



MONTANA BOARD OF HORSE RACING

Minutes of Board Meeting: November 9, 2016 – 10:00 a.m.

Montana Department of Commerce - Room 228
301 South Park Avenue - Helena, MT 59601

MEMBERS IN ATTENDANCE:

Chairman: John Hayes, Great Falls
Vice Chairman: Dale Mahlum, Missoula
Member: Susan Egbert, Helena
Member: Ralph Young, Columbus
Executive Secretary: Tom Tucker, Corvallis

MEMBERS ON PHONE:

Sue Austin, Kalispell

MEMBERS ABSENT:

Shawn Real Bird, Hardin

PUBLIC IN ATTENDANCE:

Diane Kottke, Sparky Kottke, Chet Monson, Robby Overturf, Don Richard

PUBLIC ON PHONE:

Ron Reed, Raleigh Swensrud, John Iverson, Val Crossland, K-Heart Veterinary Service, Chris ?

CALLED TO ORDER:

Chairman John Hayes called the meeting to order at 10:03 a.m. He welcomed those in attendance and called for roll call. All board members were present except for Shawn Real Bird, Hardin. Chairman Hayes asked for any corrections or additions to the July 30, 2016 meeting in Great Falls. Member Mahlum moved to approve the minutes as mailed, Member Egbert seconded the motion, Motion passed.

Third agenda item was a financial review and update. Current board cash position is \$260,000. Tucker ran through a breakdown of the financials comparing Jan 1 thru Oct 31 of 2015 and 2016. Major differences show a drop in Advance Deposit Wagering of approximately \$25,000, licensing revenues rose by 15% in 2016, and revenues from the simulcasting network were down approximately 10%. On the expense side, distributions to the tracks and purses increased by 23%. Tucker cautioned the board that the distribution for 2017 needs to be viewed with the idea that revenues may continue to shrink. Tucker then broke down the simulcasting, advance deposit wagering and fantasy sports segments of the financials. Concern still exists that the board needs to take into consideration setting aside money for the simulcast network. Montana Simulcast Racing LLC continues to look for new locations. In regards to the advance deposit wagering, the board continues to work on bringing ADW companies that take wagers from Montana patrons without being licensed in Montana into compliance. Fantasy sports looks like it is off to an excellent year as the numbers in regards to sales are up considerably. Tucker pointed out that the Lottery/Fantasy Sports agreement needs to be redone by the end of December. It was moved by Ralph Young and seconded by Dale Mahlum to accept the financial report. Motion passed.

To complete the presentation, the board discussed setting aside \$25,000 to help the simulcasting network if needed at the end of 2016. Tucker is to review the financial records of MSRLLC and if a request comes in from the company for some of the funds, he will inform the board before releasing any money. Member Egbert moved to set the money aside, Dale Mahlum seconded the motion. Ralph Young asked if a separate account would need to be created with Tucker stating that it would be set aside as an accounts payable item so the board could always see the balance. Motion passed.

Chairman Hayes asked for public comment; hearing none, he asked to move on to agenda item number 5, 'possible rule changes'. Tucker explained the procedure of changing the rules. The Department of Commerce will post them and allow for public comment of which the board's Executive Secretary and a representative from the Department of Commerce can conduct the hearing on any comments for the rule changes. Proposed rule changes included: **(1)** 32.28.502 [12] adjustment to licensing fees for video and program companies, **(2)** 32.28.611 [5] following through on the removal of [5] which deals with the official veterinarian being able to administer medication on the backside, **(3)** 32.28.705 [3] adding a requirement that jockey's under the age of 18 have a parent/guardian signature on their license application, **(4)** 32.28.705 [39] adding the word 'may' to the rule of disqualifying a jockey and/or horse due to a shortage of weight carried in the race, **(5)** 32.28.803 adding a rule which allows for horses that qualify for stakes races to be able to scratch for any reason, **(6)** 32.28.1401 [2] adding the words 'and/or post-race serum or plasma' to better define current testing procedures, **(7)** 32.28.1402 [4] adjusting levels of Phenylbutazone allowed in Montana to match guidelines for foreign substances from other racing jurisdictions around the country, **(8)** 32.28.1402 [5] reword the rule to better define current testing procedures, **(9)** 32.28.2007 remove parts [1], [4], [5] that have been duplicated in other rules. Much of the discussion was in regards to the lowering of the levels allowed for Phenylbutazone. Member Mahlum and Member Young stressed the fact that race offices need to post these changes where ever they can to warn horsemen of the lower allowed levels. Susie Egbert moved to have the rules posted for approval. Dale Mahlum seconded the motion. Motion passed.

Agenda item 6 was the idea of allowing horsemen to handle their own horses in the starting gate. Comments ranged from 'they do it at Lethbridge' to concerns of liability to the track. Inexperienced assistant starters can cause problems at the starting gate. Tracks still would have to hire assistant starters due to not all owners/trainers would head their own animals. It was decided to continue to look at this problem and look into the liability tracks might face if owners/trainers were allowed into the starting gates.

Agenda item number 7 was a report by Member Young in regards to the AQHA meeting at Los Alamitos, CA. Mr. Young described the status of 'hair testing' and the legal actions against it. Questions were asked of Ralph in regards to turn around time, lab work and how Los Alamitos was using the 'hair testing' procedures. Mr. Young also talked about the infectious diseases that have been discovered at race tracks in other states.

Item 8 was a discussion on possible legislation. Tucker has been working with Angela Wong from the lottery in drafting a change to the current statutes regarding takeout and distribution rates for Fantasy Sports. Colorado is starting their parimutuel fantasy sports and using their current simulcast sites. Member Young asked if that is possible in Montana. Tucker believe it could be and will watch the progress of Colorado. The board asked Tucker to continue to work with the Montana Lottery in regards to changes to the fantasy sports takeout rates as well as a new agreement with Montana Lottery.

Agenda item 9 was already voted on and passed earlier in the meeting.

Tucker then reviewed all the income and expenses from July 1, 2007 thru June 30, 2012, when the board was located in the Department of Livestock. Showing how the revenues continued to fall while expenses rose, along with the board not receiving income from the simulcast company that took over in 2009, and simulcast sites and tracks that dealt with the board while the board was operating the simulcast network, Tucker laid out an educated guess on how the MBOHR got into a financial disaster. Without up-to-date revenue and expense figures, many of the board's decisions were literally made in the dark. The board has already made the debt payment for June 2017. Each payment is \$62,842.70.

Agenda item number 11 was discussion on the 'outs ticket' money for each track. Miles City has \$4,007.90 from 2016 and Great Falls \$8,865.10. Don Richard from Miles City asked to use the money for more sand on the track, gate repair and fence repair. Tucker did not have any specific capital improvement items, so both tracks will let the Executive Secretary what their final plan is in regards to spending this money for capital improvements in the 2017 season.

Under public comment, Sparky Kottke wanted to thank the board for the work the board has put forth in keeping the industry going in Montana. Chairman Hayes then requested to take a 10 minute break before tackling the assignment of race dates.

Tucker ran through the date applications. Both tracks completed their applications and all information was provided. Without a conflict of dates, it is really a matter of funding. Member Egbert moved to approve the 2017 race dates applied for: Miles City: May 14, 20, 21, 2017 and Great Falls: July 22, 23, 28, 29, 30, 2017. Dale Mahlum seconded the motion. No discussion. Motion passed. Tucker then told the board he estimated they had \$120,000 to distribute to the tracks of which, at least 50%, is required to be placed in the purse fund. Tucker suggested that each town (Miles City & Great Falls) keep the money earned at their local simulcast site. That gave Miles City \$5,537 from the Golden Spur Casino and \$21,383 to Great Falls from the Halftime Sports Bar. Then the board worked through formulas using a combination of previous year's handle, race dates, and historical distributions of funds. It was moved by Member Young that Great Falls should receive \$83,000 for 2017 and Miles City \$42,000 for 2017. Susie Egbert seconded the motion. A small amount of discussion followed. Chairman Hayes called for a vote and the motion passed.

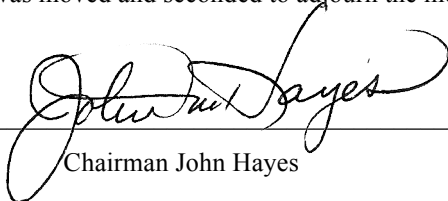
No old business was discussed.

Under new business, Chairman Hayes gave the board members an update on possible legislation that would affect the tracks and their hunt for jockey insurance vendors. The problem falls under a clause in the Montana Statutes dealing with 'surplus-lines' and the fact that Montana looks at the jockey insurance as health insurance instead of accident insurance. Chairman Hayes told the board he will keep them up-to-date on how this could affect the racing industry.

Chairman Hayes asked for any final public comment.

It was decided that the MBOHR's next meeting would be their yearly conference call and that is to be on Wednesday, February 15, 2017 at 10:00 a.m. Information about the meeting will be posted on the website at: <http://www.commerce.mt.gov/horseracing>.

It was moved and seconded to adjourn the meeting. Motion passed. Meeting adjourned at 1:15 p.m.


Chairman John Hayes



February 15, 2017

Date