EXHIBIT 7
DATE Feb. 2, 2005.
HB 2; Dept. of Justice

DEPARTMENT OF JUSTICE
HB 204: Repeal Statutory Appropriation of Gambling Machine Testing Fees

Background
At the request of the Gambling Control Division, the 1991 Legislature amended 23-5-631, MCA, to grant statutory spending authority over the fees paid to the state by video gambling machine manufacturers for machine testing. Video gambling machines must be tested and approved to assure that they meet all legal requirements in Montana. Manufacturers pay a testing fee that covers the actual costs of testing. Because the Gambling Control Division initially could not predict the number of new machines that would be tested, a statutory appropriation allowed available funding to match the workload and buy any necessary special testing equipment.

Statutory Appropriation Not Necessary
Fourteen years of testing and related budget experience have allowed the Division to effectively estimate and budget for testing personnel, operating and equipment expenses. Since the Division can now estimate and budget for testing expenses in the general appropriations bill, statutory spending authority for machine test fees is no longer necessary.

Statutory Appropriation Causes Unnecessary Accounting
Video gambling machine manufacturers pay a substantial deposit before testing begins and may pay additional fees or get refunds, depending on actual testing costs. Frequently, testing costs and revenues for a fiscal year do not match. When revenues are greater than expenditures, the balance stays in the gambling state special revenue account. When revenues are less than expenditures, the excess is covered by reserves in the gambling state special account.

The statutory appropriation:
- distorts financial reports
- creates a need for additional analysis
- requires extra work for accounting staff who must make adjustments to the gambling special revenue account

Proposed Changes
HB 204 would:
- delete the video gambling machine test fee statutory appropriation from 17-7-502, MCA, which lists all statutory appropriations;
- delete the statutory appropriation of the test fees in 23-5-631, MCA, which requires testing of video gambling machines, and
- add new language depositing the fee in the gambling special revenue account.

The bill has a July 1 effective date.