EXHIBIT 1
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HB 2 JOL JP's

The Economic Impact of Horse Racing in Montana

The breeding, maintenance and training of horses used in the racing industry in Montana contribute significantly to both local economies and the state economy. Many agricultural businesses are primarily supported by the horse industry. Montana farmers grow hay and grain for horse feed. The timber industry sells wood chips or sawdust as bedding for horses and lumber for horse facilities. Veterinary services, farriers and health care products are widely used by the racing industry, and participants in horse racing often require specialized equipment, as well as transport vehicles. Tourism related to the horse races can represent a sizable contribution to an area's economic activity.

Economic Impacts

Direct expenses (per horse) associated with the care, maintenance, and use of race horses are estimated to average around $ 27,000 per year. These expenses are the main way that the economic impacts of horse ownership are spread throughout the state. Actual expenses vary among horse owners, and the figures in Table 1 represent the average expenses reported by owners and trainers in a survey at Montana tracks. For many items, this average expense is greatly different from the expense of an individual horse owner, because small numbers of owners of high-value horses spend greater amounts of money than most other horse owners. This increased spending by a few horse owners skews the expenses upward from the amount that most horse owners spend for that good or service. So, individual horse owners may consider these average expenses high for some items and low for others. Also owner/trainers will likely have a different set of expenses than owners who paying trainers to train and race their horse.

Not all horse owners incur every expense listed in Table 1. For example, an owner who boards a horse would have boarding expenses but no horse-related property tax, although the trainer may incur property tax on the boarding facility. This table should not be used as an operating budget by horse owners but as an estimate of expenses per horse owned.

Most expense classes in Table 1 need little explanation. But, it should be noted that the table does not include horse purchases or sales or capital expenditures for items like trucks and trailers. Capital expenditures typically do not take place on an annual basis and there was insufficient information on the average number of years of useful life of these items to include an annual amount. Purchase prices for horse will vary widely depending upon the age of the animal and its potential for or actual racing success. Equine surgery or other major medical expenses are not included in the table. Insurance costs include both horse insurance and vehicle insurance. Tack expenses include some stable items such

as buckets, forks, etc. Depreciation includes depreciation expenses associated with equine buildings, machinery, and vehicles, assuming a useful life of 30 years for buildings and 10 years for machinery and vehicles. Registration fees include fees to register or transfer ownership of horses in breed associations. Miscellaneous expenses include horse transport services and manure and dead stock removal.

Table 1. Average Expenses Associated with Race Horses

Expense Category	Racing
Veterinary fees	$630
Feed & bedding	$1,103
Insurance premiums	$945
Farrier	$788
Grooming & supplies	$276
Travel & lodging	$1,890
Advertisement	$1,575
Utilities	$236
Property taxes	$79
Depreciation	$2,363
Maintenance & repairs	$788
Boarding fees	$441
Breeding fees	$0
Property & equipment rental	$79
Tack	$1,339
Professional fees	$473
Registration fees	$276
Training fees	$8,800
Miscellaneous	$4,922
Total Per Horse	**$26,999**

Breeding fees vary widely in the industry according to the quality of the stallion used by the mare owner. Breeding fees for horses that are actively racing would be zero because those are not being bred. Typical costs to maintain breeding livestock would exclude training fees, tack and travel and lodging reducing the annual cost to a little less than $ 15,000 annually per animal. As with any expenses, these will vary by operation so the figures here represent an average cost.

In 2005, there were 103 Montana quarter horse foals that started a race during the season and 351 thoroughbreds. Data is not available on paints or non-registered horses racing. The economic impact of the training and racing of these horses simply based on the average expenses are as follows:

Table 2: Estimated Impact of Expenditures

	Direct	Indirect	Induced	Total
Output	$12,257,603	$767,632	$7,222,983	$20,248,217
Employment	335.8	16.3	32.6	384.7

The direct expenditures would total slightly more than $ 12 million. These impacts would be received by businesses that were directly in the racing industry. The indirect impacts would be felt by businesses that deal with the racing industry. These are business to business spending which would be increased as a result of more dollars been spent in the racing industry. Some examples are commercial printers, petroleum refineries, truck transportation, radio and TV broadcasting, hotels and motels. The businesses receive more demand because of the horse racing industry although they are not a "racing related " business. The indirect effects would add an additional $ 767 thousand to the economy. Induced effects occur because of increased profits being generated by other businesses and increased wages being received by workers. These larger profits and higher wages will be spent on a wide variety of businesses including food and beverage services, hotels and motels, banks, physicians, dentists, motor vehicles and parts, real estate and apparel. The induced effects spread throughout the economy and affect many sectors that have no direct connection with horse racing. The induced effects of horse racing would be an additional $ 7 million of spending in the economy. Overall the impact of the horse racing industry spending $ 12 million is that the overall economic effect will be to add more than $ 20 million in economic activity. Essentially, for every dollar spent in training and racing horses in Montana, an additional 65 cents of economic activity will occur. Likewise a reduction in spending by the horse racing industry will cause a contraction of $ 1.65 for every $ 1 less that is being spent.

Jobs are also created or sustained as a result of racing expenditures. For an expenditure of $ 12 million by the racing industry, 335 full time equivalent jobs will be sustained in the racing industry. There may be more than 335 people employed but they would be on a part-time basis not a full time basis. The indirect jobs supported account for another almost 17 positions, while the induced effects will be to sustain another 32 jobs in the economy. The average expenditures on the 454 horses would support a total of 385 jobs in Montana. These jobs include trainers, jockeys and stable help but also feed producers, veterinarians, accountants and retail workers to name a few.

Tourism Impacts

Horse activities frequently result in tourism expenditures from horse owners, trainers, and spectators from outside of the region. Many race horse owners will travel to see their horses run, either inside of the state or from another state. These owners will incur transportation costs, lodging and food and beverage costs at a minimum. Spectators may include both those from the surrounding area and those from outside the area. Many spectators may choose to do some additional spending will in an area to go to the races. At this time, it is not possible to track the number of spectators attending various race venues and to identify their point of origin or their spending patterns while in the area. But, it is clear that there are people from outside the area attending racing. The effects of $ 100,000 worth of these expenditures are summarized in table 3.

Table 3: Economic Impacts from $ 100,000 worth of Tourism Related Spending

	Direct	Indirect	Induced	Total
Output	$100,000	$6,261	$58,925	$165,186
Employment	5.8	0.2	0.8	6.8

In addition to the industry related economic impacts, more economic activity is sustained by the expenditures of the owners and spectators. Table 3 shows that for every dollar spent by spectators or owners in an area, an additional 65 cents worth of economic activity is generated. This type of spending also supports jobs in tourism related businesses and other sectors of the economy. It is difficult to fully quantify the impacts from spectators and owners from out of state or out of area as no data exists that would allow us to track the residences of the people attending horse racing events. The $ 100,000 of initial expenditures would represent $ 200 a piece spending by 500 people. For the 26 race days in 2006, this would translate into less than 20 out of area or out of state people per race day.

Race horse breeders also contribute significantly to the state's economy. The distribution of their economic impact is slightly different than that of the racing industry. The multiplier effect of the breeding industry is 1.7. This means that for every dollar spent directly in race horse production, another 70 cents is generated in other sectors. The breeding stallions and mares must be maintained by the breeder at an average estimated cost of $ 14,970 per animal. It is estimated that there are approximately 30 quarter horse, 20 paint and 47 thoroughbred stallions in Montana that are being used to extend racing bloodlines. The Jockey Club reports that there were 208 Montana thoroughbred

mares bred in 2004 and it is estimated that there are approximately another 12 mares for each quarter horse or paint stud. Not all mares will be from within Montana. Many stallion owners ship semen to other states or have out of state mares hauled into to be bred here. Assuming that stud fees average $ 500 per mare and 65 percent of mares are from in-state Table 4 below summarizes the output and employment impacts from the breeding operations. These numbers only represent the expenditures to maintain the breeding operations. They do not include syndication revenues for stallion shares which are generally purchased by out of state individuals. Syndication values can be as high as $ 400,000 to $ 600,000 for a top stallion. Also the revenues associated with the sale of foals is not included here because data is not available that shows whether the foals were sold in-state or out-of-state and the average prices. It is important to note that other disciplines besides racing use racing bloodlines in their horses. Roping, cutting, reining and barrel horses frequently have racing bloodlines in their pedigrees.

Table 4: Estimated Economic Impact of Breeding Operations

	Direct	Indirect	Induced	Total
Output	$10,989,411	$6,125,658	$1,577,055	$18,692,124
Employment	142.4	74.8	25.2	242.4

The breeding portion of the industry has direct impacts on other agricultural sectors of the economy. Feed and hay producers as well as machinery and equipment suppliers are the recipients of monies spent by the breeders. The breeding stock has to be maintained whether foals are produced that year or not so a large portion of the expenditures will take place regardless. Indirect effects will accrue to other types of area businesses from the grocery stores to the hardware stores. .The induced effects arise from increased profits and greater amounts of wages being paid to workers who in turn spend the money on a variety of items.

At a minimum, the breeding industry in Montana generates over $ 18 million in economic activity and supports 242 jobs. Jockey Club data shows that the number of breeding thoroughbreds has declined by more than 50 %.

Track Economic Effects

The race tracks themselves spend money for workers, equipment, purses and other items while racing is taking place at a particular venue. The track must have a manager, secretary, starter, veterinarian, ambulance, and a wide variety of other officials and workers. Based on data provided by Montana tracks, the expenses incurred by the track itself average $ 23,000 per day for race days. While some of the race workers reside outside of the track area, they travel to the tracks for the race meets. Therefore, not all of the dollars remain within a given

area of the state but most, if not all, remain within Montana borders. These dollars also generate economic impacts within communities and the state. Table 5 shows the multiplier effects of the $ 23,000 daily spending by the tracks.

Table 5: Economic Impacts from the Track Spending

	Direct	Indirect	Induced	Total
Output	$23,010	$1,441	$13,559	$38,010
Employment	1.3	0.0	0.1	1.4

For every dollar spent by the track, another 66 cents of economic activity occurs, with the majority of this being widespread across many businesses. On an annual basis, the $23,000 in spending by the track supports 1.4 full time equivalent jobs in the economy. During 2006, 26 race days occurred in Montana, table 6 shows that the overall impact is estimated to have been almost another $ 1 million in output and 36 jobs. If racing were encouraged and returned to its previous 120 race days in Montana, the estimated impact would increase to more than $ 4 million and 168 jobs.

Table 6: Estimated Impact of Current and Additional Race season

	26 Days Racing	120 Days Racing
Output	$988,260	$4,561,200
Employment	36.6	168.8

Summary

Horse racing remains an important industry within Montana. The effects of this industry are widespread from agricultural producers to vehicle dealerships to grocery stores. The effects of the loss of horse racing will not be contained to a few farms or ranches and a handful of trainers. It will affect a broad swath of sectors of the economy of the state and will be felt keenly in local areas. It is difficult to provide an overall number which reflects the total effect on the state's economy because of the lack of adequate data to characterize the industry fully but table 7 represents the minimum impact that racing has on the state currently.

Table 7: Minimum Economic Impact of Horse Racing in Montana

	Direct	Indirect	Induced	Total
Output	$24,677,444	$11,482,179	$9,060,593	$45,220,217
Employment	529.9	260.5	59.5	849.9

It is clear from the component pieces that horse racing has a larger than recognized effect on the Montana economy and the loss of it will have adverse effects on a variety of sectors. The collapse of the racing industry in the state will translate into a loss of at least 850 full-time equivalent jobs and a reduction in economic activity of more than $ 45 million.