



**SPECTRUM**  
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Impact Study:

# West Virginia Greyhound-Racing Subsidies

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# The Spectrum Report

- Prepared for Dept. of Revenue
  - Worked with Lottery, Racing Commission
- Completed in 5 weeks
- Delivered January 9, 2015



# The Spectrum Report

## Study Purpose:

To provide an “independent objective analysis” of the government subsidy to greyhound racing with the goal of recommending whether “the benefits of regulation justify the cost.”

# Live Handle Dwindling

- \$35.0M in 2004 → \$15.8M in 2013
  - Due to decline in attendance/loss of interest: Wheeling Island attendance 929,000 in 1983 → 13,000 in 2013
- But ... purses increased due to subsidies from racetrack gaming revenue (i.e., Video Lottery)
  - Mardi Gras: \$1.6M in 1990 → peak of \$8.9M in 2003
  - Purses declining in recent years due to casino competition in neighboring states

# Purse Awards ... Who Wins?

- Supplements account for 95% of purse awards
  - Originally funded through live handle; now chiefly by gaming
  - In 2013, purses were higher than live handle
- Two-thirds of purses won by out-of-state residents
  - In 2013 at Mardi Gras, Kansans won more purse money than West Virginians
  - At Wheeling Island, 230 out-of-state entities won purses vs. 30 from West Virginia



# Purse Awards ... Who Wins? (continued)

- A few entities win most of the money
  - Top 10 won 42% of the money
  - Top 20 won 63% of the money
- Greyhound Development Fund for WV breeders (\$5.5M)
  - Top 10 won 49 percent of awards
  - Top 20 won 70 percent of awards

# Costs to State

- Racing-related revenue to state: \$1M (projected FY2014)
- State oversight costs: \$965,000 (projected FY2014)
- State was approaching loss for first time ever

# Economic Impact

- WVU study in 2012: greyhound industry had \$31.2M impact to state
  - \$12.8M direct, \$18.2M indirect/induced
- Casino subsidies in 2012: \$29.3M
- *Impacts barely exceeded subsidies*
  - Factors to consider:
    - Only one year for WVU study; using 10-year subsidy averages, State may be getting negative return on investment
    - Out-of-state entities benefit most



# Spectrum Recommendations

1. Greyhound-racing participants should be required to fund any deficit in State-oversight costs

# Spectrum Recommendations

2. Consider better use of racing-subsidy funds:
  - a. Allow the casinos to no longer make the subsidy payments and retain the money to improve their bottom lines in light of increased casino competition in the region; or
  - b. Allow the Lottery to retain the money to use it for governmental operations; or
  - c. Allow the Lottery to retain some of the money and allow the casinos to keep some of the money

# Spectrum Recommendations

3. If Legislature determines to eliminate greyhound racing, set aside small portion of the tax on GGR currently devoted to purse subsidies for use in compensating industry participants injured by cessation of racing

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