

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,791,766	1,800,905	1,794,578	1,795,998	3,592,671	3,590,576	(2,095)	(0.06%)
Operating Expenses	5,564,778	5,360,851	3,075,681	2,963,996	10,925,629	6,039,677	(4,885,952)	(44.72%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Debt Service	89,977	85,827	89,977	89,977	175,804	179,954	4,150	2.36%
<b>Total Costs</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>
State Special	0	0	0	0	0	0	0	n/a
Other	7,466,021	7,289,660	4,979,736	4,869,471	14,755,681	9,849,207	(4,906,474)	(33.25%)
<b>Total Funds</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>

### Program Description

The Montana State Lottery (lottery) was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games in which players purchase from the State, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures.

Lottery's operations are accounted for in an enterprise fund type. The lottery receives no funding from the State of Montana but rather generates money for the state general fund. Lottery is required to transfer its net revenue to the general fund on a quarterly basis.

The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

### Program Highlights

<b>Montana State Lottery Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature approved \$0.5 million in one-time-only funding to lease lottery equipment in FY 2014</li> <li>◆ \$2.9 million annually was eliminated from the HB 2 budget due to the passage and approval of HB 20, which provided a statutory appropriation for lottery vendor fees</li> </ul>

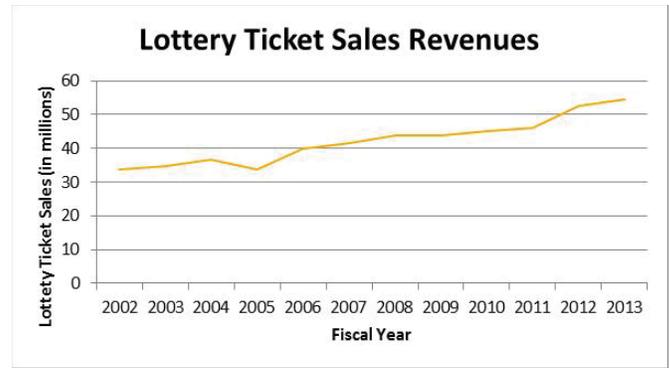
### Program Narrative

In FY 2012 the Montana State Lottery transferred \$500,000 in state lottery enterprise fund authority from FY 2013 to FY 2012. The transfer was needed due to:

- Increased lottery sales and a corresponding increase in vendor fees, which are 5.8% of every dollar in lottery sales
- Increased instant (scratch) ticket stock to provide for game sales in June 2012

The legislature approved a supplemental appropriation to increase FY 2013 proprietary appropriations for the Montana State Lottery by \$2.0 million. The increased funding provided for increased lottery sales and increases in vendor fees in FY 2013.

The figure shows the lottery ticket sales between FY 2002 and FY 2013. Generally sales of lottery tickets have maintained a steady increase, requiring supplemental appropriations for vendor fees in both the 2011 and 2013 biennia. To address ongoing issues with increased lottery ticket sales requiring supplemental appropriations due to increased operating costs associated with vendor fees, the legislature passed HB 20. The bill statutorily appropriates the vendor fees rather than including them as part of HB 2. As a result, the legislature also decreased the operating costs of the lottery that were included in HB 2 by \$2.98 million each year of the biennium.



The figure below shows general fund deposits from lottery profits over the last five years. The lottery deposited \$13.0 million of net revenues into the general fund in FY 2012, which was a 23.0% increase from the previous year. During the period of the Great Recession, the profits declined, not rebounding until FY 2012. Part of the reason for the significant increase in FY 2012 was the national publicity surrounding the large jackpot for one of the MegaMillions lottery games. However, lottery ticket sales have continued at a higher pace than forecasted since.

Department of Administration Montana State Lottery Profits to the General Fund		
Fiscal Year	Actual	% Change
FY 2008	\$11,029,000	
FY 2009	10,136,000	-8.10%
FY 2010	10,631,000	4.88%
FY 2011	10,611,000	-0.19%
FY 2012	13,061,000	23.09%

FY 2013 lottery sales revenues are on track to exceed FY 2012 revenues by about \$3.0 million.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Montana State Lottery							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
06001 State Lottery Fund	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%	23-7-402	Direct
Total All Funds	\$9,849,207	\$0	\$69,489,296	\$79,338,503	100.0%		
<b>Percent - Total All Sources</b>	<b>12.4%</b>	<b>0.0%</b>	<b>87.6%</b>				

*House Bill 2 Funding*

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law its funding for operations must be appropriated by the legislature.

*Statutory Appropriations*

About 80% of the funding for the lottery is statutorily appropriated for lottery prizes and commissions paid to lottery ticket or chance sales agents. In FY 2012 the operating costs for these expenditures increased more than 15% due to increased lottery ticket sales. The legislature adopted and the Governor approved HB 20, which provides that lottery contract fees are statutorily appropriated rather than included in HB 2. The change reduced the proprietary funding

included in HB 2 for the program by \$5.9 million over the 2015 biennium. This funding is now included in the legislative budget as part of the statutory appropriations for the program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	7,466,021	7,466,021	14,932,042	151.61%
Statewide PL Adjustments	0	0	0	0.00%	51,307	(58,372)	(7,065)	(0.07%)
Other PL Adjustments	0	0	0	0.00%	445,827	445,241	891,068	9.05%
New Proposals	0	0	0	0.00%	(2,983,419)	(2,983,419)	(5,966,838)	(60.58%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$9,849,207</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,541					79,021
Vacancy Savings					(74,729)					(74,789)
Inflation/Deflation					(2,771)					(1,321)
Fixed Costs					51,266					(61,283)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$51,307*</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$58,372)*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	0	(51,307)*	0.00	0	0	0	58,372*
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	0	2,812*	0.00	0	0	0	4,232*
DP 52 - Adjustment for Statewide Operations	0.00	0	0	0	48,874*	0.00	0	0	0	(62,233)*
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	0	0	(2,552)*	0.00	0	0	0	(3,130)*
DP 1501 - Montana Lottery Coronis MP Terminals(OTO)	0.00	0	0	0	448,000*	0.00	0	0	0	448,000*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,827*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,241*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$497,134*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$386,869*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate Department Indirect/Admin Costs - The legislature funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

DP 1501 - Montana Lottery Coronis MP Terminals(OTO) - The legislature provided a one-time-only appropriation of \$896,000 to lease 150 additional Coronis MP Terminals for the 2015 biennium. The lottery will acquire the terminals from its gaming contractor, Intralot, under an operating lease. Increasing the availability of these terminals allows for greater access to terminals to increase sales and net proceeds.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1502 - Reduce Lottery Vendor Fees - HB 20										
15	0.00	0	0	0	(2,983,419)*	0.00	0	0	0	(2,983,419)*
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1502 - Reduce Lottery Vendor Fees - HB 20 - The legislature approved reductions for operating expenses due to the passage and approval of HB 20, which statutorily appropriates lottery contractor fees previously included in the FY 2012 base budget for the Montana State Lottery.