

**The Economic and Fiscal Impact
of the
1998 Breeders' Cup Races
in
Louisville, Kentucky**

a report prepared for

Churchill Downs, Inc.
and
Breeders' Cup, Lmtd.

by

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Executive Summary

The fifteenth annual Breeders' Cup was held at Churchill Downs on Saturday, November 7, 1998. The event drew a crowd of 80,452, the largest attendance in the event's history. This was the fourth time the races have been held in Louisville, following successful events in 1988, 1991, and 1994. The big turnout was attributed to good weather, attractive racing, and aggressive marketing by Churchill Downs Inc., Breeders' Cup Lmtd., and many other civic and business groups.

In this report, we present our estimates of the economic and fiscal impact of the 1998 Breeders' Cup races. We estimate that the event brought around \$21 million in new revenues for area businesses - the most common definition of "economic impact". The new business in the Louisville market resulted in \$13 million in new payroll for area workers, and \$1.8 million in new tax revenues to Kentucky state and local governments. By "new", we mean that these dollars were captured in our region because the race was held in Louisville rather than California, New York, or Florida.

The economic impact was large, primarily for two reasons. First, there was a significant increase in attendance by nonresidents for the 1998 event, as compared to previous events. We know from our phone and license plate surveys that slightly more than one-half of attendees came from outside the Louisville Metropolitan Area (MSA). Thirty-one percent of attendees were not residents of Kentucky, Southern Indiana, or the Cincinnati area. These patrons brought with them dollars earned in other markets and states, and spent them in Kentucky on wagering, hotels, restaurants, shopping, and transportation.

Second, both these long distance patrons and the nonresident daytrippers spent liberally while in the Louisville market. The on-track handle was \$13.4 million, third highest in the history of the race. Admission, concession, programs, novelties and other receipts were also up. Churchill collected (and transferred to Breeders' Cup Lmtd.) a record \$6 million in off-track wagering revenues earned through intertrack and simulcasting arrangements in Kentucky and around the world. While much of this wagering would have occurred whether the race had been held in Louisville or not, having the race in Louisville meant that some of the dollars were captured in Kentucky and respent throughout the local economy.

The Breeders' Cup event provides a nice fiscal bonus for state and local governments. We estimate that by hosting the 1998 races, Kentucky state government received an additional \$1.45 million in parimutuel, sales, and income taxes. Local governments in Jefferson County received an additional \$.36 million in hotel taxes and occupational taxes.

Of course, the economic benefit of hosting the race extends well beyond the quantitative assessment provided here. Local and state officials know well the intangible benefits of such positive prime time NBC television exposure, the opportunity to host industrial prospects at such an internationally prestigious affair, the boost it gives to breeders and other horse folks in the state, as well as how the event enhances the quality of life for area residents. High quality events like the Breeders' Cup make Louisville and Kentucky a more attractive place to live and work.

Methodology and Detailed Estimates

Over the next few pages, we provide a detailed discussion of the impact estimates. We first describe the general methodology, including an explanation of the fairly complicated economic geography involved in such studies. Next, we present summaries of attendance and expenditures figures, including spending profiles of wagerers and receipts by Churchill Downs. Finally, we put the economic, accounting, and tax information together into an impact statement that summarizes the main results of our study. Two appendices provide the detailed results of the phone and license plate surveys we conducted in November 1998.

Methodological Issues

Nearly all economic impact studies have three components. First, an assessment is made of the direct new economic activity. That is, what is the magnitude of the new business sales, jobs, payroll, and taxes generated as a result of an identified growth in the regional economy. Second, economic multipliers are derived that summarize the linkages between the industry in question and other industries in the regional economy. The multipliers typically combine the spinoff effects on local vendors that supply the impacted industry with the effects on local retailers - groceries, cars, entertainment, etc - from the new payroll introduced into the economy. Finally, the direct impacts are multiplied by the "multipliers" to estimate the total regional economic impact. This yields an estimate of total business sales, jobs, and payroll resulting from the event or industry in question. Appropriate tax rates can be applied at this stage to determine the fiscal impact on state and local governments.

Hospitality events, like the Breeders' Cup races, are in principle no different from industrial expansions, like landing a contested automobile plant, a corporate headquarters, or a distribution facility. The economic impact of a one-time event is of course usually much smaller than the siting of a manufacturing plant or other industrial facility. Tourists arrive, spend dollars, and leave. Hotels and restaurants staff up for the weekend, event vendors are paid, payrolls swell temporarily, and the local economy reverts to its previous growth path. Nevertheless, the new dollars that are earned can provide fresh profits for hosts and vendors, enhance purchasing power for local employees, and generate an uptick in government revenue streams.

The estimation of the economic and fiscal impact of the Breeders' Cup races in Louisville is complicated by the overlapping jurisdictions of interest. A weekend stay by a racing fan from Paducah will pump new money into the Louisville area economy, but the dollars cannot be considered "new" to Kentucky. The Paducah resident would likely have spent the money at another entertainment venue in the state. Conversely, the expenditure of \$200 by a resident of Clarksville, Indiana cannot necessarily be considered new to the Louisville economy, as s/he would've spent the money at another venue in the Louisville MSA market. However, to the extent the racing event induces the Indiana resident to spend dollars at Churchill Downs instead of a restaurant and movie theatre in Southern Indiana, it does raise tax flows to Kentucky state and local governments. Similarly, Kentucky gains dollars to the extent the racing event induces the Paducah resident to spend entertainment dollars in Louisville instead of in St. Louis, Nashville, or Chicago.

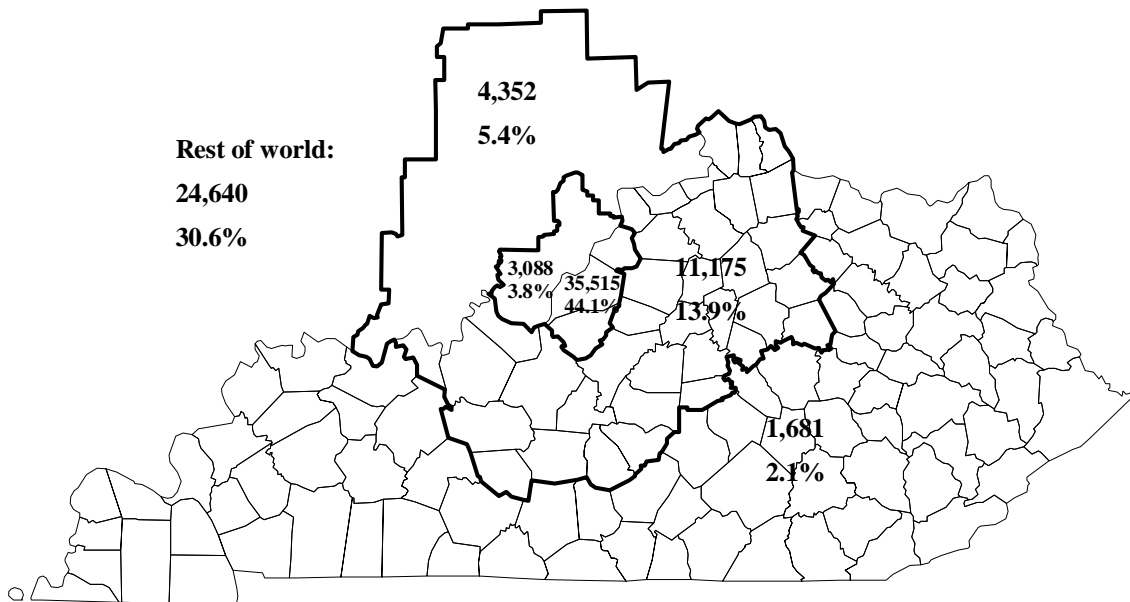
The various geographic categories are identified in the accompanying table and map. For the purposes of this study, we have defined six categories of attendees, depending upon whether the patron is a Louisville (seven county) MSA resident, Kentucky resident, and/or resides far from Louisville. We will assume that those residing more than 100 miles from Louisville stayed in a hotel for the Breeders' Cup event, and that the other attendees came to the track only for the day. Those from the two nearest large metro areas, Indianapolis and Cincinnati, are assumed to be daytrippers. Those from further north in Indiana and Ohio, as well as those from 100 miles away in Kentucky, are assumed to stay in a Louisville area hotel. However, when calculating the "new" tax impacts of the event, we distinguish between Kentuckians and residents of other states.

Residential Jurisdictions of Attendees, 1998 Breeders' Cup Race in Louisville

jurisdiction	number	share of total
1 Kentucky resident, Louisville MSA	35,515	44.1%
2 Indiana resident, Louisville MSA	3,088	3.8%
3 Kentucky resident, outside Louisville MSA, within 100 miles	11,175	13.9%
4 Indiana or Ohio resident, outside Louisville MSA, within 100 miles	4,352	5.4%
5 Kentucky resident, outside Louisville MSA, greater than 100 miles	1,681	2.1%
6 Rest of world	24,640	30.6%
Total attendance	80,452	100.0%

Source: license plate surveys, November 7, 1998, by University of Louisville.

**Residential Jurisdictions of Attendees
1998 Breeders' Cup Races in Louisville**



Source: license plate surveys, November 7, 1998, by University of Louisville.

The Economic and Fiscal Impact of the 1998 Breeders' Cup Races

A second complication in measuring the economic impact of the Breeders' Cup is that there are many organizations involved in producing the event. The ultimate sponsor of the event is Breeders' Cup Limited, of Lexington. BCL contracts with a racetrack to host the races each year. While Churchill Downs has hosted the Cup four times, more than any other track, the races have also been held at Hollywood Park, Aqueduct Racetrack, Santa Anita Park, Gulfstream Park, Belmont Park, and Woodbine Racetrack. The tracks are allowed to capture a portion of the revenue stream from the races. The tracks remit to BCL a portion of the net on-track revenues as well as the off-track wagering receipts. BCL promotes the event, provides millions in purse dollars for the races, collects nomination and entry fees, sells some advance tickets, and receives the television revenues.

The proceeds from the races and nomination fees are used primarily to sponsor quality racing at the Breeders' Cup Races in November, at the National Stakes races on 47 tracks around the United States during the year, and to pay the salaries and office expenses for the BCL staff in Lexington. However, these proceeds flow to and from Lexington whether the signature Breeders' Cup races are held in Kentucky or not. When the event is held at Churchill Downs, BCL spends hundreds of thousands of dollars in the Louisville market on galas, hotel rooms, transportation, food, and the like. Accounting data on BCL expenditures for the 1998 event is summarized in the accompanying table.

**Event-related Expenditures in Kentucky
by Breeders' Cup Limited**

Hotels	\$141,681
Entertainment	\$77,094
Catering, food and beverage, restaurants	\$68,836
Breeders' Cup Charity Gala	\$60,000
Interior design, décor	\$45,896
TV and Radio	\$37,350
Travel agencies, airfare	\$18,330
Petty cash outlays, per diems	\$15,306
Misc	\$12,983
Car, limo rentals, mileage reimbursements	\$11,932
Trainers	\$5,974
Equipment rental	\$5,938
Agricultural Products	\$5,382
Printing	\$2,155
United Way	\$1,000
Dry cleaning	\$737
Paper products	\$669
Publicity	\$600
Race Tickets	\$346
Florists	\$345
Equine supplies	\$166
Photography	\$28
Total	\$512,748

The Economic and Fiscal Impact of the 1998 Breeders' Cup Races

Other organizations also helped sponsor the 1998 event, including area corporations, clubs, foundations, and economic development entities. For example, a benefit to support two jockey-oriented foundations was held at the Fairgrounds the night before the race. Over one thousand people paid \$300 each for a dinner and entertainment. A local caterer won the contract to serve the food. The proceeds of the benefit end up supporting university research on the industry and to help jockeys who have medical and other problems. Eight of the most prominent events are listed in the table below, with revenue estimates where available. We have captured in our impact estimates the new dollar flows in Louisville from events sponsored by Churchill Downs, the Breeders' Cup, and other organizations.

Major Breeders' Cup Events Off-Track, 1998

date	event	venue	type	resident/non-resident attendance	revenues
October 30	Breeders' Cup Cuisine Classic	private home	benefit	mixed	\$60,000
November 3-6	Dawn at the Downs	Churchill Downs	promotion	local	-
November 4-5	Breeders' Cup Fan Fest	Sports Spectrum	promotion	local	\$56,000
November 5	Press Party	KFEC	hospitality	mixed	\$150,000
November 6	Fund for Arts reception	Brown Theatre	hospitality	mixed	-
November 6	Breeders' Cup Corporate Party	Seelbach Hotel	hospitality	mixed	\$150,000
November 6	Breeders' Cup Charity Gala	KFEC	benefit	mixed	\$300,000
November 6	Breeders' Cup Eve Big Band & Swing Dance	Louisville Gardens	hospitality	local	?

Study Results - Attendance

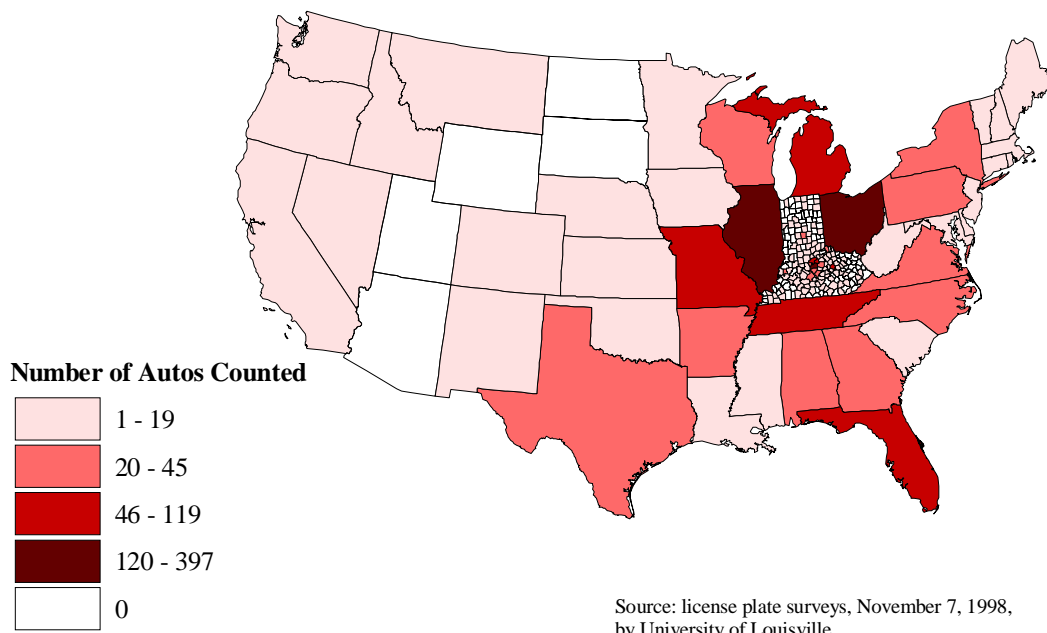
We conducted two surveys to determine the place of residence of Breeders' Cup attendees. License plate surveys were conducted at the track and in the adjacent parking areas throughout the racing weekend, November 7-9. A phone survey of Louisville MSA residents was conducted during the week after the races. Respondents were asked how many members of their household attended the Breeders' Cup race on Saturday. We used these results to estimate the attendance of the entire MSA population. By subtracting that from the known total attendance, we were able to determine the number of attendees from outside the Louisville market. Details of both surveys are provided in appendices to this report.

We have compiled several maps that summarize the geographic scope of attendance. Nearly 5,000 vehicle license plate registrations were recorded in parking lots during the race weekend. The surveyed vehicles were registered in 44 states, plus Ontario, Canada. The pattern is perhaps as expected, with the highest attendance coming from adjacent states and the most populous states - Michigan, Florida, Texas, New York. The only states not represented in the sample were Alaska, Arizona, North Dakota, South Dakota, Utah, and Wyoming. (Yes, we did observe a vehicle with Hawaii tags.)

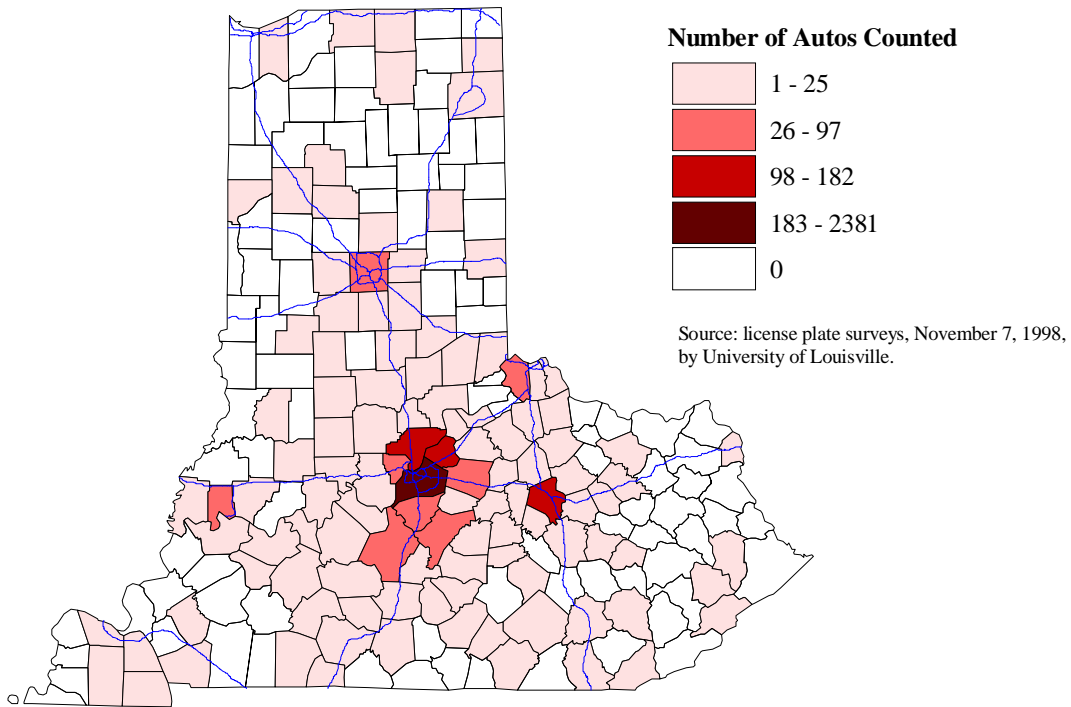
Kentucky and Indiana accounted for 70 percent of the vehicle registrations. Seventy-one of Kentucky's 120 counties were represented in the sample, with the highest volume from Jefferson, Fayette, Oldham, Boone, Shelby, and Bullitt counties. Forty-two of Indiana's 102 counties were represented, with the highest volume from Clark, Floyd, Vanderburgh, and Marion counties.

As one expects, attendance per capita falls steadily with distance from Louisville. A few hot spots are apparent, though, with a high penetration of attendance from Boone County, Kentucky and Vanderburgh County, Indiana - counties served by a race track and presumably with a deeper fan base.

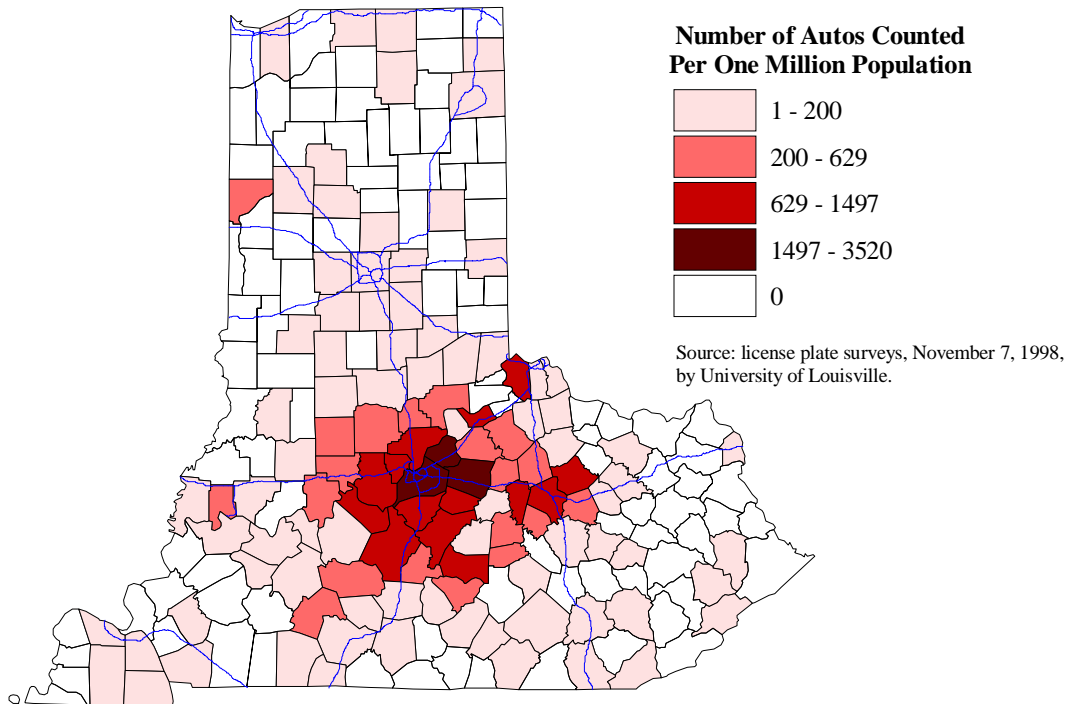
Automobile Survey Results by State 1998 Breeders' Cup Races in Louisville Weekend Totals



Automobile Survey Results by County 1998 Breeders' Cup Races in Louisville Weekend Totals



Automobile Survey Results Per Capita by County 1998 Breeders' Cup Races in Louisville Weekend Totals



Impacts on the Louisville Area Economy

In this section, we provide our estimates of the economic and fiscal impact of the 1998 Breeders' Cup event. Most of the details are included in an accompanying table. We discuss these in order.

The estimated breakout of attendance is provided in the first portion of the table. These have already been discussed. Note that the key breakouts used are whether the attendee resides in the Louisville market, whether they are a Kentucky resident, and whether they live within 100 miles of Louisville. These distinctions are used later as we apply spending profiles and tax rates as appropriate.

Next, we summarize the receipts to Churchill Downs, both at the track and from remote sites. These figures were provided by Churchill accountants, and apply only to the Saturday event. Later we consider an adjustment for the induced extra attendance on Friday and Sunday. Churchill and their concessionaires took in about \$6.8 million in wagering, admission, concession, novelty, and other receipts at the track on Saturday. Churchill received another \$6 million in revenues from off-track wagering, mostly from non-Kentucky bettors.

We subtract out the payment made by Churchill Downs to Breeders' Cup Limited. By contract, Churchill keeps a percentage of the operating income from the event, and remits the remainder to BCL along with all the off-track wagering revenues. For the 1998 event, BCL received \$8 million. These dollars are used by BCL, combined with revenues gained from nomination and entry fees, to post the large purses paid to winning horses. The purses for the seven Breeders' Cup Races at Churchill Downs in 1998 were more than \$13 million. Since the dollars were generated from horsemen (and simulcast wagerers) and paid to horsemen, they do not "stick" in the Louisville economy.

For spending profiles, we use updates of research we have conducted for previous equine and hospitality events in the Louisville market. For nonresident daytrippers, those living outside the Louisville MSA but within 100 miles of Jefferson County, we estimate that each attendee spent approximately \$53 in net gaming, purchases at the track, transportation, and other off-track items during their visit. We estimate that overnight visitors, those residing in counties greater than 100 miles from Jefferson County, spent an average of \$318 during their weekend stay in the Louisville market. Combined, we estimate that the overnight attendees spent about \$8.4 million with Churchill and other area businesses.

We also include accounting data on the amount of off-track spending in Louisville by BCL and the Grayson Foundation. BCL spent over \$500,000 on events in Louisville to promote the races. Grayson spent over \$100,000 on a fund raising event in Louisville. These dollars are allocated to hotel, restaurant, transportation, and other categories as appropriate.

Next, we present a set of economic multipliers for the Louisville area market. These were purchased from the US Bureau of Economic Analysis, and were specifically developed to represent the spending patterns and inter-industry linkages of area companies. We use sales, job, and payroll multipliers for five Louisville sectors - racing, hotels, restaurants, transportation, and general shopping. The multipliers are applied only to the expenditures by nonresident attendees. Dollars spent by Louisville residents are considered to be already captured by area businesses - Breeders' Cup-induced expenditures at the track would have been spent elsewhere in the local economy if the race had not been held. Conversely, we assume that dollars spent in Louisville by nonresidents would not have been spent in our area had not the race been held.

For example, consider the multipliers for the racing industry. The sales multiplier, 2.22, means that for every dollar of new demand for Louisville area racing, another \$1.22 in new sales are created for Louisville area businesses. This is generally understood to derive from two effects. First, to produce a dollar of racing requires Churchill to purchase an array of goods and services from local vendors, who in turn purchase items from other local vendors. Second, as workers and business owners realize greater income from the new sales, they raise their spending with local retailers - food, clothing, automobiles, furniture, banking, insurance, and entertainment. The cumulative effect of many rounds of re-spending is summarized in the multiplier.

The Economic and Fiscal Impact of the 1998 Breeders' Cup Races

The Economic and Fiscal Impact of the Breeders' Cup Races

Churchill Downs, November 7, 1998

Attendance

Louisville MSA residents	38,603
Kentucky residents outside Louisville MSA within 100 miles	11,175
Indiana, Ohio residents outside Louisville MSA within 100 miles	4,352
Kentucky residents outside Louisville MSA greater than 100 miles	1,681
<u>All other attendees</u>	<u>24,640</u>
Total	80,452

On-Track Receipts to Churchill and Vendors

Net wagering revenues	\$2,451,694
Admission receipts - General, Reserved, Marquee	\$2,550,626
Promotion sponsorships, advertising	\$157,346
Parking receipts	\$9,590
Concession revenues	\$783,000
Restaurant revenues	\$271,000
Souvenir revenues	\$328,000
Programs, tip sheets, novelties, misc	\$234,232
<u>adjusted for payment made to BCL, 80% of ontrack net revenues</u>	<u>-\$2,017,788</u>
Total net on-track expenditures captured at Churchill Downs	\$4,767,700

Off-Track Receipts to BCL through Churchill

Net wagering revenues - KY intertrack and KY off-track	\$347,876
Net wagering revenues - offtrack global	\$5,639,767

Spending Profiles for Attendees

Day tripper, from outside of MSA	
Net wagering at track	\$20.86
Other on-track expenditures	\$20.21
Gasoline, other local transportation expense	\$2.06
<u> Food, beverage off track</u>	<u>\$10.00</u>
Total average expenditure by day tripper	\$53.13

Overnight visitor (2 nights each, 2.09 persons per room)

Net wagering at track	\$39.51
Other on-track expenditures	\$20.21
Hotel, including taxes	\$95.69
Air transport, Louisville portion, averaged over all overnight vis	\$20.03
Car rental, taxis, gasoline	\$13.19
Food, beverage off track	\$95.00
<u> Shopping</u>	<u>\$34.61</u>
Total average expenditure by overnight visitor	\$318.24

Total expenditures by overnight attendees, Louisville MSA

at Churchill Downs	\$1,571,899
at hotels	\$2,590,497
at restaurants	\$2,500,568
for air transportation	\$527,303
for local transportation	\$347,184
<u> for local shopping</u>	<u>\$910,969</u>
Total expenditures	\$8,448,420

Off-track spending on events by out-of-town organizations

Breeders' Cup, Lmtd	\$512,748
<u> Grayson Foundation</u>	<u>\$105,741</u>

The Economic and Fiscal Impact of the 1998 Breeders' Cup Races

Economic Multipliers for Louisville MSA *	Racing	Hotels	Restaurants	Ground	Air	Shopping	Total MSA
				Transportation	Transportation		
Sales per \$1 of new demand for area business	2.22	2.13	1.96	1.98	1.85	1.97	
Jobs per \$1 million in new demand	34.3	46.3	46.3	48.4	22.9	45.4	
Payroll per \$1 of new demand	0.55	0.71	0.58	0.85	0.52	0.72	
Total Economic Impact on Louisville MSA							
Total new sales by area firms	\$5,500,461	\$5,837,308	\$5,437,279	\$772,543	\$977,408	\$2,453,466	\$20,978,465
Jobs (annualized, not FTE)	188	270	252	37	22	111	881
Payroll	\$3,013,153	\$4,139,819	\$3,144,378	\$654,653	\$509,914	\$1,756,436	\$13,218,353

* Economic multipliers are from the US Bureau of Economic Analysis, RIMS II system, November 1997.

The job multiplier, 34.3, means that for every \$1 million in new racing sales, 34 new jobs are supported somewhere in the Louisville area economy. Finally, the payroll multiplier of .55 means that each new dollar of racing sales supports fifty-five cents of earnings to workers somewhere in the Louisville economy.

The total economic impact on the Louisville MSA is derived by multiplying the direct new spending by the appropriate economic multipliers. From these calculations, we estimate that the Breeders' Cup directly and indirectly generated \$21 million in new sales for area businesses, 880 jobs, and \$13.2 million in new payroll for area workers. This represents the economic activity that would not have occurred in the Louisville market were the Breeders' Cup not held there in 1998.

The fiscal effects include \$1.38 million in new parimutuel taxes, sales taxes, and income taxes for Kentucky state government. They also include \$356,000 in new tax receipts to local government, attributable to hotel and occupational tax receipts.

In calculating the fiscal impacts on Kentucky state government, we have made adjustments for the state of residence of attendees. That is, we do not count expenditures by Kentucky residents in estimating the new state tax dollars generated. We are implicitly assuming that Kentucky state government would have received these sales and income tax dollars from other economic activity throughout the year as state residents purchased other goods and services (rather than the Breeders' Cup experience). We do count as new all the sales and income taxes generated by visitors from Indiana, Ohio, and other states.

Fiscal Impacts	
Kentucky state government	
Parimutuel taxes attributable to nonresident spending	\$216,459
Sales tax revenues	\$739,146
<u>Individual income tax revenues</u>	<u>\$420,433</u>
Total Kentucky state government	\$1,376,039
Local government	
Hotel tax receipts	\$118,269
City/County occupational tax receipts	\$132,184
TARC occupational tax receipts	\$26,437
<u>JCPS occupational tax receipts</u>	<u>\$79,310</u>
Total local government	\$356,199
Total: Kentucky state plus local governments	\$1,732,238

Impacts on Friday and Sunday racing

The Breeders' Cup races on Saturday generate an increase in attendance and handle on Friday and Sunday for Churchill Downs. We have organized data provided by Churchill below. The years 1993 and 1997 are good years for comparison, for in those years Churchill had races on the the first weekend in November but did not host the Breeders' Cup. By averaging the 1993 and 1997 figures, and then subtracting them from the 1998 figures, one can estimate the BC-induced bump in attendance and handle. Combined attendance on Friday and Sunday was 10,000 higher in 1998, and the handle was \$1.86 million higher. This is close to the average attendance and handle on Saturday in years without a Breeders' Cup. So, it is reasonable to state that the bump in Friday and Sunday activity due to the Breeders' Cup just replaces the normal Saturday racing activity that Churchill would have without the Breeders' Cup. Hence we have made no adjustments to the impact figures for the weekend effects. (We do of course estimate the impact of the the out-of-town wagers' spending on hotels, restaurants and other venues while in Louisville for the weekend).

Churchill Downs Attendance and Handle Figures

	Friday	Saturday	Sunday
<i>Attendance - Breeders Cup 1998 weekend</i>	13,986	80,452	10,296
Comparable weekend attendance - 1997	6,349	14,007	9,837
Comparable weekend attendance - 1993	5,139	9,961	6,705
<u>Average attendance, comparable weekends</u>	<u>5,744</u>	<u>11,984</u>	<u>8,271</u>
Implied 1998 bump due to Breeders' Cup	8,242	68,468	2,025
<i>Handle - Breeders Cup 1998 weekend</i>	\$2,554,270	\$13,390,497	\$1,478,557
Comparable weekend handle - 1997	\$876,363	\$2,790,905	\$1,115,586
Comparable weekend handle - 1993	\$1,037,062	\$2,899,626	\$1,309,304
<u>Average handle, comparable weekends</u>	<u>\$956,713</u>	<u>\$2,845,266</u>	<u>\$1,212,445</u>
<u>Implied 1998 bump due to Breeders' Cup</u>	<u>\$1,597,558</u>	<u>\$10,545,232</u>	<u>\$266,112</u>

Source: Churchill Downs

Appendix A: 1998 Breeders' Cup License Plate Survey Results

Results from the Friday and Saturday surveys indicate that around 50 percent of Breeders' Cup attendees came from outside of the Louisville metropolitan statistical area (MSA), and that approximately 40 percent were from outside of Kentucky. About 37 percent of the autos surveyed came from at least 100 miles away from the Louisville MSA. This is a distance at which it is fairly likely that the attendees stayed overnight in the area. The Sunday results seem to show that most of the out-of-towners did not stay and attend Sunday's races.

1998 Breeders' Cup License Plate Survey in Brief

Origin of License Plate	Friday	Saturday	Sunday
Outside Louisville MSA	45.1%	55.0%	34.8%
Outside Kentucky	39.1%	41.0%	28.8%

Survey Method

Automobile license plates were surveyed Friday, Saturday, and Sunday, November 6-8, 1998, at Churchill Downs and surrounding areas. The surveying was done during the peak hours of horse racing attendance on each day. On Friday and Sunday, the days before and after the Breeders' Cup races, automobiles were surveyed in all of Churchill Downs' paved parking lots, and in the unpaved lots along Central Avenue and immediately surrounding the paved lots. On Saturday, in addition to those locations, automobiles were surveyed in small lots and yards in the immediately surrounding neighborhoods to the southeast (along Third and Fourth streets) and to the west (between the Downs and Taylor Boulevard), in the lots and streets surrounding the American Air Filter headquarters building, and in Lot H at the Kentucky Fair and Exposition Center (the park and Ride location).

Altogether, over 5300 automobiles were surveyed, including over 2500 on Saturday alone. The results in the table below have been adjusted to reflect the presence of many autos with Kentucky and Indiana truck plates, which do not include a county of origin. It was estimated that the number of Kentucky and Indiana truck plates equaled about 10% of the total number of autos surveyed. Of that number, approximately 5 out of every 6 vehicles with a truck plate was from Kentucky, with 1 of 6 from Indiana. We assumed that the county of origin distribution for trucks was the same as for autos. The numbers for the surveyed Kentucky and Indiana automobiles were increased accordingly.

Details and Caveats

The results of this survey should provide a lower bound for the percentage of out-of-town Breeders' Cup attendees. The actual percentage is likely somewhat greater, since this survey ignores tour buses, taxis, limousines, local rental cars, the shuttle from downtown Louisville on Saturday, and guests driven by local friends.

The actual percentage of travelers who stayed overnight might be somewhat smaller than 37 percent. Of the 248 autos from inside of Kentucky or Indiana, but more than 100 miles away, 36 percent came from either Marion County (Indianapolis) or Vanderburgh County (Evansville). Day trips to and from these cities are quite common. In addition, of the 1513 autos from all other states, 26 percent were from Ohio. Many of these were from Hamilton County (Cincinnati), another quite easy day trip.

On the other hand, it is possible that our Saturday survey undercounted out-of-town autos slightly. The distribution of license plate origins varied over the parking locations. At the KFEC park and ride lot, only 31

The Economic and Fiscal Impact of the 1998 Breeders' Cup Races

1998 Breeders' Cup License Plate Survey

Origin of License Plate	Friday	Saturday	Sunday	Total
Number of Automobiles				
Louisville MSA	776	1157	883	2816
KY & IN, Within 100 Miles	164	415	179	758
KY & IN, Outside 100 Miles	51	148	50	248
All Other States	423	848	242	1513
Total	1414	2568	1354	5336
Percent				
Louisville MSA	54.9%	45.0%	65.2%	50.5%
KY & IN, Within 100 Miles	11.6%	16.2%	13.2%	14.9%
KY & IN, Outside 100 Miles	3.6%	5.8%	3.7%	4.9%
All Other States	29.9%	33.0%	17.9%	29.7%
Total	100.0%	100.0%	100.0%	100.0%
Within Kentucky	60.9%	59.0%	71.2%	61.4%
Outside Kentucky	39.1%	41.0%	28.8%	38.6%

percent of the autos were from the Louisville MSA, and only 50 percent from within Kentucky. The local numbers were significantly higher at the Churchill Downs survey locations. The Churchill Downs numbers are somewhat misleading, however. License plates surveyed within the parking lots operated by Churchill Downs were far more likely to be local than plates surveyed in the surrounding neighborhoods. This was especially true within the paved lots. These lots were mostly reserved parking, utilized by locals with season passes. Of the total autos surveyed at and near the Downs on Saturday, the percentage at the Downs-owned lots was higher than the actual percentage of all autos parked at or near the Downs. Therefore, our survey may have underestimated the percentage of out-of-town license plates on Saturday.

These two factors (many out-of-towners are actually from fairly nearby, and the probable undercounting of out-of-towners on Saturday) may cancel each other out in terms of attempting to estimate the number of Breeders' Cup attendees who stayed overnight in the Louisville metro area. It is plausible, given the license plate survey results, that as many as one-third of Breeders' Cup attendees stayed overnight in the Louisville area.

Breakdown of Saturday License Survey

Origin of License Plate	KFEC	Downs
Number of Automobiles		
Louisville MSA	233	923
KY & IN, Within 100 Miles	152	263
KY & IN, Outside 100 Miles	55	93
All Other States	310	538
Total	750	1818
Percent		
Louisville MSA	31.1%	50.8%
KY & IN, Within 100 Miles	20.3%	14.5%
KY & IN, Outside 100 Miles	7.3%	5.1%
All Other States	41.3%	29.6%
Total	100.0%	100.0%
Within Kentucky	51.2%	62.3%
Outside Kentucky	48.8%	37.7%

Appendix B: 1998 Breeders' Cup Phone Survey Results

Results from the post-Breeders' Cup phone survey of residents of the seven county Louisville metropolitan statistical area (MSA) indicate that just over 50 percent of Breeders' Cup attendees came from outside of the Louisville MSA. This result matches very closely the previously reported results of the license plate surveys.

The phone survey results also show that while local residents do not attend the Breeders' Cup in the numbers that attend the Kentucky Derby or Oaks, the Breeders' Cup does compare favorably to the Derby in terms of drawing out-of-town attendees. According to the results of the phone survey, the Kentucky Derby attracts roughly 60,000 nonresidents, while the 1998 Breeders' Cup brought in approximately 40,000 people for the day of racing.

1998 Breeders' Cup Phone Survey in Brief

Attendee Residence	Implied Number of People Attending:		
	Breeders' Cup	Kentucky Derby	Kentucky Oaks
Louisville MSA	38,603	80,119	65,212
Outside Louisville MSA	41,849	63,096	29,203

Survey Method

A total of 2,189 households, containing 5,467 people, were contacted by phone during the week following the Breeders' Cup. Households were randomly sampled, so they reflect a broad demographic cross-section of the Louisville MSA. Respondents were asked whether they had attended Churchill Downs during 1998, the Kentucky Oaks, the Kentucky Derby, and the Breeders' Cup.

For each county in the Louisville MSA, the number of positive responses for an event was divided by the total number of household members surveyed in that county to arrive at the percentage of people surveyed who attended that event. That percentage was then multiplied by the 1997 population estimate of the county (as determined by the U.S. Census Bureau). The resulting number is an estimate of people from that county who attended the event.

Details

The results indicate that roughly one-fifth of all Louisville MSA residents attended a Churchill Downs event during 1998, with one in twelve attending the Kentucky Derby. In general, Kentucky residents of the MSA were two to three times more likely to attend the Derby, Oaks, and Breeders' Cup than were their Indiana counterparts. However, the Kentucky metro residents were only fifty percent more likely to have attended any Churchill Downs event.

Just under four percent of Louisville MSA residents attended the Breeders' Cup, with Kentucky residents three times more likely to have attended than Indiana residents (4.6 percent compared to 1.4 percent). These percentages imply that nearly 39,000 residents of the Louisville MSA attended the 1998 Breeders' Cup. More importantly, it suggests that just over half of the attendees came from outside of the MSA.

Jefferson County residents are somewhat over-represented among all local attendees. Whereas Jefferson County residents are sixty-seven percent of the MSA population, they make up about seventy-five percent of local Churchill Downs attendees. None of the survey respondents from either Harrison or Scott Counties in

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1998 Breeders' Cup Phone Survey

	Percentage of People Surveyed Who Attended:			
	Churchill Downs	Breeders' Cup	Kentucky Derby	Kentucky Oaks
Jefferson County, KY	21.3%	4.6%	8.8%	7.6%
Bullitt County, KY	21.4%	3.8%	11.0%	7.2%
Oldham County, KY	23.3%	5.1%	10.2%	6.3%
Clark County, IN	15.5%	1.3%	4.5%	3.1%
Floyd County, IN	16.7%	2.6%	4.7%	5.6%
Harrison County, IN	6.4%	0.0%	2.3%	1.2%
Scott County, IN	8.6%	0.0%	8.6%	1.0%
Louisville MSA	19.7%	3.9%	8.1%	6.6%

	Implied Number of People Attending:			
	Churchill Downs	Breeders' Cup	Kentucky Derby	Kentucky Oaks
Jefferson County, KY	142,981	31,068	59,046	50,807
Bullitt County, KY	12,404	2,189	6,384	4,195
Oldham County, KY	10,075	2,212	4,423	2,703
Clark County, IN	14,421	1,254	4,180	2,926
Floyd County, IN	11,911	1,881	3,343	3,970
Harrison County, IN	2,162	0	786	393
Scott County, IN	1,956	0	1,956	217
Louisville MSA	195,909	38,603	80,119	65,212

Note: The phone survey was conducted during the week following the Breeders' Cup.

2,189 households, containing 5,467 people, were contacted using a random sample of households in the seven county Louisville MSA.

Indiana had attended the Breeders' Cup, so there are no attendees attributed to those counties in the table. The estimate of zero attendees for those two counties is close to the true unknown figure, and is consistent with the results from the license plate surveys - only eleven automobiles from those counties were found among the 5,300 autos counted.

Comparison to License Plate Survey Results

The results of the Phone and License Plate surveys match up very well. In order to compare the results we used the license plate data to construct an implied attendance figure for each of the seven counties. This was done by taking the percentage of automobiles surveyed that were from each county and multiplying that number by the total Breeders' Cup attendance (80,452). This assumes that the distribution of autos surveyed

1998 Breeders' Cup License and Phone Surveys Comparison

	License Plate Survey		Phone Survey
	# of Autos	% of Autos	Implied Attendance
Jefferson County, KY	996	38.79%	31,204
Bullitt County, KY	20	0.76%	613
Oldham County, KY	57	2.23%	1,791
Clark County, IN	42	1.64%	1,316
Floyd County, IN	31	1.20%	968
Harrison County, IN	6	0.24%	194
Scott County, IN	5	0.19%	155
Louisville MSA	1,157	45.05%	36,240

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mirrors the distribution of actual attendance, which cannot be verified since the license survey was not completely random. However, it does provide for a rough comparison.

The license plate survey results imply that just over 36,000 local MSA residents attended the Breeders' Cup. This is very close to the phone survey estimate, as is the distribution among the seven counties. In fact, the individual county estimates are remarkably close except for a under-estimation of the attendance from Bullitt and Floyd Counties in the license plate survey. Together, these two surveys make us confident in saying that just over half of the 80,452 Breeders' Cup attendees came from outside of the Louisville metropolitan area.