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### The Economic Impact of Buying and Redeveloping Ellis Park by Churchill Downs

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# **The Economic Impact of Buying and Redeveloping Ellis Park by Churchill Downs**

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Churchill Downs' acquisition of Ellis Park Racing and Gaming in Henderson, Kentucky reflects the growing number of mergers across the US among racetracks, racetracks and casinos, and casinos with other casinos. Some years back, Ellis racetrack closed for one year due to declining profitability, yet after new ownership took over and a gaming center was added, it began a rebound in earnings (Courier and Press 2008). The \$75 million that Churchill Downs plans to spend to transform Ellis Park (Schulz 2022) will have a much bigger impact than the construction, revamping, and expansion of park facilities. This is in addition to the current economic impact that the existing park has on the Evansville, Indiana Metro Area.

As of the writing of this paper and before renovation and expansion efforts start, Table 1 below shows the estimated economic impact of Ellis Park in the Evansville region regarding jobs, payroll, and local output, and Table 2 further below illustrates the proceeds of tax receipts at the federal, state, and local levels for the track and gaming center. Examining Table 1, the jobs at Ellis Park support 41 other jobs in the metro area thanks to indirect and induced effects of spending by the company and its employees. The indirect effects include those where Ellis Park pays vendors for supplies and other services which in turn supports jobs with the vendors. The induced effects are those generated when Ellis Park employees and the employees of their vendors spend money at local restaurants, at retailers, on housing, and spend money on other goods and services. Ellis generates an estimated extra \$1.9 million in regional payroll in

addition to its own thanks to indirect and induced effects, and helps other businesses create around \$6 million in local output and products that would not exist without Ellis’s presence. These are in addition to Ellis’s own estimated 140 to 150 jobs, payroll of around \$4.9 million, and output worth \$13.5 million for the Evansville region.

**Table 1**

<b>Impact</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>1 - Direct</b>	140.96	\$4,873,535.56	\$13,522,220.10
<b>2 - Indirect</b>	12.54	\$605,871.50	\$1,948,412.22
<b>3 - Induced</b>	27.54	\$1,309,743.36	\$4,017,858.29
<b>Total</b>	181.04	\$6,789,150.42	\$19,488,490.61

Table 2 shows the conjectured tax effects of Ellis Park. At the county level, and across all taxing jurisdictions at the county level, Ellis creates roughly an extra dollar of tax revenues through indirect and induced effects through its operations which alone generates around \$119,000 throughout the counties. For Kentucky government, Ellis can be credited with adding \$248,000 to its own estimated tax receipts of around \$293,000, and at the federal level, Ellis brings in an additional \$400,000 beyond its \$1.02 million due to its presence. Ellis is estimated to create around \$2.2 million in tax revenues annually for the Evansville area.

**Table 2**

<b>Impact</b>	<b>County Level, All Jurisdictions</b>	<b>State</b>	<b>Federal</b>	<b>Total</b>
<b>1 - Direct</b>	\$ 119,414.95	\$ 292,981.07	\$ 1,021,933.83	\$ 1,434,329.84
<b>2 - Indirect</b>	\$ 43,407.96	\$ 82,930.03	\$ 128,160.14	\$ 254,498.12
<b>3 - Induced</b>	\$ 73,363.22	\$ 146,864.92	\$ 273,623.93	\$ 493,852.07
<b>Total</b>	\$ 236,186.13	\$ 522,776.01	\$ 1,423,717.89	\$ 2,182,680.03

Table 3 below shows the impact of the new construction and upgrading expenditures of \$75 million. It is estimated that around 685 construction jobs will be created due to Churchill Downs’ renovation plans, and these will support another roughly 300 jobs in the region. Payroll for the construction work is approximated to be around \$39 million, which in turn will help to create an additional \$15 million in payroll. Finally, regarding local production and goods created, the project’s value of \$75 million helps to generate roughly an additional \$50 million in local production. This will bring an estimated economic impact of roughly \$125 million to the region during the term of the construction project.

**Table 3**

<b>Impact</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
<b>1 - Direct</b>	685.45	\$39,079,950.48	\$75,000,000.00
<b>2 - Indirect</b>	90.67	\$5,472,744.97	\$18,758,686.83
<b>3 - Induced</b>	213.15	\$10,135,194.96	\$31,113,857.12
<b>Total</b>	989.27	\$54,687,890.41	\$124,872,543.95

All of these estimates are generated by the software IMPLAN (2022) using 2019 data since the pandemic is not completely over yet, and it is best to use data from more normal business conditions.<sup>1</sup> With regard to taxation estimates, most of these taxes are probably going to be paid by Indiana residents who visit the track and gaming center since the bulk of the population and patron base for Ellis Park lives on the other side of the Ohio River in Vanderburgh County, Indiana, which is the home county of Evansville. Four of the six counties that make up the Evansville metro area are in Indiana, and so many urban and regional economists would consider Ellis Park a net “exporter” of goods and services to Indiana since

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<sup>1</sup> Current year or 2022 dollars are used, however, to get a more up to date estimate of what one would normally expect from the conjectures if pandemic conditions do not exist.

most customers come from there to spend their money in Kentucky. The beneficial impacts of such spending in Kentucky by them with regard to tax receipts is much bigger since Hoosier patrons do not receive Kentucky services. The tax receipts in this sense are a “windfall” and probably more than offset Kentuckians spending on gambling on the Indiana side of the Ohio.

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