

# West Virginia horse industry booming

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MORGANTOWN, W.Va.

The thoroughbred racing industry in West Virginia's Eastern Panhandle has grown so much in six years that it now helps employ more than 3,600 people and has an annual economic impact of \$173 million, a study released Thursday concluded.

But the report for the Charles Town Horsemen's Benevolent & Protective Association also finds some horse owners are struggling to turn a profit. It warns that gambling competition from Pennsylvania and other states, plus the handling of slot-machine revenue, could make things even more difficult.

Thalheimer Research Associates Inc. of Lexington, Ky., says the horse industry contributed \$113 million in direct spending to the economy last year and created the equivalent of 2,313 full-time jobs. The other \$60 million and 1,345 jobs were the "ripple effect" on other businesses, industries and government.

Horse owners, trainers and breeders were surveyed by mail for the report, and some data was provided by the Charles Town Races & Slots owned by Penn National Gaming Inc. of Wyomissing, Pa.

The survey shows a dramatic surge in the breeding business since 2000, with the number of breeding farms rising from 55 to 140, said Richard Thalheimer, an economist and president of the consulting company.

West Virginia is now 12th in the nation for the number of registered thoroughbred foals, up from 20th in 2000, he said.

"To grow from 20th to 12th is quite remarkable," he said, and reflects the success of the state's decision to require live racing year-round.

"That's not true in almost any other state, but that has promoted a great economic boon to the area because for every day you race, you have to have employees," he said.

"As you have these horses in training -- even if they come from Maryland or Pennsylvania or Virginia -- they're still running here," he said. "And that's even better, bringing money from outside into West Virginia."

The report was released at a time when horsemen and executives alike are worried about competition from gambling parlors in Pennsylvania. The first, Mohegan Sun at Pocono Downs, opened Nov. 14, and three others are expected to open in the next three months.

West Virginia lawmakers, under new House leadership in January, may consider a bill to allow table games at the tracks to help them stay ahead of the competition. Past efforts, however, have failed.

The Thalheimer report shows racing has an economic impact that stretches beyond the betting parlor, said HBPA President Randy Funkhouser. The industry spends money on labor, tack and supplies, stud fees, seed and fertilizer, and veterinary, blacksmith and transportation services, among other things.

But with new casinos nearby, efforts to grow will suffer "and negatively impact horse farmers who have been in this region for generations," Funkhouser said.

West Virginia legalized slot machines in 1994 as a way to save its then-dying horse industry, and Mountaineer Racetrack & Gaming Resort Chester was first to install them.

Charles Town horsemen were initially skeptical and refused to support the first local referendum on slots in 1995. A year later, a compromise on revenue-sharing was reached and the referendum passed. The first machines were installed in 1997, and by the end of 2005, there were 4,300.

Slot profits have soared steadily, helping to fatten racing purses and draw better horses.

But last year, lawmakers diverted \$11 million from the purse fund to help pay down a \$3 billion shortfall in the workers' compensation fund -- a fund the horsemen could not join because they are considered independent contractors.

The Thalheimer report says the horsemen's share of gross terminal revenue was 10 percent less in fiscal 2006 than it was in fiscal 2000. The state's share jumped 10 percent.

And while gross terminal win grew nearly 12 percent between fiscal 2005 and 2006 -- from \$384.5 million to \$430.2 million -- less money went into the purses.

Because of statutory changes in the funneling of the money and the workers' comp diversion, purse revenues fell 5.3 percent, or \$1.8 million in one year, the report says.

If those trends continue, Thalheimer said, the success Charles Town has achieved could stall.

The survey found that last year, 77 percent of the responding horse owners had a financial loss, with costs that had surged 26 percent, from \$38 million in 2000 to \$48 million in 2005.

"All this great and healthy increase is being threatened," Thalheimer said. "... If purses go down, or live racing is cut back, these numbers in my report will reverse themselves."