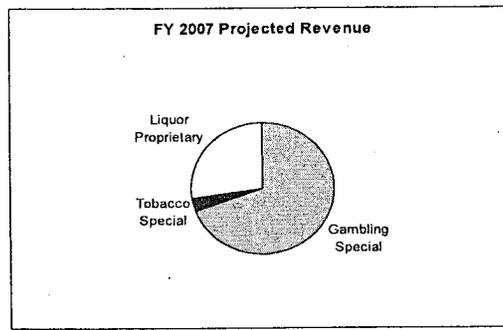


DEPARTMENT OF JUSTICE
Gambling Control Division Presentation to
the Joint Appropriations Subcommittee on Corrections
and Public Safety

Background

The Gambling Control Division was created in 1989 to regulate all gambling activities except the Montana Lottery and horseracing. In addition, the Division collects the video gambling income tax, which contributed \$56.9 million to the General Fund in FY 2006. The Division has 43.5 FTE, approximately half of whom are located in six field offices. Field staff consists primarily of 14 investigators -- law enforcement officers who are also responsible for enforcement of liquor and tobacco laws.

The Division does not receive any funding from the General Fund. The total projected expenditures for FY 2007, excluding one-time expenditures, are projected to be \$3,199,552.



Sources of Revenue for FY 2007

Investigators

The Division's highest priority is to conduct timely investigation of applications for new liquor and gambling licenses. In 2002, the Division was faced with a funding shortfall that required a reduction in staff and, in the 2003, the Division gave up three investigator positions. Because of improvements in the way the Division and the Department of Revenue process applications, the time to process a license application has been substantially reduced. However, the addition of new work responsibilities threatens the Division's ability to maintain the level of service we currently provide license applicants.

The new duties and responsibilities all come with an available funding source. The additional work results primarily from the following:

- A. **Tobacco Investigation (DP 704)** -- In 2004, voters approved a substantial increase in the tax on tobacco products. The Department of Revenue anticipated a substantial increase in illegal sales of tobacco products and 2005 Legislature authorized additional staff for the Department of Revenue and two additional investigators for the Division. The anticipated increase in cases was realized. This modification would make the two investigators permanent.

Exhibit 10
33

B. **Card Game Workload (DP 703)** – The growth in the popularity of “Texas Hold'em” threatens to overwhelm the Division. The number of dealer applications has increased from 208 in FY 2003 to 901 in FY 2006. The number of licensed card tables has increased from 163 in FY 2003 to 491 in FY 2006. The Division is proposing the addition of two investigators to conduct investigation of applicants for licenses and to provide basic enforcement of state laws and rules.

C. **Out-of-State Liquor Applications (DP 707)** – A First District Court decision found the Montana ban on out-of-state liquor license ownership unconstitutional under the federal constitution. The Department of Revenue anticipates an increase in out-of-state applications. These applications are generally more complex and require additional travel time for investigators. If the out-of-state applicant is also applying for a gambling license, the Division will charge the applicant for investigation costs, which will be deposited in the gambling special revenue fund.

Continue Portion of Database Appropriation (DP 702) – The 2005 Legislature appropriated \$1.5 million to develop a database that would allow online payment of video gambling machine taxes and online permitting of video gambling machines. The Division developed the database as a part of the Department of Revenue IRIS project. The contract for the system was for \$1million. The Division is requesting authority to continue \$170,500 of the amount currently appropriated to pay for costs of implementing the system.

Base Adjustment (DP 701) – The LFD identified an issue of out-of-country travel. Each session this item is zero-based and must be requested. Division staff occasionally must travel to another country to conduct investigations of manufacturers. The majority of trips are to Canada where a manufacturer of Montana video gambling machines is based. The increase in out-of-state travel is related to the court decision on out-of-state liquor licensing.

Withdraw Present Law Adjustment for Machine Testing (DP 706) – The Division requested \$59,000 to contract with outside parties to address peaks in requests for testing video gambling machines. The Division has not found a practical way to contract for outside services and will address the problem with existing staff.

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