



MONTANA BOARD OF HORSE RACING

2016 Annual Report

March 1, 2017

The Montana Board of Horse Racing and staff want to thank Governor Bullock, Director Meg O'Leary and the entire staff at the Department of Commerce for their continued support and assistance in bringing the horse racing industry back from a near collapse in 2012. The past four years have shown how the industry has fought back from a near financial collapse and continues to provide racing opportunities in the state of Montana on a limited basis. Horse racing has a deep history in Montana when during the late 1980's approximately 14 tracks were operational (many of them county fairs) and over 130 days of racing were offered to local as well as out-of-state horsemen. The Montana Board of Horse Racing members continue to contribute their time and resources to the goal of reviving the industry to its previous status.

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 2016 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 2018	District 3	Shawn Real Bird Hardin, MT	Jan 2016*	District 2
Dale Mahlum, Vice-Chairman Missoula, MT	Jan 2016*	Industry	Ralph Young Columbus, MT	Jan 2016*	Industry
Susan Austin Kalispell, MT	Jan 2016*	District 5	To Be Appointed		District 1
Susan Egbert Helena, MT	Jan 2017*	District 4			

(* - Continues to serve until the Governor chooses to appoint some other person)

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

Category	1980-1989 (10yrs)			1990-1999 (10yrs)		
	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 (10yrs)			2010-2016 (7yrs)		
	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

2016 Live Race Meets Wagering Data

Race Track	Wagered	Returned to Public	Retained by Track ⁽²⁾	Purses Paid ⁽³⁾
Miles City ⁽¹⁾	\$115,642	\$87,963	\$27,679	\$112,365
Great Falls	\$493,404	\$370,053	\$123,351	\$190,800
Total	\$609,046	\$458,016	\$151,030	\$303,165

- (1) Miles City wagered amount includes \$9,633 on 4 matched bronc riding events and 1 simulcast race.
- (2) "Retained by Track" includes breakage and commissions.
- (3) "Purses Paid" includes \$28,565 in horsemen fees at Miles City and \$6,000 in horsemen fees at Great Falls.

2016 Live Race Meets Race Data

Race Track	Days	QH Races ⁽⁴⁾	Other Races ⁽⁵⁾	TB Races	Field Count ⁽⁶⁾	Starters ⁽⁷⁾	Ave Starts Per Race ⁽⁸⁾
Miles City	4	20	5	8	176	156	5.6
Great Falls	4	13	0	30	329	314	7.3
Total	8	33	5	38	505	470	6.6

- (4) Quarter Horse races include all races with at least one Quarter Horse.
- (5) Other races include breeds other than QH or TB, or simulcast received, or matched bronc riding events.
- (6) Number of horses on race program. Only live races at the track are considered in the count.
- (7) Number of horses actually starting in a race. Only live races at the track are considered in the count.
- (8) Only pari-mutuel races at the track are considered in the "Average Starters Per Race" calculation.

2016 Live Race Meets Compared to Previous Year

Track	Days		Races ⁽⁹⁾		Starters		Wagered\$		Wager-Race\$ ⁽¹⁰⁾	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Miles City	3	4	27	33	142	156	\$101,018	\$115,642	\$3,741	\$3,504
Great Falls	4	4	38	43	259	314	\$488,396	\$493,404	\$12,853	\$11,475
Total	7	8	65	76	401	470	\$589,414	\$609,046	\$9,068	\$8,014

- (9) Includes all wagering events (simulcast & matched bronc riding).
- (10) Amount wagered divided by number of wagering events (includes simulcast & matched bronc riding).

2016 Live Race Meets Rulings

Track	Category	Description	Fine \$
Miles City	Jockey	Failure to fulfill racing engagements	\$150
Miles City	Trainer	Positive test for Phenylbutazone (level above 5 micrograms)	\$350
Great Falls	Trainer	Entering an ineligible horse causing to scratch in the race	\$100
Great Falls	Trainer	Failure to have lasix administered on time, causing a late scratch	\$100
Great Falls	Trainer	Entering an ineligible horse causing to scratch in the race	\$100
		<i>All positive test rulings included D'Q of horse and all purse monies to be redistributed.</i>	
Totals	Count 9		\$800

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, 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.

2016 Montana Breeder and Owner Bonus by Track

Track	Horses	Earnings	Breeder Bonus	Owner Bonus	ADW Breeder Bonus	ADW Owner Bonus	Total Bonus
Miles City	4	\$2,970	\$297	\$297	\$724	\$724	\$2,042
Great Falls	7	\$15,730	\$1,573	\$1,573	\$3,832	\$3,832	\$10,810
Total		\$18,700	\$1,870	\$1,870	\$4,556	\$4,556	\$12,852

2016 Montana Breeder Bonus by Individual

Name	City, State	Bonus Amount
Walter Larson	Vancouver, WA	\$1,663.23
Tom Williams	Butte, MT	\$1,360.82
Ralph G. Young	Columbus, MT	\$1,096.23
Mike Grewell	Joliet, MT	\$793.81
Jack T. Linford	Jordan, MT	\$756.01
Susan M. Olson	Laurel, MT	\$756.01
		=====
2016 Breeder Bonus Totals		\$6,426.11

2016 Montana Owner Bonus by Individual

Name	City, State	Bonus Amount
Jess R. Matt	Bridger, MT	\$1,663.23
Tom Williams	Butte, MT	\$1,360.82
Ralph G. Young	Columbus, MT	\$1,096.23
Sharlotte Harkins	Billings, MT	\$793.81
Jack T. Linford	Jordan, MT	\$756.01
Susan M. Olson	Laurel, MT	\$756.01
		=====
2016 Owner Bonus Totals		\$6,426.11

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.

2016 Licensed Advance Deposit Wagering Hub

ADW Company	Wagers by Montana Residents	Source Market Fees Received
Churchill Downs - TwinSpires	\$116,187	\$4,067
Day At The Track	\$18,814	\$919
GamePlay Network	\$0	\$0
LienGames	\$41,420	\$1,864
NYRA-Newco	\$17,520	\$603
Sportech	\$517	\$29
TVG	\$1,594,448	\$71,750
Xpressbet	\$264,217	\$11,890
Total	\$2,053,124	\$91,122

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”.

2016 Montana Fantasy Sports – Operated by Montana Lottery

Fantasy Sports	Revenues	Expenses	Net to MBOHR
Licensing Fees	\$13,967		
Ticket Sales	\$236,874		
Commissions & Vendor Fees		\$24,049	
Prize Expenses		\$172,173	
Total	\$250,841	\$196,222	\$54,619

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

Simulcasting

In 2016, Montana Simulcast Racing LLC of Missoula completed another year of simulcasting. Their first simulcast license was issued in May 2012. 1% of all statewide simulcast handles are returned to the board to help pay for board operational costs. 1% of all handle and 3% of exotic handles are paid to the board to help with live racing in the state of Montana. Montana Simulcast LLC continues to look at opening new markets in the state for simulcasting. Six locations were open for much of the 2016 year.

In 2016, simulcasting saw a drop of just under 6% in total handle compared to 2015.

2016 Simulcast Site Listing

Site Name	City		Site Name	City
Dehler's Hand Casino	Billings		Katie O'Keefe's	Missoula
Bull's Eye Casino	Helena		M & M Bar & Cafe	Butte
Golden Spur Casino	Miles City		Scotty's Bar	Kalispell
Halftime Sports Bar	Great Falls			

2016 Simulcasting Handle and Funds to MBOHR

MSR, LLC	Wagered	Returned to Public	1% to MBOHR	1% to Track/Purses	3% Exotics⁽¹²⁾ Track/Purses
2016 Total	\$3,522,904	\$2,779,238	\$35,229.04	\$35,229.04	\$71,113.59

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

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.

2016 Live Race Meeting Licensing

License Type	Issued	License Type	Issued	License Type	Issued
Announcer	2	Horsemen's Bookkeeper	1	Pony Person	24
Apprentice Jockey	1	Hotwalker	0	Program Company	1
Asst. Racing Secretary	1	Identifier	2	Program Employee	0
Assistant Starter	20	Jockey	27	Racing Secretary	2
Assistant Trainer	1	Jockey Agent	0	Score Runner	1
Bank Auditor	1	Jock Room Custodian	2	Stable Name	6
Board Member	5	Judge	8	Starter	3
Cashier	0	Office Personnel	3	Stewards	3
Chief of Security	1	Official Veterinarian	0	Tote Employee	2
Clerk of Scales	2	Other	5	Tote Company	1
Clocker/Timer	4	Outrider	2	Track License	2
Chutes/Personnel	0	Owner	91	Track Maintenance	5
Director of Racing	2	Owner-Trainer	67	Track Superintendent	2
Equine Dentist	0	Paddock Judge	2	Trainer	13
Executive Secretary	1	Parimutuel	55	Turf Club Members	1
Exercise Rider	6	Parimutuel Manager	0	Valet	8
Family \$15	29	Photo Employee	5	Vendor	1
Family \$25	106	Photo Manager	1	Vet Assistant	1
Gate Attendant	1	Photo Company	1	Veterinarian	2
Groom	60	Plater	2		
				Total Issued	595
Revenues Generated From Licensing: \$19,570					

2016 Other Licensing

Item	Revenue	Item	Revenue
ADW Licensing	\$5,125	Simulcast Licensing	\$1,665
Other Revenues Total: \$9,650			

2016 Costs to the Board to supervise race meets

Race Meet	Payroll	Travel	Lodging	Lab, Misc	Total
Miles City	\$7,690	\$2,969	\$3,688	\$2,100	\$16,447
Great Falls	\$7,970	\$1,698	\$1,817	\$3,226	\$14,257
Total	\$15,660	\$4,667	\$5,505	\$5,326	\$31,158

2016 Expenses of the Board

Item	Expense	Item	Expense
Debt Service (D of A)	\$62,842.70	Distributions to Tracks ⁽¹⁴⁾	\$147,900
Board Meetings & Travel	\$1,464	Memberships ⁽¹⁵⁾	\$3,000
Board Operations-Yearly ⁽¹³⁾	\$34,325		
Bonus Programs	\$13,239		
Expense Total: \$262,771			

- (13) Includes management contract for the Board and charges from Department of Commerce for payroll processing and computer time.
- (14) Includes money from simulcast, ADW, and Fantasy along with 3% & 1% withholding during live season returned to the track.
- (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 2016 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 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

In 2016, the Montana Board of Horse Racing welcomed two new advance deposit wagering companies to the group of other ADW's. Churchill's TwinSpires and LienGame's BetAmerica are contracting with the board of horse racing to provide content for Montana patrons and pay back 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. ADW markets continue to grow as more and more people turned to their computers to place wagers on horse and greyhound racing.

Fantasy Sports

Fantasy Sports continued it's slow growth curve. 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). The contract between Montana Lottery and the Montana Board of Horse Racing expired in 2016 and a new agreement was completed for the 2017 season. Ideas continue to abound on ways to improve the fantasy sports experience and eventually grow revenues for the board of horse racing.

Simulcasting – Montana Simulcast Racing LLC

The simulcast network closed some sites in 2016 due to lack of handle and continued rise in simulcasting costs. Hopefully 2017 will prove to be a better year for the simulcast network. Simulcasting in Montana continues to be the number one provider of revenue for the live race tracks in the state. We work hard to support their efforts and do whatever it takes to keep them operating. On December 31, 2016, the network celebrated its fourth 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 was previously. 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.

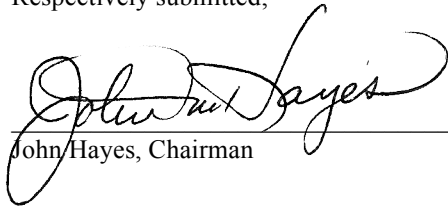
A look to the 2017 live racing season

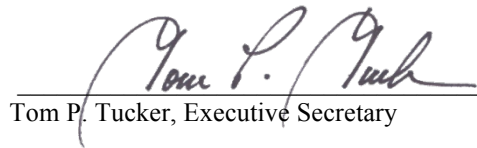
Eight (8) days were allotted for the 2017 season, the same amount that were raced in 2016. However, in 2017, the extra race day will be run in Great Falls. Three days are scheduled for Miles City: May 14, 20, and 21 in 2017. Five days are planned for Great Falls: July 22, 23, 28, 29, and 30. Distribution to the tracks for purses and operations will be \$125,000 in 2017. That distribution is a 7.5% less than what was distributed in 2016.



Picture taken at the Miles City in 2016.

Respectively submitted;


John Hayes, Chairman


Tom P. Tucker, Executive Secretary

