

Montana Gambling in a National and Global Context

Montana Gambling Today

Gambling in Montana currently consists of commercial/charitable gambling, lottery products, and pari-mutuel wagering on horses and dogs. Lottery products are sold by retailers statewide. Video gambling machines (VGMs), live keno/bingo, and card games are offered by establishments licensed by the state. Individual establishments may operate no more than 20 VGMs, with each machine awarding prizes of up to \$800 per game. Montana gambling establishments do not offer slot machines or table games, such as blackjack, roulette, or craps.

Gambling activity is reported as consumer expenditures, which is defined as wagers minus payouts to players. Montana legal gambling totaled about \$239 million in 1997. About \$225 million, or 94 percent was commercial/charitable gambling, with the remaining \$14 million generated from products sold by Montana Lottery and pari-mutuel wagering. These figures differ from those reported by the Montana Lottery and the Montana Board of Horse Racing, because they report their gambling activities as gross wagers, without deducting payouts. American Indian Reservation gambling is just beginning in Montana, and their gambling establishment figures are not included in this report.

Historic Roots of Montana Gambling

Montana's current legal gambling environment has evolved from a long tradition, dating back to the free-wheeling mining and logging camps of the last century. Montana's gambling expansion has been guided by the Legislature, the courts, and voter initiatives.

Montana's Gambling Over the Past 25 Years:

1972:

Montana's new constitution outlawed all gambling, except that permitted by law. Subsequent legislation legalized bingo, raffles, sports pools, and certain card games.

1976:

The Montana Supreme Court ruled keno is a form of bingo, thus legalizing electronic keno.

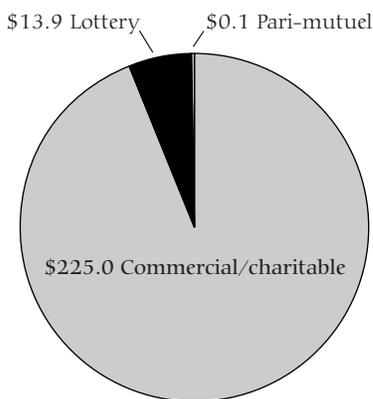
1982:

An initiative to legalize slot machines, pull tabs, and blackjack was defeated.

1985:

Holders of on-premise liquor licenses were authorized to operate up to five video poker machines

Figure 1
Montana Gambling Expenditures
FY 1997 (millions of dollars)



Gambling Products in Montana

Commercial/Charitable

Examples: Video gaming machines, live bingo/keno, card rooms, sports tabs.

Regulator: Montana Department of Justice, Gambling Control Division.

Lottery

Examples: Powerball, Tri-West Lottery, Montana Cash.

Regulator: Montana Department of Commerce, Montana Lottery.

Pari-mutuel

Examples: Horse and dog racing.

Regulator: Montana Department of Commerce, Board of Horse Racing.

Figures derived: Montana Gambling Control Division, Montana Lottery, Montana Board of Horse Racing.

and, in some jurisdictions, an unlimited number of video keno machines. Montana was the first state to permit video gambling in bars.

1986:

A lottery initiative was approved by voters.

1987:

The Montana Legislature authorized video keno and bingo machines. The Montana Legislature enacted the Video Gambling Machine Tax equal to 15 percent of video gambling machine expenditures.

1989:

Wagering on out-of-state simulcast horse racing was legalized. All gambling was brought under state regulation.

1991:

Blackjack was rejected by the Montana Legislature.

1995 and 1997:

Bills were defeated to establish an automated “dial up” monitoring system for electronic gambling machines and a trust fund to treat problem gamblers.

1997:

The Montana Legislature authorized the Montana Gambling Study Commission.

Nationwide Trends in Legal Gambling

Nationwide legal gambling has greatly expanded during the past 25 years. All but two states (Utah and Hawaii) now have legal gambling in some form. In 1974, legal gambling expenditures in the United States totaled about \$3 billion and occurred primarily in the 13 states with lotteries, two states with off-track betting, and Nevada with its multitude of gambling activities (Commission on the Review of National Policy Toward Gambling 1976). By 1996, gambling expenditures reached almost \$47 billion, an increase of almost 1,400 percent from 1974 (Christiansen 1997).

Casino gambling has spread rapidly as state and local governments attempt to use gambling to promote economic development and expand their tax sources. The earliest efforts to legalize casinos outside of Nevada and Atlantic City came in South Dakota and Colorado, where small-stakes casino gambling was approved by referendum in several old mining towns. Riverboat casinos have spread rapidly in the 1990s. The first riverboat casinos in Iowa had limited wagers and losses. But, as the casinos spread to Illinois, Indiana, Louisiana, Mississippi, and Missouri, limits were lifted, and “dockside” gambling became more prevalent than “riverboat” gambling.

The Indian Gaming Regulatory Act of 1988 created a structure for gambling on American Indian lands throughout the United States. In states where charitable or social gambling is permitted, the federal government established

a framework for American Indian tribes to negotiate with state governments to establish casino-style gambling (Eadington 1991). In 1998 there were 281 American Indian gambling facilities in 28 states. These facilities were operated by 184 of the 555 tribes officially recognized by the U.S. government (GAO 1997).

Lotteries have been established in 37 states and the District of Columbia. They offer a multitude of games that blur the boundaries between traditional lottery products and other forms of gambling, including instant or scratch tickets and daily number games. In addition, electronic gaming devices offer keno, poker, and line games.

Electronic gambling devices (also known as video lottery, VLTs, VGMs, or video poker) and pari-mutuel racing offer contrasting trends within gambling. The availability of electronic gambling has expanded rapidly into many states, including Montana. Conversely, pari-mutuel racing has struggled to compete in a vastly expanded gambling environment. Since 1990, amounts wagered at horse and dog tracks have been stable or declining in many states, including Montana (International Gaming and Wagering Business).

Types of legal gaming are summarized in Table 1. The differences between the types of gambling are not always distinct. Pari-mutuel racetracks now offer VGMs in some states. State lotteries sell a variety of scratch and other products. Even the term “casino” is difficult to define. Casinos range from destination/riverboat facilities with many games catering primarily to nonresidents, to local casinos—in states such as Montana and South Dakota—that offer limited games and are oriented toward the local market.

Technological innovations of the 1990s and the 21st century have the potential to change gambling in many ways. “Cashless” gambling allows wagering through credit or debit cards. “Home access” gambling will allow cable television to bring satellite wagering into homes through the use of interactive television. Several airlines now offer interactive gambling during international flights. Finally, there is the prospect of lottery games, sports wagering and casino gambling on the Internet. There are now approximately 40 sites on the Internet where anyone with a computer, modem and Internet access can wager on lotteries, card games, slot machines, and sports.

A growing opposition has accompanied the expansion of legal gambling. Citizen groups have formed to prevent or repeal legislation permitting forms of legal gambling. Electronic gambling devices and casinos have attracted the most opposition because of their perceived social impacts.

Opposition groups have been particularly effective in limiting electronic gambling devices. Thousands of video poker machines have been removed from non-licensed establishments in Nova Scotia and New Brunswick. The Alberta provincial government recently held a high-visibility conference to debate the regulation of video poker machines.

**Table 1
Types of Legal Gambling in the United States in 1997**

State	Bingo	Destination/ Dockside Casinos	Local Casinos *	Video gaming outside casinos **	American Indian reservation gaming *	Lottery ***	Pari- mutuel ****	Offtrack *****
Alabama	✓						✓	✓
Alaska	✓							
Arizona	✓				✓	✓	✓	✓
Arkansas						✓	✓	✓
California	✓				✓	✓	✓	✓
Colorado	✓		✓		✓	✓	✓	✓
Connecticut	✓				✓	✓	✓	✓
Delaware	✓			✓		✓	✓	✓
D.C.	✓					✓		✓
Florida	✓					✓		
Georgia	✓					✓	✓	✓
Hawaii								
Idaho	✓				✓	✓	✓	✓
Illinois	✓	✓				✓	✓	✓
Indiana	✓	✓				✓	✓	✓
Iowa	✓	✓			✓	✓	✓	✓
Kansas	✓				✓	✓	✓	✓
Kentucky	✓				✓	✓	✓	✓
Louisiana	✓	✓		✓	✓	✓	✓	✓
Maine	✓					✓	✓	✓
Maryland	✓					✓	✓	✓
Massachusetts	✓					✓	✓	✓
Michigan	✓	✓			✓	✓	✓	✓
Minnesota	✓				✓	✓	✓	✓
Mississippi	✓	✓			✓		✓	✓
Missouri	✓	✓				✓	P	✓
Montana	✓		✓	✓ ¹	✓	✓	✓	✓
Nebraska	✓				✓	✓	✓	✓
Nevada	✓	✓		✓	✓	✓	✓	✓
New Hampshire	✓					✓	✓	✓
New Jersey	✓	✓				✓	✓	✓
New Mexico	✓		A	A	✓	✓	✓	✓
New York	✓				✓	✓	✓	✓
North Carolina	✓				✓	✓	✓	✓
North Dakota	✓		✓		✓		✓	✓
Ohio	✓					✓	✓	✓
Oklahoma	✓				✓	✓	✓	✓
Oregon	✓			✓	✓	✓	✓	✓
Pennsylvania	✓				✓	✓	✓	✓
Rhode Island	✓			✓	✓	✓	✓	✓
South Carolina	✓			✓		✓	✓	✓
South Dakota	✓		✓	✓	✓	✓	A	A
Tennessee						✓	✓	✓
Texas	✓						✓	✓
Utah							N	
Vermont	✓					✓	✓	A
Virginia	✓					✓	A	A
Washington	✓				✓	✓	✓	A
West Virginia	✓			✓		✓	✓	A
Wisconsin	✓				✓	✓	A	✓
Wyoming	✓					✓	✓	✓
Puerto Rico	✓	✓				✓	✓	✓
Virgin Islands			A			✓	✓	✓

✓ Legal and operative.

P Permitted by law and previously operative.

A Authorized, but not yet implemented.

N Operative, but no pari-mutuel wagering.

* Games vary by state and may include video gaming.

** Includes video offerings of lottery, bingo, poker, and keno, off reservations.

*** Includes keno, instant pull-tabs, lotto, numbers, and passives.

**** Includes grey hounds, jai-alai, harness racing, quarter-horse, and thoroughbred racing.

***** Includes interstate inter-track, intrastate intertrack, off-track betting, race/sports-book, and telephone betting.

¹ A few "grandfathered" locations.

Note: Destination/Dockside casinos cater mostly to nonresidents. Local casinos have limited games and serve mostly to nearby residents. Sources: International Gaming and Wagering Business, September 1997; and Indian Gaming Management Staff, U.S. Bureau of Indian Affairs, August 1998.

Chapter 1: Montana Gambling

Two recent South Dakota elections have included referenda to repeal electronic gambling—both failed. Many Louisiana parishes have banned video poker machines. In South Carolina, legislative efforts recently failed to ban video gaming machines throughout the state.

Worldwide Trends

The expansion of gambling is a worldwide phenomenon. The establishment of lotteries, casinos, and the increased availability of electronic gambling devices are occurring on all continents. Since the 1970s, lotteries and casinos have been established in Europe, North America, Australia, Asia, and Africa. In the 1990s, urban or city-centered casinos—featuring electronic gaming and appealing to local gamblers as well as tourists—have been the emerging international trend. Legal gambling issues, such as the resulting tax revenue and unforeseen social costs, are now common issues facing governments throughout the world.

References

Christiansen, E.M. 1997. "The United States 1996 Gross Annual Wager: U.S. Gaming Faces New Growth Challenges," *International Gaming & Wagering Business*. 18(8).

Commission on the Review of the National Policy Toward Gambling. 1976. *Gambling in America*. Washington, DC: U.S. Government Printing Office.

Eadington, W.R. 1991. "Public Policy Considerations and Challenges and the Spread of Commercial Gambling." *Gambling and Public Policy: International Perspectives*. W.R. Eadington & J. A. Cornelius (eds). Reno: University of Nevada Press.

GAO. 1997. "Report to the Committee on Ways and Means, U.S. House of Representatives."

Indian Gaming Management Staff. Bureau of Indian Affairs, Office of the Commissioner. Washington, DC.

International Gaming & Wagering Business. Various issues.