

Economic Impact Of New Jersey Horse Racing in 2021



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Purpose of this Analysis

A comprehensive picture of horseracing today in New Jersey makes clear its value and importance of the industry to the state's economy and society, and its potential for further growth and development.

The New Jersey horseracing industry is a vital part of the state's economy and culture, providing jobs, revenue, entertainment, and tourism. The industry has surmounted numerous challenges in recent years, as reflected in the annual reports prepared since 2019 when the state passed purse subsidies for horseracing. These reports highlight the achievements of the industry, as well as the trends and factors that affect its performance and sustainability. They also provide recommendations and insights for improving the industry's competitiveness and viability.

To capture the full extent of the economic impact of the horseracing industry on the state of New Jersey, however, a comprehensive economic impact study is warranted. The report contained within aims to quantify the direct and indirect effects of the horseracing industry on the state's economy by building on the foundation of the preceding annual reports, addressing both the Standardbred and Thoroughbred sectors of the industry. It analyzes the economic contributions of different segments within each sector, such as trainers, training centers, breeding farms, and racetracks.

Additionally, this study reviews the tax revenue generated for the state not only by the core components that constitute the industry, but also through sports betting. Sports betting, a critical aspect of horseracing and all sports in the modern era, creates positive economic cycles for the industry and state that leads to more annual races, growth, and tax impact.

Documenting the economic footprint of this industry is especially important given the continued annual commitment of the State of New Jersey to supplement purses and breeding incentive programs for Jersey Bred and Sire Stakes horses in the state. The legislation supplies the racing and breeding programs with \$20 million a year for five years (now in its fifth year), split equally between Thoroughbreds and Standardbreds, and the payments could be extended if the industry meets benchmarks of increased breeding, training, and other equine activities demonstrating a turnaround of the industry in the state. See Appendix for more information on the legislation and key metrics related to the industry.

Introduction

Horse racing has been one of New Jersey's oldest and most popular recreational activities for many years, and horses remain one of the state's largest agricultural commodities. Due to the prevalence of the horse racing industry and large number of farms dedicated to breeding and raising horses in the State of New Jersey, the horse has not only become a predominant symbol within the state, but the industry also generates significant economic impacts for New Jersey.

This summary provides an estimate of the overall economic impact of the horse racing industry in New Jersey in 2021, as well as a breakdown of the economic impacts of the Standardbred and Thoroughbred industries.

Key Terminology and Statewide Assets

There are two distinctive breeds in New Jersey in which farms, breeding, training, and racing infrastructures are built around.

- **Standardbreds** are bred specifically to race in harness racing as either trotters or pacers. Standardbred horses require both the sire and dam (male and female parent horses) to be either trotters or pacers. Trotters have a diagonal gait while pacers have a lateral gait. Races are segregated by the specific gait.
- **Thoroughbreds**, which are specifically bred for racing under saddle, are bred to gallop and are generally taller and slimmer compared to Standardbred horses.

Additionally, within each industry, this report aggregates data from trainers, training centers, breeding farms, and racetracks. Three different breed associations (one for Standardbreds and two for Thoroughbreds) — the Standardbred Breeders & Owners Association of New Jersey (SBOANJ), the New Jersey Thoroughbred Horsemen's Association (NJTHA), and the Thoroughbred Breeders Association of New Jersey (TBANJ) — help to organize horse breeders and trainers throughout the state, and work to support races and the success of the state's three racetracks. These associations helped to collect the data needed to estimate the impact of the horse racing industry as a whole.

In addition to breeding and training horses, New Jersey is home to three major racetracks: The Meadowlands Racing and Entertainment located in Bergen County; Freehold Raceway in Monmouth County; and Monmouth Park, also in Monmouth County. Both Freehold Raceway and Monmouth Park are located near the agricultural center of New Jersey and many of the specialty farms used for raising and training horses. Unlike the other two tracks, the Meadowlands Racetrack is in a larger, urbanized sports complex; the track itself is adjacent to MetLife Stadium.

Sports betting has become a significant component of the New Jersey horse racing experience since its legalization in 2018 and can take place through pool wagering at tracks, online license providers, or off-track betting facilities. In addition to the three major racetracks mentioned above at which spectators can place on-track wagers in person, New Jersey state law permits online wagers at two licensed wagering providers, 4NJBets.com and MonmouthBets.com.

In 2002, the Off-Track and Account Wagering Act was signed into law, establishing 15 off-track wagering (OTW) facilities. Under the law, the Sports and Exposition Authority (NJSEA) was licensed to conduct account wagering and establish nine OTW facilities with certain identified participants. As per the Master Off-Track Wagering Participation Agreement, the NJSEA received rights to nine off-track wagering sites later divided between the racetrack lessees. The rights to the remaining six OTW licenses were divided between Freehold Racetrack and the ACRA Turf Club, four to the former and two to the latter.

The New Jersey Thoroughbred Horsemen's Association received rights to five OTWs of which they maintain two active sites with NJSEA and have rights to open three additional sites. The New Meadowlands Racetrack, LLC, and NJSEA received rights to four OTWs with one active OTW and the rights to open three more. Freehold Raceway Off-Track, LLC has the rights to two active OTWs and the rights to open two more OTWs. ACRA Turf Club, LLC currently has no active OTWs but has the right to open two OTWs. In 2021, six off-track wagering facilities existed, with five in operation currently.

The presence of sports betting is a factor in increasing purse sizes, which in turn creates positive economic cycles. Higher purse amounts incentivize horse owners to invest more in the success of their horses and enter into more races, given that horse owners win a percentage of the purse when their horse does well. This allows the New Jersey tracks to host more races, attracting visitors to the racetracks and growing the industry as a result.

Economic and Tax Impact Analysis

Methodology

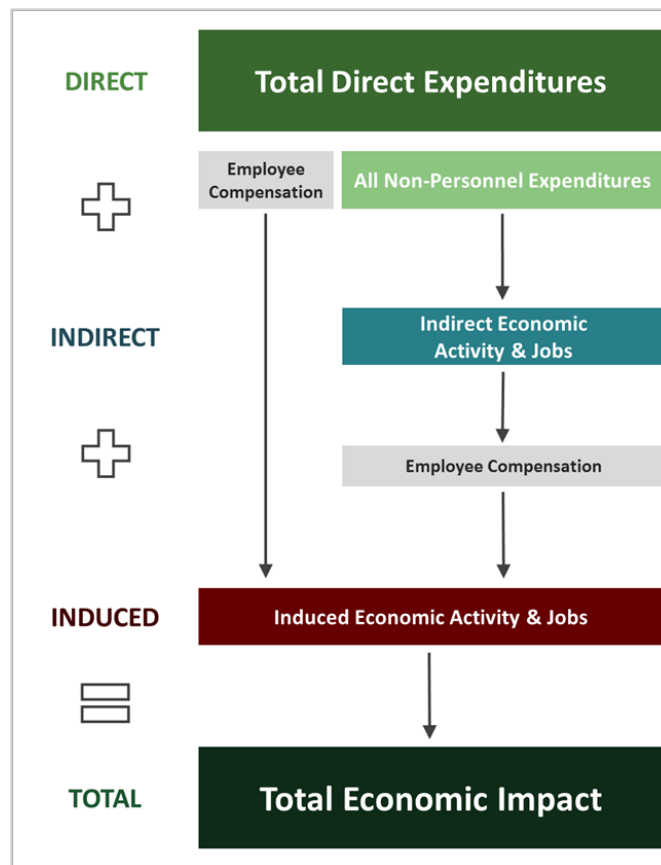
In order to assess the economic impact of horse racing in New Jersey, ESI employed input-output modeling which models how, in an inter-connected economy, every dollar spent generates two spillover impacts:

- First, some amount of the proportion of that expenditure that goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local vendors. This represents what is called the “**indirect effect**,” and reflects the fact that local purchases of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors.
- Second, some amount of the proportion of that expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This represents what is called the “**induced effect**,” and reflects the fact that some of those goods and services will be purchased from local vendors, further stimulating a local economy.

To model the impacts resulting from the direct expenditures, ESI developed a customized economic impact model using the IMPLAN input/output modeling system. IMPLAN represents an industry standard approach to assess the economic and job creation impacts of economic development projects, the creation of new businesses, and public policy changes within a county on its surrounding area.

IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through an economy. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or institution, but also the level at which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes the multipliers and divides them into 546 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.

Figure 1: Input-Output Modeling Breakdown



Source: Econsult Solutions, 2023

The economic impact model's inputs were derived from data obtained from various sectors of the horse racing industry's ecosystem, including breeding farms, trainers, training centers, and racetracks. The operations data from all racetracks were received by ESI. Although much data for farms, training centers, and trainers were received by ESI, some data was imputed to account for non-respondents. The total operating expenses were estimated using both received surveys and imputed data.

The economic impacts of the horse racing industry in turn produces tax revenue for the state of New Jersey. To estimate these impacts, ESI created a tax revenue impact model to translate total economic impacts into their commensurate tax revenue gains. The tax impacts in this report are based on estimated income, sales, and business taxes .

ESI also developed a model of annual expenditures in the region by racetrack visitors based on information provided by racetracks, the horse racing industry, and third-party reporting. To ensure that this impact category does not overlap with racetrack operations, visitor expenditures at the racetracks themselves are excluded, meaning that these estimates reflect only “ancillary” expenditures elsewhere in the region.

Total Industry Impact

Although Standardbred and Thoroughbred horse racing differ in various ways, both have a significant impact on New Jersey's economy. Combined, the two industries generated a total economic impact in 2021 of \$564.3 million in the State of New Jersey, with Standardbred racing accounting for \$296.9 million, or 53 percent of the total impact, and Thoroughbred racing comprising the remaining \$267.4 million, or 47 percent. The industry supports 3,720 direct, indirect, and induced jobs with \$169.6 million in annual employee earnings generated and provides \$75.0 million in tax revenue to the State of New Jersey.

Figure 2: Estimated Total Economic Impact for New Jersey Horse Racing Industry in 2021¹

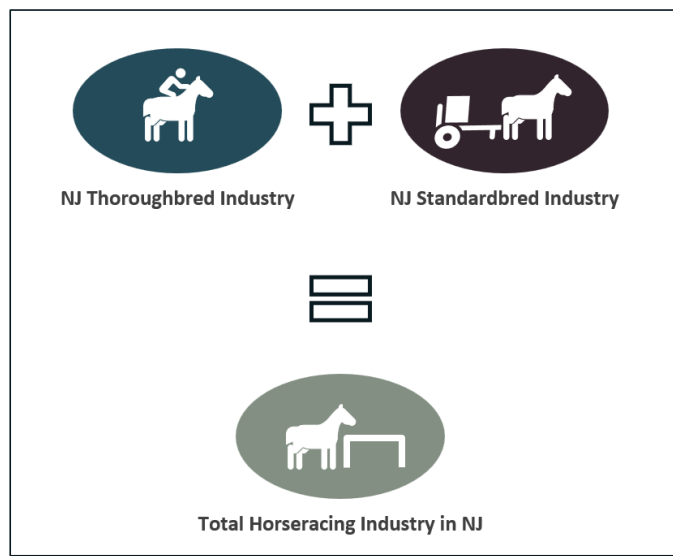
Economic Impact	Standardbred	Thoroughbred	Total NJ Impact
Direct Output (\$M)	\$162.1	\$148.7	\$310.8
Indirect & Induced Output (\$M)	\$134.8	\$118.7	\$253.5
Total Impact (\$M)	\$296.9	\$267.4	\$564.3
Earnings Generated (\$M)	\$91.9	\$77.7	\$169.6
Employment Supported (FTE)	1,890	1,830	3,720
Tax Impact (\$M)	\$41.0	\$34.0	\$75.0

Source: IMPLAN (2021), Econsult Solutions (2023)

The following sections will examine the separate impacts of the Standardbred and Thoroughbred industries, providing additional detail into the components of the horse racing ecosystem and how each industry generates the economic impact summarized above.

¹ Rounding impacts the sums presented as Total Impacts

Figure 3: Composition of New Jersey Horseracing Industry



Source: Econsult Solutions (2023)

Standardbred Horse Racing Industry Economic Impact

Preparing a Standardbred horse for racing requires several years of investment in breeding, raising, and training. These critical preparatory processes precedes the races themselves, all of which generates economic impacts for the State of New Jersey:

Farms: Turnout farms provide pasture space for horses to roam freely outside of a stall while breeding farms offer spaces for horse owners to breed horses for harness racing. Within this study, 12 farms with a total direct output of \$14.8 million are included. These farms generate an additional \$11.7 million in indirect and induced impacts for a total economic output of \$26.5 million annually, supporting approximately 140 jobs, \$6.5 million in employee compensation, and \$400,000 in tax revenue to the State.

Trainers: Within this study, 126 trainers, with a total direct output of \$61.2 million, are included. These trainers generate an additional \$48.8 million in indirect and induced impacts for a total economic output of \$110 million annually, supporting approximately 530 jobs, \$25.3 million in employee compensation, and \$1.6 million in tax revenue to the State.

Training Centers: Due to the team of people required to train and prepare horses to race, training centers act as small employment centers throughout the state. Training centers are facilities for trainers to work with owners and drivers to prepare horses for racing, which include tracks for horses to practice on prior to racing. These facilities provide workout tracks as well as pastures for turning horses out so they can recover and relax. Many facilities include a pool for swimming horses and other forms of therapy and exercise options. Within this study, 23 training centers, with a total direct output of \$13.6 million, are included. These training centers generate an additional \$10.9 million in indirect and induced impacts for a total economic output of \$24.5 million annually,

supporting approximately 120 jobs, \$5.6 million in employee compensation, and \$400,000 in tax revenue to the State.

Racetracks and Sports Betting: The final stage of the process is the racing itself, which takes place on harness tracks. There are two Standardbred racetracks within the State of New Jersey, the Freehold Racetrack and the Meadowlands Racetrack. Freehold Raceway, located in Freehold Borough, is the oldest racetrack in the United States that has been operating since 1853. The Meadowlands Racetrack, located in East Rutherford, is the premier harness racing track in the world. It has been operating since 1976 and is known for hosting major stakes races like the Meadowlands Pace, the Hambletonian, and the TVG Free For All. Together, these two racetracks have a total direct output of \$36.8 million annually. They generate an additional \$37.5 million in induced and indirect impacts for a total economic impact of \$74.3 million annually, supporting 620 jobs with \$27.5 million in employee compensation and generating an additional \$36.5 million in tax revenue for the State of New Jersey. Of this total tax revenue to the State, \$34.6 million reflects tax payments for sports betting and \$1.8 million was generated as a result of racetrack operations.

Racetrack Visitor Spending: In 2021, Freehold held 942 races across 82 race days, with a total in-person attendance of 88,892. Meadowlands Racetrack held a total of 1,237 races across 95 race days, with a total in person attendance of 141,245. It is estimated that these visitors brought \$35.7 million in total direct output to the region. Together, they generate an additional \$25.9 million in induced and indirect impacts for a total economic impact of \$61.7 million annually, supporting 480 jobs with \$26.9 million in employee compensation and generating an additional \$2.1 million in tax revenue for the State of New Jersey.

Figure 4: Estimated Economic Impact for New Jersey Standardbred Industry in 2021

Economic Impact	Farms	Trainers	Training Centers	Racetracks and Sports Betting	Racetrack Visitor Spending	Total Standardbred NJ Impact
Direct Output (\$M)	\$14.8	\$61.2	\$13.6	\$36.8	\$35.7	\$162.1
Indirect and Induced Output (\$M)	\$11.7	\$48.8	\$10.9	\$37.5	\$25.9	\$134.8
Total Output (\$M)	\$26.5	\$110.0	\$24.5	\$74.3	\$61.7	\$296.9
Earnings Generated (\$M)	\$6.5	\$25.3	\$5.6	\$27.5	\$26.9	\$91.9
Employment Supported (FTE)	140	530	120	620	480	1,890
Tax Impact (\$M)	\$0.4	\$1.6	\$0.4	\$36.5	\$2.1	\$41.0

Source: IMPLAN (2021), Econsult Solutions (2023)

Together, these steps represent the supply chain of the racetrack industry in the New Jersey economy. The Standardbred horse racing industry has a \$296.9 million annual economic impact on the State of New Jersey, supporting 1,890 jobs with \$91.9 million in employee compensation and \$41 million in tax revenues to the State of New Jersey. The Standardbred industry accounts for 53 percent of the total economic impact of the combined Standardbred and Thoroughbred horse racing industries, as detailed in Figure 2.

Thoroughbred Horse Racing Industry Economic Impact

Thoroughbred horses, like Standardbreds, receive significant investment in breeding, raising, and training within the state of New Jersey preceding the actual races. Each of these stages generate economic impacts for the State of New Jersey:

Farms: Unlike the Standardbred farms, which are scattered throughout the state, most Thoroughbred farms are clustered near the Monmouth Park Racetrack. Thoroughbred breeding is more concentrated around the track because the Monmouth Park Racetrack itself is significantly involved in most of the process of preparing Thoroughbred horses for racing. Within this study, nine farms with a total estimated direct output of \$4.6 million are included. These farms generate an additional \$2.7 million in indirect and induced impacts for a total economic output of \$7.2 million annually, supporting approximately 70 jobs, \$1.0 million in employee compensation, and \$200,000 in tax revenue to the State.

Training Centers: The three largest training centers used by Thoroughbred horse owners in New Jersey are Colt's Neck Training Center, Overbrook Farm, and Westampton Farm. These training facilities offer trainers practice tracks and stalls for their horses along with several amenities including equine pools, motorized equine exercise machines, and round pens. Within this study, four training centers, with a total direct output of \$2.2 million are included. These training centers generate an additional \$1.3 million in indirect and induced impacts for a total economic output of \$3.5 million annually, supporting approximately 110 jobs, \$1.7 million in employee compensation, and \$100,000 in tax revenue to the State.

Trainers: Within this study, 105 Thoroughbred trainers are included. Combined, they had a total direct output of \$68 million. These trainers generate an additional \$54.8 million in indirect and induced impacts for a total economic output of \$122.7 million annually, supporting approximately 510 jobs, \$24.7 million in employee compensation, and \$1.6 million in tax revenue to the State.

Racetracks and Sports Betting: Opened in 1870, Monmouth Park Racetrack is a historic thoroughbred horse racing track located in Oceanport, New Jersey. The track features a one-mile main track with a six-furlong chute, as well as a turf course that is 7/8 of a mile long. It also has a grandstand that can accommodate up to 50,000 spectators. Monmouth Park has a total direct output of \$30.8 million annually. It generates an additional \$33.5 million in induced and indirect impacts for a total economic impact of \$64.3 million annually, supporting 550 jobs with \$21 million in employee compensation and generating an additional \$30.4 million in tax revenue for the State of New Jersey. Of the total tax revenues, \$29.1 million reflects tax payments for sports betting and \$1.3 million was generated as a result of racetrack operations.

Racetrack Visitor Spending: In 2021, Monmouth Park held 556 races across 55 race days, with a total in-person attendance of 285,661. Monmouth Park Visitation generates \$43.2 million in direct output and an additional \$26.5 million in induced and indirect impacts for a total economic impact of \$69.7 million annually, supporting 590 jobs with \$29.4 million in employee compensation and generating an additional \$1.8 million in tax revenue for the State of New Jersey.

Figure 5: Estimated Economic Impact for New Jersey Thoroughbred Industry in 2021

Economic Impact	Farms	Trainers	Training Centers	Racetracks and Sports Betting	Racetrack Visitor Spending	Total Thoroughbred NJ Impact
Direct Output (\$M)	\$4.6	\$68.0	\$2.2	\$30.8	\$43.2	\$148.7
Indirect and Induced Output (\$M)	\$2.7	\$54.8	\$1.3	\$33.5	\$26.5	\$118.7
Total Impact (\$M)	\$7.2	\$122.7	\$3.5	\$64.3	\$69.7	\$267.4
Earnings Generated (\$M)	\$1.0	\$24.7	\$1.7	\$21.0	\$29.4	\$77.7
Employment Supported (FTE)	70	510	110	550	590	1,830
Tax Impact (\$M)	\$0.2	\$1.6	\$0.1	\$30.4	\$1.8	\$34.0

Source: IMPLAN (2021), Econsult Solutions (2023)

The Thoroughbred horse racing industry has a \$267.4 million annual economic impact on the State of New Jersey, supporting 1,830 jobs with \$77.7 million in employee compensation and \$34 million in tax revenues to the State of New Jersey. The Thoroughbred industry accounts for 47 percent of the total economic impact of the combined Thoroughbred and Standardbred horse racing industries, as detailed in Figure 2.

Appendix

Impact of the Annual Purse Subsidy from the State of New Jersey from 2019 (year one) - 2024 (year five) on Indicators of Metrics of the Breeding Industry, the NJ Sire Stakes Program, and the Quality of the Racing Product as Defined by Wagering on New Jersey Races

Karyn Malinowski, Ph.D.; Professor and Director, Rutgers Equine Science Center

The continued annual commitment of \$20 million by the State of New Jersey to supplement purses and breeding incentive programs for Jersey Bred and Sire Stakes horses in New Jersey has been successful. The legislation supplies the racing and breeding programs with \$20 million a year for five years (now in its fifth year), split equally between Thoroughbreds and Standardbreds, and the payments could be extended if the industry meets benchmarks of increased breeding, training, and other equine activities demonstrating a turnaround of the industry in the state.

In 2021, the total live wagering handle at New Jersey's three racetracks was \$27.2 million. This represents a 78 percent increase from the total live wagering handle in 2020, which was \$15.3 million. Monmouth Park's total live handle in 2021 was \$14.2 million representing an 88 percent increase from Monmouth Park's 2020 live wagering handle of \$7.6 million. Thoroughbred racing at the Meadowlands' total live handle in 2021 was \$381,000 representing a 287 percent increase from thoroughbred racing at the Meadowlands' 2020 live wagering handle of \$98,400. Harness racing at the Meadowlands' 2021 live wagering handle was \$9.4 million representing a 74 percent increase from the Meadowlands' 2020 live wagering handle of \$5.4 million. Freehold Raceway's 2021 fall meet live wagering handle was \$1.4 million, representing a 2 percent increase from Freehold's 2020 fall meet live wagering handle of about \$1.4 million. Freehold Raceway's 2021 spring meet live wagering handle was \$1.9 million, representing a 104 percent increase from Freehold's 2020 spring meet live wagering handle of \$913,000.

In 2021, the total intrastate simulcasting handle was \$8.1 million, representing a 7 percent increase from the 2020 intrastate wagering handle of \$7.6 million. In 2021, the total interstate simulcasting handle was \$171 million, representing a 48 percent increase from the 2020 interstate wagering handle of \$116 million. In 2021, the total off-track and account wagering handle was \$390.9 million, representing a 1 percent increase over the 2020 total off-track and account wagering handle of \$386.9 million. Account wagering accounts for \$279.8 million of this 2021 handle, a decrease of 10 percent from the 2020 account wagering handle of \$311 million. Off-track wagering accounts for \$111.1 million of the 2021 handle, an increase of 46 percent from the 2020 off-track wagering handle of \$76 million.

These numbers demonstrate the turnaround horsemen were looking for from the commitment by the State. In addition, because of the state incentives, the number of Standardbred stallions standing in New Jersey has remained steady and number of mares bred increased from 442 and foals registered from 272 in 2019 to 729 mares bred and 488 foals registered in 2022: an increase of 69 percent and 80 percent, respectively. In addition, a new pacing stallion Tattoo Artist, which earned more than \$2.55 million lifetime, will stand at Deo Volente Farms in 2024.

New Jersey Sire Stakes program purses also increased from \$2.9 million in 2019 to \$4.1 million in 2023, an increase of 38 percent. Owners of New Jersey bred horses reaped the benefits during the period

with purse increases for the NJSS and the addition of the New Jersey Maturity series during this time period.

On July 15, 2023, the Meadowlands Racing and Entertainment hosted a hugely successful Meadowlands Pace night. All-source wagering on the 14-race card totaled \$5.7 million, the biggest number on Pace Night in 17 years, when wagering was just over \$6 million in 2006. Since 2009, only twice has betting passed the \$5-million barrier, the other being 2020, when \$5 million was put in play.

The \$5.6 million wagered on Pace Night was an industry 2023 best and represented a 20 percent increase over a year ago, when just over \$4.7 million in action was taken.

“What happened on Saturday was the result of many factors coming together,” said Jason Settlemoir, COO and General Manager. “Gov. (Phil) Murphy and the New Jersey State Legislature’s continued support of the horse racing industry in the Garden State is first and foremost. Handle on The Meadowlands has exploded since the Governor signed the appropriation bill in February of 2019, bringing enormous attention to New Jersey, and vaulting The Big M to become the most popular nighttime signal in North America, regardless of breed.

The track also reported that this year’s Hambletonian Day betting handle was the highest in 18 years, and the third best in history for the event. In 2023, \$8.76 million was wagered in North America and Europe. During the first three months of 2023, there were 26 programs contested at The Big M. There were a pair of Sunday afternoon cards during January, leaving 24 Friday and Saturday evening programs, with each of those cards seeing wagering exceed the \$3 million mark. During the first quarter of last year, the \$3 million barrier was passed but four times. In addition, it took the entire racing calendar year of 2022 — 85 programs — to bet \$3 million 23 times.

In the Thoroughbred industry steady increases in mares, and foals born in the state have reversed after years of steady decline. There were four registered stallions standing in New Jersey in 2023 but three new stallions will stand in New Jersey in 2024. One of the new stallions, Max Player, was a multiple Grade 1 winners that earned over \$1.5 million. New Jersey has not had a grade 1 winner stand here in decades. The only reason the stallions are returning to stand stud in New Jersey is because of the increased purses from the purse subsidy investment by the State.

The State and industry must continue to further strengthen the racehorse industry and horse breeding and New Jersey bred breeding programs, Jersey owned, and Jersey preferred races should be written regularly onto race cards.