

Lottery Profits

Revenue Description

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. These funds are deposited into the lottery enterprise fund. After paying prizes, ticket costs, commissions, and other operating costs from the enterprise fund, profits are transferred to the general fund.

Statutory Reference

Tax Rate – N/A

Distribution – [23-7-402\(3\), MCA](#)

Date Due – Quarterly ([23-7-402\(3\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Lottery revenues are collected on an on-going basis. Transfers to the general fund are made quarterly.

Distribution: Net proceeds are deposited into the general fund

Comparison of Legislative and Executive Forecasts

The legislative forecast assumes that the drop in FY 2014 revenue was a statistical anomaly due to lower advertised jackpots and that the prior years' trended increase will continue into FY 2015 and forward through the biennium. The executive forecast assumes that the drop in FY 2014 revenue is due to changing economic conditions and indicates a continued decline in the coming years.

Lottery Profits (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$12.540	\$11.590	\$10.690	\$34.820
Legislative Forecast	12.596	13.409	14.440	40.445
Difference	(\$0.056)	(\$1.819)	(\$3.750)	(\$5.625)
% Difference	-0.4%	-13.6%	-26.0%	-13.9%

Forecast Risks

- Fluctuating short-term interest rates
- Changing Montana retail sales
- Unexpected number of jackpots won

Revenue Estimate Methodology

Data

The lottery revenue estimate is based on data obtained from SABHRS, IHS, IBARS, and the annual Montana Lottery Commission report. Monthly accounting information for the enterprise fund come from SABHRS; forecasts for independent economic variables are produced by IHS; operational costs come from IBARS; interest earnings, daily fund balance and other more detailed information come from the Lottery Commission report.

Analysis

Revenue for the enterprise fund comes primarily from a combination of ticket sales, interest earnings, and license sales. Expenditures from the fund cover prizes, commissions, and operation costs. The difference between the forecast revenues and expenditures is the anticipated general fund transfer of lottery profits.

Ticket sales are forecast with a regression model using the independent, IHS-provided values for Montana retail sales. Interest earnings are calculated by multiplying the IHS forecast for short-term interest by the projected average daily balance of the enterprise fund. The projection for the average daily balance is calculated by taking the previous year’s balance ratio (average daily balance divided by ticket sales) and applying it to the ticket sales forecast. License sales are assumed to be comparable to those in the last known fiscal year.

Prizes and commissions are forecast by applying the previous year’s prize to ticket sales ratio to the ticket sales forecast. Operational costs are those budget submissions by the Lottery Commission as found in IBARS.

Revenue Estimate Assumptions

FY	Total Profit \$ Millions	GF Profits \$ Millions	Gross Revenue Millions	Business Costs Millions	Short-Term Interest Percent	Montana Retail Sales (Millions)
A 2002	\$7.467	\$7.467	\$33.817	\$26.350	2.5%	\$10,223
A 2003	7.453	7.453	34.774	27.320	1.4%	10,767
A 2004	8.116	8.116	36.784	28.669	1.3%	11,665
A 2005	6.223	6.223	33.905	27.682	2.4%	12,481
A 2006	9.110	9.110	40.129	31.018	4.1%	13,458
A 2007	11.420	11.420	41.836	30.416	4.7%	14,256
A 2008	11.029	11.029	44.007	32.978	3.1%	14,973
A 2009	10.136	10.136	43.911	33.775	1.0%	13,957
A 2010	10.631	10.631	45.231	34.600	0.2%	14,212
A 2011	10.611	10.611	47.683	37.071	0.1%	15,249
A 2012	13.061	13.061	52.628	39.568	0.1%	16,485
A 2013	13.084	13.084	56.831	43.748	0.1%	17,303
A 2014	12.091	12.091	53.129	41.038	0.1%	17,857
F 2015	12.596	12.596	53.650	41.054	0.3%	18,615
F 2016	13.409	13.409	55.647	42.238	1.1%	19,403
F 2017	14.440	14.440	58.087	43.646	2.5%	20,340

Revenue Projection

