

MONTANA BOARD OF HORSE RACING

2020 Annual Report

March 25, 2021

Covid-19 treated the Montana horse racing industry no differently than many of the businesses in Montana for 2020. The Miles City Bucking Horse Sale group announced on April 2, 2020 that they had come to the decision that trying to put on the world-famous bucking horse sale and horse race meet in the middle of a global pandemic was too much of a risk to human life. Even though it would be a major blow to the local economy, the health risks out-weighed the rewards of the event. The bucking horse sale committee then promised that 2021 would be bigger and better than ever before.

It was less than a week later and on April 8, 2020 the Great Falls Turf Club announced that they too would not host their annual race meet in conjunction with the State Fair in Great Falls. The turf club expressed sadness for this decision, but once again, the safety of their patrons and participants was at the center of their decision. "We have already begun work planning for the 2021 racing", stated State Fair Race Meet Director of Racing, Sparky Kottke.

About the only good thing to happen to the horse racing industry in 2020 was that the debt owed to the Department of Administration was completely paid off. The \$628,000+ debt was created in a three-year span covering 2009 to 2011. The board of horse racing during that time gave money to race tracks to help support their race meets; yet, the money wasn't there. A combination of monies not collected by the board, a simulcasting operation that failed to generate the revenues that were budgeted and overpayments to tracks caused the board to go into debt during this three year stretch. Over the next 7 years, the board of horse racing concentrated on making the yearly \$62,842.70 payment while trying to maintain some racing in the state of Montana. The debt was schedule to be paid back to the Department of Administration over a 10-year period, but on November 16, 2019, the Montana Board of Horse Racing made its last payment, three years ahead of schedule.

With Covid-19 causing a pandemic not seen in this country for decades, live racing in Montana stopped for 2020. The Montana Simulcasting Racing Network which had helped support the live racing in the state and was a major reason the board was able to pay off their debt in advance closed their doors. Starting on January 1, 2020, Montana was without a simulcasting network, which caused great concern by the board members of where the additional revenues would come from.

The Montana Board of Horse Racing, in accordance with Montana Code Annotated and specifically statute 23-4-104 – "Duties of the Board" - files this report documenting the 2020 Montana horse racing season. This report will be posted to our website for the general public's viewing at: <http://commerce.mt.gov/horseracing/AnnualReports>.

Montana Board of Horse Racing Members

Name	Term Ends	Represents	Name	Term Ends	Represents
John Hayes, Chairman Great Falls, MT	Jan 1, 2024	District 3	Barry 'Spook' Stang Helena, MT	Jan 1, 2023	District 4
Dale Mahlum, Vice-Chairman Missoula, MT	Jan 1, 2022	Industry	Gary Koepplin Florence, MT	Jan 1, 2022	District 5
Jody Smith Miles City, MT	Jan 1, 2024	District 1	Ralph Young Columbus, MT	Jan 1, 2023	Industry
Shawn Real Bird Hardin, MT	Jan 1, 2022	District 2			

(All board members serve until the Governor chooses to appoint a replacement)

Mission Statement

To ensure the integrity of the state’s horse racing industry, both live and simulcast, through customer-oriented regulation and monitoring of compliance with the Montana State Board of Horse Racing Laws and Rules.

Board of Horse Racing Goals and Objectives

In order to fulfill its mission, the Board of Horse Racing is committed to achieving the following goals and objectives:

To monitor and regulate the horse racing industry in Montana; to allow the racing industry, both live and simulcast, to grow and perform at a level which would be beneficial to all racing interests in the State of Montana while at the same time providing and promoting public confidence. Economic impacts include Montana's agricultural sector, county fairgrounds, and the communities (lodging, meals, supplies, feed, etc.) in which race meets are held.

Live Racing Information

Historical Data by Decade (No racing in 2020)

Category	1980-1989 (10 yrs.)			1990-1999 (10 yrs.)		
	Maximum	Minimum	Average	Maximum	Minimum	Average
Race Tracks	14	7	11	8	6	7
Race Days	143	88	124	96	44	65
Wagered \$	\$11.8M	\$7.9M	\$10.6M	\$6.2M	\$2.2M	\$4.4M

Category	2000-2009 (10 yrs.)			2010-2019 (10 yrs.)		
	Maximum	Minimum	Average	Maximum	Minimum	Average
Race Tracks	6	3	5	5	1	2
Race Days	40	16	30	22	3	9
Wagered \$	\$2.3M	\$1M	\$1.7M	\$1.4M	\$.1M	\$.7M

2020 Live Race Meet Dates (8 days)

Miles City Bucking Horse Sale Race Meet - Miles City (3 days) May 10, 16, 17 - 2020
 Great Falls State Fair - Great Falls (5 days) July 18, 19, 24, 25, 26 - 2020
Due to Covid-19 all 8 days of racing were canceled.

2020 Live Race Meets Wagering Data

Race Track	Wagered	Returned to Public	Retained by Track	Purses Paid
Miles City				
Great Falls				
Total				

Due to Covid-19 all 8 days of racing were canceled.

2020 Live Race Meets Race Data

Race Track	Days	QH Races	Other Races	TB Races	Field Count	Starters	Ave Starts Per Race
Miles City							
Great Falls							
Total							

Due to Covid-19 all 8 days of racing were canceled.

2020 Live Race Meets Compared to Previous Year

Track	Days		Races		Starters		Wagered\$		Wager-Race\$	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Miles City	3		14		39		\$50,945		\$3,639	
Great Falls	5		43		284		\$431,476		\$10,034	
Total	8		57		323		\$482,421		\$8,464	

Due to Covid-19 all 8 days of racing were canceled.

2020 Live Race Meets Rulings

Track	Category	Description	Fine \$
Miles City		No rulings - Race Meet Canceled due to Covid-19	
Great Falls		No rulings - Race Meet Canceled due to Covid-19	
Totals	Count 0		

Due to Covid-19 all 8 days of racing were canceled.

Montana Breeders and Owners Bonus Program

By statute and rule, breeders and owners of Montana foaled horses will share in a Montana breeder and owner bonus program. 10% of the first money of every purse won by a horse bred in Montana shall be paid to the breeder of the horse and an equal amount shall be paid to the owner of the horse. These funds must be paid to the Montana Board of Horse Racing to administer and then payed-out to the respective parties. In addition to this bonus program, money from the "Source Market" fees may be set aside and paid to the same breeders and owners of Montana horses listed in the first bonus program. The "Source Market" fee money is divided according to the percentage of winning purse money for each horse.

2020 Montana Breeder and Owner Bonus by Track

Track	Horses	Earnings	Breeder Bonus	Owner Bonus	ADW Breeder Bonus	ADW Owner Bonus	Total Bonus
Miles City							
Great Falls							
Total							

Due to Covid-19 all 8 days of racing were canceled.

2020 Montana Breeder Bonus by Individual

Name	City, State	Bonus Amount
2020 Breeder Bonus Totals		

Due to Covid-19 all 8 days of racing were canceled.

2020 Montana Owner Bonus by Individual

Name	City, State	Bonus Amount
		=====
2020 Owner Bonus Totals		

Due to Covid-19 all 8 days of racing were canceled.

Advance Deposit Wagering

Statute 23-4-301 (7) states – “The board may license an advance deposit wagering hub operator to conduct advance deposit wagering. Advance deposit wagering is prohibited and illegal unless it is conducted through an advance deposit wagering hub operator licensed by the board”.

“Source Market” fees paid to the Board from Advance Depositing Wagering hubs are used to support the live horse racing industry.

2020 Licensed Advance Deposit Wagering Hub

ADW Company	Wagers by Montana Residents	Source Market Fees Received
AmWest Entertainment	\$16,471	\$741
Churchill Downs - TwinSpires	\$3,599,265	\$161,976
Day At The Track	\$6,009	\$270
GamePlay Network	\$122,182	\$5,491
Lien Games	\$6,153	\$277
NYRA Bets	\$278,703	\$12,542
Sportech	\$0	\$0
TVG	\$3,456,106	\$155,555
Xpressbet	\$1,505,866	\$67,764
Total	\$8,990,756	\$404,616

80% of the source market fees are given to the race tracks to help pay for operations and purses. The board of horse racing sets aside some of the ADW source market fees to be used to pay for Montana owner’s and breeder’s bonuses at the end of the year.

Montana Fantasy Sports

Statute 23-4-301 (5)(b)(iii) states – “... the Board shall then distribute this portion of live race purses and for other purposes that the Board considers appropriate for the good of the existing horse racing industry”.

2020 Montana Fantasy Sports – Operated by Montana Lottery

Fantasy Sports	Revenues	Expenses	Net to MBOHR
Licensing Fees	\$17,575		
Ticket Sales	\$125,880		
Commissions & Vendor Fees		\$15,626	
Prize Expenses		\$90,444	
Total	\$143,455	\$106,070	\$37,385

Due to Covid-19 many wagering sporting events were canceled.

Money collected for Fantasy Sports helps provide officials at the race track as well supplement purses, track operations, debt repayment and board operations.

Simulcasting

Starting January 1, 2020, the Montana Simulcast Racing LLC of Missoula closed their simulcasting network around the state. Owners of MSRLLC were hoping to add sports wagering to the menu of horse and greyhound racing from around the country. The added wagering selection would have provided a new growth in customers and the ability to expand their operations. Legislation proposed during the 2019 Montana legislative session failed and thereby placed the network in financial concerns. Montana Simulcast Racing LLC operated the simulcasting network for 7 years in Montana and were instrumental in helping pay down the debt that the board of horse racing had incurred during the 2009-2011 years. Six (6) locations were open at the start of 2019 and finished the year with 3 locations.

Board Licensing and Other Revenues Items

Companies, individuals, and partnerships participating in live horse racing are required to have a valid license issued yearly by the Montana Board of Horse Racing. A breakdown of the types of licenses is listed below. Revenues from licensing are used to support the operations of the Board as well as administrative costs supervising the live race meets.

2020 Live Race Meeting Licensing

License Type	Issued	License Type	Issued	License Type	Issued
Announcer		Horsemen's Bookkeeper		Plater	
Apprentice Jockey		Hotwalker		Pony Person	
Asst. Racing Secretary		Identifier		Program Company	
Assistant Starter		Jockey		Program Employee	
Assistant Trainer		Jockey Agent		Racing Secretary	
Bank Auditor		Jock Room Custodian		Score Runner	
Board Member		Judge		Stable Name	
Cashier		MBOHR Members		Starter	
Chart Employee		Office Personnel		Stewards	
Chief of Security		Other		Tote Employee	
Clerk of Scales		Outrider		Tote Company	
Clocker/Timer		Owner		Track License	
Chutes/Personnel		Owner-Trainer		Track Maintenance	
Director of Racing		Paddock Judge		Track Superintendent	
Equine Dentist		Parimutuel		Trainer	
Executive Secretary		Parimutuel Manager		Turf Club Members	
Exercise Rider		Patrol Judge		Valet	
Family \$15		Photo Employee		Vendor	
Family \$25		Photo Manager		Vet Assistant	
Gate Attendant		Photo Company		Veterinarian (Practicing)	
Groom		Pioneer		Veterinarian (State)	
				Total Issued	

Revenues Generated From Live Racing Licensing: \$0

Due to Covid-19 all 8 days of racing were canceled.

2020 Other Licensing

Item	Revenue	Item	Revenue
ADW Licensing	\$4,500	Simulcast Licensing	\$0
Other Revenues Total: \$6,135			

2020 Costs to the Board to supervise race meets

Race Meet	Payroll	Travel	Lodging/Meals	Lab, Equip, Etc	Total
Miles City					
Great Falls					
Total					\$0

Due to Covid-19 all 8 days of racing were canceled.

2020 Expenses of the Board

Item	Expense	Item	Expense
Board Meetings & Travel	\$3,350	Distributions to Tracks ⁽¹⁴⁾	\$3,200
Board Operations-Yearly ⁽¹³⁾	\$39,529	Memberships ⁽¹⁵⁾	\$3,300
Bonus Programs			
Expense Total: \$49,379			

- (13) Includes management contract for the Board and charges from Department of Commerce for payroll processing and computer time.
- (14) Money used by tracks for equipment and changing of post-position colors.
- (15) Association of Racing Commissioners International – gives the Board access to a U.S. wide database to review licenses and rulings from around the country.

Quick Review of 2020 for Montana Board of Horse Racing

With the move from the Department of Livestock to the Department of Commerce completed on July 1, 2013, the Montana Board of Horse Racing concentrated on paying the debt to the Department of Administration while providing the maximum amount of financial support to the live race meets. November 2019 saw that goal accomplished with the last payment of \$62,842.70 made to the Department of Administration.

2020 - The Year Of Covid-19

Covid-19 not only forced the cancellation of both horse racing meets in Montana, it changed the dynamics of how the Montana Board of Horse Racing supports the live racing in Montana. The year 2020 saw the closure of the simulcasting network that historically brought \$120,000 to \$140,000 worth of revenue each year to the board to later be distributed to the live race meets. Without the simulcasting network, the board of horse racing will depend more heavily on Advance Deposit Wagering and the Fantasy Sports.

An interesting side note of the Covid-19 and the closing of the simulcast network is that the Advance Deposit Wagering numbers saw over 100 percent increase in traffic due to the lack of a simulcasting network in Montana as well as restrictions put in place due to Covid-19 and people staying at home.

Advance Deposit Wagering

In 2020, Advance Deposit Wagering jumped 112% over the previous year. With people required to stay at home due to Covid-19, and looking for entertainment, the Advance Deposit Wagering in Montana exploded. Even though the board of horse racing was missing a simulcasting network for all of 2020, the ADW wagering more than made up the difference. ADW companies contract with the board of horse racing to provide content for Montana patrons and pay to the state a source market fee that helps in continuing live racing in the state. The current "Source Market" fee rate is 4.5% of the handle.

Fantasy Sports

The NFL and NASCAR racing are the two games currently offered by the Montana Lottery (the company contracted with the board to provide Fantasy Sports). Fantasy Sports dropped considerably in 2020 mainly due to the fact that many of the sporting events were canceled or postponed. In 2020, revenues back to the board of horse racing from the Montana Lottery conducted Fantasy Sports amounted to only \$37,385; a reduction in the average yearly amount of approximately 33% (\$55,000 on a normal year). In 2019, passage of the sports wagering bill allows the Montana Lottery to conduct sports wagering and this could be part of the reason the Fantasy Sports wagering was down in 2020.

Simulcasting – Montana Simulcast Racing LLC

Montana Simulcast Racing LLC decided to close their network on December 31, 2019. The Great Falls Turf Club applied for a simulcasting network license in February of 2020 and was working to start the simulcast network back up again, just before Covid-19 hit. It was decided with the closures required from the state of Montana regarding Covid-19, opening the simulcast network at this time would have been foolish.

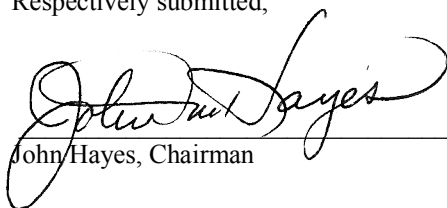
A look to the 2021 live racing season

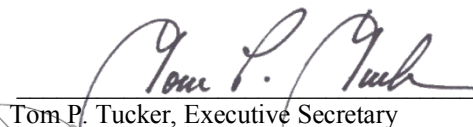
Nine days have been allocated for the 2021 season. Everyone is anxious for the season as people are ready to get outside and enjoy horse racing once more. Miles City will also simulcast in the Kentucky Derby and will be racing on Derby day for the first time ever. Great Falls has been working on their facility and with their new grandstand, lots of improvements await their loyal fans. Miles City Buck Horse Sale Race Meet is schedule to run May 1, 9, 15 & 16. State Fair Race Meet in Great Falls will race on July 24, 25, 30, 31 & August 1st. Funds to be distributed to the race meets in 2021 must be split between purses and operations. Those distribution amounts are: Miles City - \$65,000 and Great Falls - \$110,000.



Horses coming onto the track for race 1 in Miles City - 2019

Respectively submitted;


John Hayes, Chairman


Tom P. Tucker, Executive Secretary

