



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: September 19, 2012
TO: Legislative Finance Committee
FROM: Christina Allen, Fiscal Analyst
RE: Board of Horse Racing

During the previous LFC meeting, an update on the current financial affairs of the Board of Horse Racing was requested.

The Board of Horse Racing as it is known today is established in 2-15-3106 MCA, and is administratively attached to the Department of Livestock. The purpose of the board is to:

- Govern race meets and the pari-mutuel betting system, as provided in Title 23, Chapter 4, MCA
- License and regulate racing, match bronc races, and wild horse rides
- Advance deposit wagering, and simulcast facilities
- Collect wagers and distribute proceeds as provided in law, which includes "other purposes for the good of the existing horseracing industry"
- Oversee operations of fantasy sports leagues, as provided in Title 23, Chapter 5, part 8, MCA

In the 2011 legislative session SB 16 authorized the Board of Horse Racing to host simulcast wagering in Montana and provided for a statutory appropriation. The fiscal note prepared for SB 16 estimated an annual revenue stream of \$1,180,000, of which \$300,000 is existing revenue per statute, and the remaining is the new revenue. Estimated annual expenditures were \$372,705, totaling a net revenue stream of \$880,000 annually.

The first full year of actual revenue for the operations fund and the simulcast fund totaled \$443,206 in FY 2012, with expenditures totaling \$1,025,339. This produced a \$582,133 debt for FY 2012.

The statutory authority is limited to the amount of revenue generated and can be used for simulcast operation costs and for other purposes the Board of Horse Racing considers appropriate for the good of the existing horseracing industry.

Within the first 18 months of operation after SB 16 was enacted, the Board of Livestock learned that the Board of Horseracing had a projected debt of more than \$600,000. In March FY 2012, the Board of Horse Racing received a general fund loan of \$609,638, to be repaid over a period of eight years. By the end of the fiscal year, the board had accumulated additional debt and revised the final loan to \$628,428, to be repaid over a period of ten years with annual payments of \$62,842; there is no interest paid on loans made from the general fund to other funds.

The Board of Horse Racing authorized repayment of the loan from advance deposit wagering and fantasy sports revenue. The Board of Horse Racing receives a portion of revenues (16% of the total funds deposited for the fantasy sports league wagering) from the Montana Lottery. Additionally, 1% of advance deposit wagering handle through the parimutuel system is used for repayment of the loan. These sources appear to be steady, albeit small amounts, of revenue. The first payment was made at the end of FY 2012.