impact	Employment	Labor Income	Output
1 – Direct	394.81	\$13,312,283.53	\$37,500,000.00
2 – Indirect	99.88	\$4,501,707.34	\$13,693,206.15
3 – Induced	77.68	\$3,638,952.51	\$11,419,746.08
Totals	572.37	\$21,452,943.38	\$62,612,952.23

Conjectures on the taxes collected from these activities are displayed in Table 6. The Breeders’ Cup is forecasted to create an extra \$10.17 million dollars in taxes for the Lexington area with around 40% of this going to the federal government, nearly the same

portion going to Commonwealth of Kentucky in tax receipts, and around \$2.2 million being collected by local governments.

Table 6—Projected Tax Receipts on Other Spending

Impact	Local	State	Federal	Total
1 - Direct	\$ 1,726,362.00	\$ 3,027,172.90	\$ 2,589,030.06	\$ 7,342,564.97
2 - Indirect	\$ 229,957.59	\$ 410,337.41	\$ 814,424.21	\$ 1,454,719.20
3 - Induced	\$ 246,102.79	\$ 435,920.07	\$ 690,589.61	\$ 1,372,612.47
Totals	\$ 2,202,422.38	\$ 3,873,430.39	\$ 4,094,043.88	\$ 10,169,896.64

These are conservative, “back of the envelope” estimates and assume that 2022 attendance and betting will be similar to that of 2015. With the US currently suffering from higher than normal inflation rates and with some economists warning that the US is currently in or headed into a recessionary period, the actual impact may be diluted. On the other hand, despite these possible negative circumstances, horse racing like all sports in general is looking for a rebound in fan enthusiasm and attendance after the Covid-19 pandemic depressed fan participation in 2020 and 2021. It will be interesting to see how things will develop for this November’s event.

References:

IMPLAN®. 2022. 2022 data, using inputs provided by the user and IMPLAN Group LLC, IMPLAN System, 16905 Northcross Dr., Suite 120, Huntersville, NC 28078 www.IMPLAN.com . Accessed on October 11, 2022.

Keeneland. 2022. Keeneland website, Home page. <https://www.keeneland.com/> . Accessed on October 11, 2022.