

Honorable Steve Bullock, Governor
 Director Meg O’Leary, Montana Department of Commerce

March 27, 2014

The board members and staff want to thank both of you for your continued support of the horse racing industry in Montana and look forward to working with you to take on the challenges that this industry faces and work together to revive an industry that at one time had a major impact to the Montana economy.

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 2013 Montana horse racing. This report will be posted to our website for the general public’s viewing at: <http://commerce.mt.gov/horseracing/default.mcp.x>.

Members - Montana Board of Horse Racing

Name	Term Ends	Represents		Name	Term Ends	Represents
Dale Mahlum, Chairman Missoula, MT	Jan 2016	Industry		Allen Fisher Ashland, MT	Jan 2015	District 1
John Hayes, Vice-Chairman Great Falls, MT	Jan 2015	District 3		Shawn Real Bird Hardin, MT	Jan 2016	District 2
Susan Austin Kalispell, MT	Jan 2016	District 5		Ralph Young Columbus, MT	Jan 2016	Industry
Susan Egbert Helena, MT	Jan 2017	District 4				

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.

Historical Data by Decade

Averages per year for the decade

Category	1980-1989	1990-1999	2000-2009	2010-2013
Race Tracks	11	7	5	3
Race Days	125	65	30	10
\$ Wagered	\$10.6M	\$4.4M	\$1.7M	.7M

2013 Live Racing Information

2013 Live Race Meets Wagering Data

Race Track	Wagered	Returned to Public	Retained by Track	Purses Paid(2)
Miles City(1)	\$106,266	\$80,867	\$25,399	\$76,130
Great Falls	\$374,475	\$280,789	\$93,686	\$83,950
Total	\$480,741	\$361,656	\$119,085	\$160,081

(1) Miles City’s wagered amount in 2012 was \$117,358 (down 10% in 2013 due to rain-out on Sunday, May 19, 2013). Great Falls did NOT race in 2012.

(2) Purses Paid includes all horsemen fees, sponsorships and money added by the track.

2013 Live Race Meets Race Data

Race Track	Race Days	Races Run	Field Count(3)	Starters(4)	Ave. Per Race
Miles City	3	23	151	138	6.0
Great Falls	4	38	250	235	6.2
Total	7	61	401	373	6.1

(3) Number of horses entered into a race

(4) Number of horses actually starting in a race.

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.

2013 Licensed Advance Deposit Wagering Hub

ADW Company	Wagers by Montana Residents	Source Market Fees Received
Day At The Track	\$16,776	\$840
SocialGaming, Inc.	\$0	\$0
Sportech	\$20,930	\$879
TVG	\$1,413,006	\$24,941
Xpressbet	\$230,742	\$8,076
Total	\$1,681,455	\$34,736

80% of the source market fees are given to the race tracks to help pay for operations and purses. 10% of source market fees are retained by the board of horse racing for operations and 10% are set aside to pay for Montana owner’s and breeder’s bonuses at the end of the year (refer to Montana Owners & Breeders Awards).

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”.

2013 Montana Fantasy Sports – Operated by Montana Lottery

Fantasy Sports	Revenues	Expenses	Net to MBOHR
Licensing Fees	\$13,100		
Ticket Sales	\$179,417		
Commissions		\$7,105	
Vendor Fees		\$10,787	
Prize Expenses		\$132,124	
Total	\$192,517	\$150,016	\$42,501

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

Simulcasting

In 2013, Montana Simulcast Racing LLC of Missoula completed it’s first full year of simulcasting since applying for a simulcast license in May of 2012. 1% of all statewide simulcast handles are returned to the board for operations. 1% of all handle and 3% of exotic handles are paid to the board to help with live racing in the state of Montana. Currently, there are 7 locations in the state of Montana that offer simulcast wagering:

2013 Simulcast Site Listing

Site Name	City	Site Name	City
Won \$800 Casino	Billings	Scotty’s Bar & Steakhouse	Kalispell
M & M Cigar Store	Butte	Golden Spur Casino	Miles City
Halftime Sports Bar	Great Falls	Katie O’Keefes Casino	Missoula
Bulls Eye Casino	Helena		

2013 Simulcasting Handle and Funds to MBOHR

MSR, LLC	Wagered	Returned to Public	1% to MBOHR	1% to Track/Purses	3% Exotics(5) Track/Purses
2013 Total	\$4,248,198	\$3,356,499	\$42,482	\$42,482	\$83,874

(5) Exotic wagering is all wagers other than win, place and show wagering.

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 pay-out to the respective parties. In addition to this bonus program, 10% of the "Source Market" fees must be set aside and paid to the same breeders and owners of Montana horses listed in the first bonus program. The 10% (5% owner and 5% breeder) is divided according to the percentage of winning purse money for each horse.

2013 Montana Breeders and Owner Bonus

Track	Horses	Earnings	Breeder Bonus	Owner Bonus	ADW Breeder Bonus	ADW Owner Bonus	Total Bonus
Miles City	6	\$4,620	\$462	\$462	\$780	\$780	\$2,484
Great Falls	5	\$5,670	\$567	\$567	\$957	\$957	\$3,048
Total		\$10,290	\$1,029	\$1,029	\$1,737	\$1,737	\$5,532

Board Licensing and Other Revenues

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.

2013 Live Race Meeting Licensing

License Type	Issued	License Type	Issued	License Type	Issued
Announcer	3	Jockey	17	Program Employee	1
Assistant Starter	18	Jock Room Custodian	2	Racing Secretary	2
Assistant Trainer	1	Office Personnel	3	Stable Name	10
Bookkeeper	2	Other	1	Starter	1
Chief of Security	1	Outrider	4	Tote Employee	1
Clerk of Scales	2	Owner	95	Tote Company	1
Director of Racing	2	Owner-Trainer	45	Track License	2
Exercise Rider	3	Paddock Judge	2	Trackman	1
Family \$15	12	Parimutuel	38	Trainer	11
Family \$25	26	Parimutuel Manager	1	Turf Club Members	6
Gate Crew (Security)	4	Photo Employee	3	Valet	5
Groom	20	Photo Manager	1	Vet Assistant	2
Hotwalker	2	Plater	2	Veterinarian	2
Identifier	2	Pony Person	16	Video Company	1
				Total Issued	374
Revenues Generated From Licensing: \$15,675					

Other Licensing, Fines, General Revenues

Item	Revenues	Item	Revenue
ADW Licensing	\$3,500	Simulcast Licensing	\$2,070
Live Racing Fines	\$1,600		
Other Revenues Total: \$7,170			

Costs to the Board to supervise race meets

Race Meet	Payroll	Travel	Lodging	Lab Work & Other	Total
Miles City	\$7,623	\$2,679	\$2,470	\$1,425	\$14,197
Great Falls	\$7,806	\$1,449	\$2,004	\$2,850	\$14,109
Total	\$15,429	\$4,128	\$4,474	\$4,275	\$28,306

Expenses of the Board

Item	Expense	Item	Expense
Debt Service (D of A)	\$62,842.70		
Board Meetings & Travel	\$1,700	Distributions to Tracks(8)	\$95,000
Board Operations-Yearly(6)	\$38,570	Memberships(9)	\$3,000
Bonus Programs(7)	\$3,474	Other Debts(10)	\$5,000
Expense Total: \$209,587			

- (6) Includes management contract for the board and charges from Department of Commerce for payroll processing and computer time.
- (7) Montana Breeders and Owners bonus program from Advance Deposit Wagering source market fees.
- (8) Money distributed to tracks for support. Up to 50% MAY be used for operations and at LEAST 50% MUST be used for track purses.
- (9) Association of Racing Commissioners International – gives the board access to a U.S. wide database to review licenses and rulings from around the country.
- (10) Debt left by racing association which effected contracts for current simulcast operations and other wagering agreements. Debt remaining is \$4,500.02

Quick Review of 2014 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 board of horse racing continues to focus on paying the debt to the Department of Administration while providing the maximum amount of financial support to the live race meets. All channels of revenue sources are continually being reviewed and monitored for ways to improve and increase money to the board.

Advance Deposit Wagering

All ADW companies were re-licensed for 2014 at the “Source Market” fee rate of 4.5% of handle. Using the 2013 wagering figures, this should amount to roughly \$30,000 increase in revenues. The board continues to try and sign up more ADW companies around country.

New to Montana this spring will be the introduction of SocialGaming Technologies new wagering kiosk. The machine is designed to go into smaller facilities that can not afford a full scale simulcast operation, and give patrons the ability to wager on horse, greyhound and harness racing from around the world. These machines can be used to introduce new customers to the racing industry as well as act as a potential end-point for streaming live video from the live race meets in Montana. If successful, this could add an additional \$30,000 to \$50,000 of revenue to the board. Locations are currently being reviewed and licensing will begin upon approval by the board of horse racing.

Fantasy Sports

Though disappointing in the amount of money wagered on Fantasy Sports, the number of locations continues to increase due to the hard work by the Montana Lottery. Other games as well as innovative broadcasting methods need to be explored to get more people involved in the fantasy games. The board will work with the Montana Lottery to try to increase the wagering base.

Simulcasting – Montana Simulcast Racing LLC

The simulcast network provides the majority of funds for the board of horse racing. We work hard to support their efforts and do whatever it takes to keep them operating. On December 31, 2013, the network celebrated its first full year of simulcast operations. The previous operator left a large amount of debt in the industry and caused many headaches for the new company. Slowly but surely, Montana Simulcast Racing LLC, is building Montana’s reputation back to where it use to be. With that, more tracks are willing to send their signals to Montana and charging signal rates that are more reasonable. With increased competition from other forms of wagering, the board closely monitors the simulcast operation.

Live Racing in 2014

Once again 7 days were allotted for the 2014 season, mirroring the days raced in 2013. Three days are scheduled for Miles City: May 11, 17, and 18, 2014. Four days are planned for Great Falls: July 19, 20 and 26, 27, 2014. Distribution to the tracks for purses and operations will be \$90,000 in 2014.

Racing continues to work its way back, slowly. Funding is the key and until the board can generate more revenues for the tracks, 7 – 8 days a year will be the upper limit. Due to increased competition for horses in Idaho and Wyoming, 2014 could prove to be a rough year. Both Idaho and Wyoming passed legislation that will add additional revenues to their race meets, resulting in more days of racing and higher purses being offered in those states. Lack of competition from other gambling opportunities allows both Wyoming and Idaho to generate funds in excess of what the Montana Board of Horse Racing can currently offer.

Miles City Bucking Horse Sale is run in conjunction with the world famous Bucking Horse Sale and continues to offer horsemen a place to race their animals and display the equine products. In 2012, when no funding from the board of horse racing was available, Miles City raced on their own and was able to continue to provide an event that is traditional in the Miles City area.

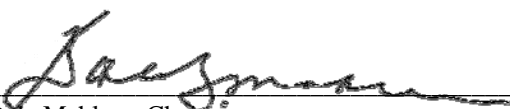
People still love the ‘Sport of Kings’

With all the doom and gloom of previous years, it was proven that people still love to watch live horse racing. After two years of not racing in Great Falls, the newly formed Great Falls Turf Club, with financial support from the Cascade County Commissioners, presented a four (4) day race meeting leading into the 2013 Montana State Fair. The highly successful race meet handled \$374,475 in 4 days, marking the highest total handle since 2005 when Great Falls handled \$544,709 with 10 days of racing. *“A picture tells a thousand words!”*



Picture taken July 27, 2013 – 3rd day of racing. Opening day the crowds were even larger.

Respectively submitted;


Dale Mahlum, Chairman


Tom P. Tucker, Executive Secretary