



MONTANA BOARD OF HORSE RACING

2018 Annual Report

January 25, 2019

The year 2018 saw another year of horse racing in Montana and another year closer to retiring the \$628,000+ debt that was created in a three-year span covering 2009 to 2011. The current Montana Board of Horse Racing is dedicated to continuing horse racing in Montana, working to generate more funds for the industry and attempting to add tracks to the current two facilities racing as well as additional race dates. The Montana Board of Horse Racing and staff want to thank Governor Bullock, Director Pam Haxby-Cote 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.

In 2012, without funding from any other sources, the Miles City Bucking Horse Sale organization decided to put on their race meet. With that same daring attitude, the Montana Board of Horse Racing decided to continue in their positions and do whatever it takes to keep the industry in Montana. Horse racing has a deep history in Montana, going back to the late 1800's and early 1900's when names like Marcus Daly and his horse Scottish Chieftain were making history in horse racing circles around the world. The horse "Spokane" was foaled in a round barn in Twin Bridges, trained in Montana and later went on to win the Kentucky Derby in 1889.

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 2018 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 2021	District 3	Barry 'Spook' Stang Helena, MT	Jan 2020	District 4
Dale Mahlum, Vice-Chairman Missoula, MT	Jan 2019	Industry	Gary Koepplin Florence, MT	Jan 2019	District 5
Jody Smith Miles City, MT	Jan 2020	District 1	Ralph Young Columbus, MT	Jan 2020	Industry
Shawn Real Bird Hardin, MT	Jan 2019	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

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)			2010-2018 (9 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

2018 Live Race Meet Dates (9 days)

Miles City Bucking Horse Sale Race Meet - Miles City (3 days) May 13, 19, 20 - 2018
 Great Falls State Fair - Great Falls (6 days) July 15, 21, 22, 27, 28, 29 - 2018

2018 Live Race Meets Wagering Data

Race Track	Wagered	Returned to Public	Retained by Track ⁽²⁾	Purses Paid ⁽³⁾
Miles City ⁽¹⁾	\$63,567 ⁽⁴⁾	\$48,694	\$14,873	\$84,000
Great Falls	\$534,782	\$401,511	\$133,271	\$241,340
Total	\$598,349	\$450,205	\$148,144	\$325,340

- (1) Miles City wagered amount includes \$19,057 on 4 matched bronc riding events and 1 simulcast race.
- (2) "Retained by Track" includes breakage and commissions.
- (3) "Purses Paid" includes \$24,700 in horsemen fees at Miles City and \$22,400 in horsemen fees at Great Falls.
- (4) Miles City - Cancelled first day, multiple scratches from poor track conditions.

2018 Live Race Meets Race Data

Race Track	Days	QH Races ⁽⁵⁾	Other Races ⁽⁶⁾	TB Races	Field Count ⁽⁷⁾	Starters ⁽⁸⁾	Ave Starts Per Race ⁽⁹⁾
Miles City	3 ⁽⁴⁾	10	0	4	88	65	4.6
Great Falls	6	16	0	40	383	354	6.3
Total	9⁽⁴⁾	27	0	44	471	419	5.9

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

2018 Live Race Meets Compared to Previous Year

Track	Days		Races ⁽¹⁰⁾		Starters		Wagered\$		Wager-Race\$ ⁽¹¹⁾	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Miles City	3	3 ⁽⁴⁾	25	19	125	65	\$101,313	\$63,567	\$3,897	\$3,346
Great Falls	5	6	49	56	325	354	\$539,662	\$534,782	\$11,014	\$9,550
Total	8	9	75	75	450	419	\$640,975	\$598,349	\$8,546	\$7,978

(10) Includes all wagering events (simulcast & matched bronc riding).

(11) Amount wagered divided by number of wagering events (includes simulcast & matched bronc riding).

2018 Live Race Meets Rulings

Track	Category	Description	Fine \$
Miles City	Jockey	Failure to fulfill all engagements in respect to racing.	\$150
Great Falls	Jockey	Failure to appear before the stewards.	\$25
Great Falls	Jockey	Careless riding resulting in disqualification of mount.	\$50
Great Falls	Trainer	Failure to bring horse to paddock resulting in a late scratch.	\$100
Great Falls	Trainer	Entering of an ineligible horse.	\$100
Great Falls	Jockey	Careless riding resulting in disqualification of mount.	\$50
Great Falls	Jockey	Failure to appear before the stewards.	\$25
Great Falls	Trainer	Failure to get lasix shot for horse requiring horse to be scratched.	\$100
Great Falls	Trainer	Trainer responsibility - Dexamethasone violation - 366.8 pg/ml.	\$300
Totals	Count 9		\$900

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.

2018 Montana Breeder and Owner Bonus by Track

Track	Horses	Earnings	Breeder Bonus	Owner Bonus	ADW Breeder Bonus	ADW Owner Bonus	Total Bonus
Miles City		\$3,300	\$330	\$330	\$1,725	\$1,725	\$4,110
Great Falls		\$9,735	\$974	\$974	\$5,090	\$5,090	\$12,128
Total		\$13,035	\$1,304	\$1,304	\$6,815	\$6,815	\$16,238

2018 Montana Breeder Bonus by Individual

Name	City, State	Bonus Amount
Susan M. Olson	Laurel, MT	\$3,288.52
Beth A. Koch	Billings, MT	\$2,432.12
Merritt Pride	Twin Bridges, MT	\$1,198.93
John A. Witte	Hillside, NJ	\$1,198.93
		=====
2018 Breeder Bonus Totals		\$8,118.50

2018 Montana Owner Bonus by Individual

Name	City, State	Bonus Amount
Susan M. Olson	Laurel, MT	\$3,288.52
Mike Grewell	Joliet, MT	\$1,233.19
Beth A. Koch	Billings, MT	\$1,198.93
Merritt Pride	Twin Bridges, MT	\$1,198.93
John A. Witte	Hillside, NJ	\$1,198.93
		=====
2018 Owner Bonus Totals		\$8,118.50

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.

2018 Licensed Advance Deposit Wagering Hub

ADW Company	Wagers by Montana Residents	Source Market Fees Received
Churchill Downs - TwinSpires	\$1,702,468	\$59,598
Day At The Track	\$11,479	\$517
GamePlay Network	\$11,143	\$501
LienGames	\$145	\$5
NYRA-Newco	\$173,955	\$6,908
Sportech	\$38	\$0
TVG	\$1,510,238	\$59,936
Xpressbet	\$195,139	\$8,781
Total	\$3,607,120	\$148,007

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”.

2018 Montana Fantasy Sports – Operated by Montana Lottery

Fantasy Sports	Revenues	Expenses	Net to MBOHR
Licensing Fees	\$14,125		
Ticket Sales	\$221,765		
Commissions & Vendor Fees		\$21,834	
Prize Expenses		\$158,961	
Total	\$235,890	\$180,795	\$55,095

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 2018, 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 (6) locations were open for 2018.

In 2018, simulcasting saw an increase of 13.9% in total handle compared to 2017.

2018 Simulcast Site Listing

Site Name	City	Site Name	City
Golden Spur Casino	Miles City	Nickel Casino	Helena
Halftime Sports Bar	Great Falls	Scotty's Bar	Kalispell
Katie O'Keefe's	Missoula	The Enterprise	Billings

2018 Simulcasting Handle and Funds to MBOHR

MSR, LLC	Wagered	Returned to Public	1% to MBOHR	1% to Track/Purses	3% Exotics ⁽¹²⁾ Track/Purses
2018 Total	\$4,389,723	\$3,454,444	\$43,897.23	\$43,897.23	\$90,262.83

(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.

2018 Live Race Meeting Licensing

License Type	Issued	License Type	Issued	License Type	Issued
Announcer	2	Horsemen's Bookkeeper	2	Pony Person	20
Apprentice Jockey		Hotwalker		Program Company	1
Asst. Racing Secretary	1	Identifier	2	Program Employee	1
Assistant Starter	12	Jockey	18	Racing Secretary	2
Assistant Trainer		Jockey Agent		Score Runner	1
Bank Auditor		Jock Room Custodian	2	Stable Name	10
Board Member	6	Judge	4	Starter	2
Cashier		Office Personnel	3	Stewards	3
Chart Employee	2	Official Veterinarian	1	Tote Employee	2
Chief of Security	1	Other		Tote Company	1
Clerk of Scales	2	Outrider	3	Track License	2
Clocker/Timer	4	Owner	88	Track Maintenance	3
Chutes/Personnel	4	Owner-Trainer	79	Track Superintendent	3
Director of Racing	2	Paddock Judge	2	Trainer	13
Equine Dentist		Parimutuel	48	Turf Club Members	
Executive Secretary	1	Parimutuel Manager	1	Valet	13
Exercise Rider	4	Photo Employee	5	Vendor	1
Family \$15	8	Photo Manager	1	Vet Assistant	1
Family \$25	44	Photo Company	1	Veterinarian	1
Gate Attendant	6	Plater	1		
Groom	36				
				Total Issued	460
Revenues Generated From Licensing: \$15,270					

2018 Other Licensing

Item	Revenue	Item	Revenue
ADW Licensing	\$4,000	Simulcast Licensing	\$1,930
Other Revenues Total: \$5,930			

2018 Costs to the Board to supervise race meets

Race Meet	Payroll	Travel	Lodging/Meals	Lab, Misc	Total
Miles City	\$5,877	\$2,308	\$3,700	\$2,073	\$13,958
Great Falls	\$13,069	\$3,072	\$4,267	\$5,297	\$15,945
Total	\$18,946	\$5,380	\$7,967	\$7,370	\$39,663

2018 Expenses of the Board

Item	Expense	Item	Expense
Debt Service (D of A)	\$62,842.70	Distributions to Tracks ⁽¹⁴⁾	\$157,275
Board Meetings & Travel	\$4,154	Memberships ⁽¹⁵⁾	\$3,300
Board Operations-Yearly ⁽¹³⁾	\$34,744		
Bonus Programs	\$20,891		
Expense Total: \$283,207			

- (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 2018 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 2018, Advance Deposit Wagering continues to generate much needed funds for the live racing in Montana. 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. 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 Sport’s revenues came back to the 2016 levels, slightly above 2017. 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). In December, the Montana Simulcasting Network opened their Fantasy Sports wagering through the tote system along with simulcasting. Just starting out, the concept shows promise as the simulcast network will also provide wagering other professional sports like basketball, baseball and golf. Hopefully, the additional product will generate more interest at the simulcasting locations which will eventually add to the network site numbers.

Simulcasting – Montana Simulcast Racing LLC

The simulcast network opened a new site in 2018 and continues to show promise in bringing back the simulcast network to previous years' handles. The total amount wagered in 2018 was a 13.9% increase of the amounts in 2017. The simulcast network is operated by Montana Simulcast Racing LLC, a company located in Missoula, Montana. Simulcasting in Montana continues to be the number one provider of revenue for the live race tracks in

the state. December 31, 2018, the network celebrated its fifth 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.

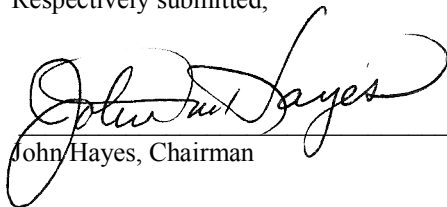
A look to the 2019 live racing season


Eight days have been allocated for the 2019 season. In 2018, rain caused major problems for the race meet in Miles City and fingers are crossed that 2019 brings some improvements to the weather. Great Falls originally asked for 5 days, but have since decided to back the meet to 5 days and only run two weekends. Three days are scheduled for Miles City: May 12, 18, and 19 in 2019. Five days are planned for Great Falls: July 20, 21, 26, 27, and 28. Distribution to the tracks for purses and operations in 2019 will be \$50,000 to Miles City and \$100,000 to Great Falls. The distribution total for 2019 is \$150,000, which is a 3% increase in the distribution to the tracks in 2018.



Horses racing to the finish in Miles City – 2018.

Respectively submitted;


John Hayes, Chairman


Tom P. Tucker, Executive Secretary

