



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

<b>Bill #</b>	SB0330	<b>Title:</b>	Authorize sports gambling act
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<b>Primary Sponsor:</b>	Blasdel, Mark	<b>Status:</b>	As Introduced
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$1,400,353	\$0	\$0	\$0
State Special Revenue	\$0	\$311,263	\$315,918	\$320,643
<b>Revenue:</b>				
General Fund	\$0	\$0	\$1,506,126	\$1,554,829
State Special Revenue	\$35,000	\$1,984,434	\$2,037,044	\$2,090,472
<b>Net Impact-General Fund Balance:</b>	<b><u>(\$1,400,353)</u></b>	<b><u>\$0</u></b>	<b><u>\$1,506,126</u></b>	<b><u>\$1,554,829</u></b>

**Description of fiscal impact:** SB 330 legalizes sports gambling in Montana. The bill establishes license and permit fees, a tax on the gross proceeds, two new license types, a new permit type, and a state special revenue account for collections that will be managed by the Department of Justice Gambling Control Division. It will require the hiring of 4.0 additional FTE.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Justice**

- Two sportsbook operators, two platform operators, and ten associated gambling businesses are expected to apply for a license in Montana.
- Sportsbook operator application fees will be collected and deposited into the sports betting fund. The fee will bring total revenue of \$2,000 per year. [\$1,000 fee x 2 operators = \$2,000].
- Platform operator application fees will be collected and deposited into the sports betting fund. The fee will bring total revenue of \$2,000 per year. [\$1,000 fee x 2 operators = \$2,000].
- Associated gambling business application fees will be collected and deposited into the sports betting fund. The fee will bring total revenue of \$1,000 per year. [\$100 fee x 10 businesses = \$1,000].

5. It is assumed that 300 sports betting kiosks will be permitted, and \$30,000 will be collected and deposited into the sports betting fund [ $\$100 \text{ fee} \times 300 \text{ kiosks} = \$30,000$ ] per year.
6. Estimated revenue from sports gambling legalization is based on sports gambling data from the State of Delaware, which implemented full sports betting at its three casinos on June 5<sup>th</sup>, 2018.
7. Delaware sportsbooks processed 1,635,169 wagers totaling \$87 million during June – December 2018.
8. Extrapolating to a full year implies Delaware would see about 2,800,000 wagers with a total value of \$149 million.
9. Delaware’s average annual number of wagers per adult (number of wagers in a year divided by the legal gambling age population) is about four, and the average value of each wager is about \$53.
10. Gambling wagers at Delaware sportsbooks are roughly equivalent to \$212 per adult person per year. An adult person is defined as someone of legal gambling age (21 years in Delaware).
11. Delaware’s \$212 average annual wager amounts to about 0.3% of the state’s nominal per capita GDP.
12. In Montana, 0.3% of nominal per capita GDP is roughly \$133. This will represent the average annual sports gambling wager per Montana adult.
13. Montana’s legal gambling age population (18 years and older) in 2018 was about 830,000 individuals.
14. The Montana adult population multiplied by the average annual wager equals the total value of sports gambling wagers. This figure, less player winnings and federal excise taxes (0.25% of the amount wagered) equals adjusted gross sports betting receipts as defined by the bill in section 2(1).
15. Adjusted gross sports betting receipts are subject to an 8.5% tax. Tax revenue is distributed to a state special revenue fund and the general fund.
16. Population and income growth are considered when making projections, using 2018 as the base year.
17. The percentage of total wagers paid out in winnings is 80%.
18. The bill is effective June 1, 2020. The first full fiscal year of implementation is FY 2021.
19. License fee revenue of \$35,000 will be realized in the last month of FY 2020 (first month the bill is effective), but no gambling tax revenue will be collected.
20. The following table summarizes the estimated impacts of sports gambling legalization in Montana. The time it takes for the sports betting market to mature will likely impact the estimates shown.

<b>Estimated Fiscal Impact of Sports Gambling Legalization</b>			
	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Montana Adult Population	845,819	851,218	856,416
Average Annual Wager	\$140	\$143	\$145
Total Amount Wagered	\$118,208,999	\$121,342,917	\$124,525,537
Payouts (Winnings)	\$94,567,199	\$97,074,334	\$99,620,430
Gross Sports Betting Receipts	\$23,641,800	\$24,268,583	\$24,905,107
Federal Excise Tax	\$295,522	\$303,357	\$311,314
Adjusted Gross Sports Betting Receipts	\$23,346,277	\$23,965,226	\$24,593,794
Tax Rate	8.5%	8.5%	8.5%
<b>Tax Revenue</b>	<b>\$1,984,434</b>	<b>\$2,037,044</b>	<b>\$2,090,472</b>

21. DOJ is permitted to announce its intention to accept applications and detail the requirements of the application before the bill’s effective date (section 4(3)).
22. As provided in Section 16 (5) of the bill, the Gambling Control Division will have the ability to use sports betting fund revenue collected to cover administrative costs. After all expenses are paid, any revenue collections exceeding the sports betting fund cap established in the bill will be deposited into the general fund.
23. The bill will require 4.0 FTE to be hired to conduct site visits, license/permit approvals, inspections, criminal investigations, dispute resolutions, audit tax records and tax collections, process the license applications, kiosk permits, and tax collections.



24. Personal services costs total \$274,088 per year and will be ongoing for a Crime Investigator (1.0 FTE), Auditor (1.0 FTE), License Permit Technician (1.0 FTE), Administrative Specialist (0.5 FTE), and Electronic Engineer (0.5 FTE).
25. Operating and equipment costs in FY 2020 total \$52,220. One-time only (OTO) expenses are included for new employee office packages, vehicles, and computer setups totaling \$16,045.
26. Investigator training will be necessary in FY 2020 totaling \$57,000 [\$3,000 x 19 Investigators = \$57,000], and \$1,000 each year for annual training.
27. OTO expenses totaling \$36,000 in FY 2020 are needed to contract with a sports betting rule writing consultant.
28. FAST Enterprises (contractor) will be required to create new license, permit, and tax types in the department's database system at a cost of \$1,000,000.
29. FY 2020 costs related to the preparation for implementation of sports gambling will exceed revenue collected from license fees in FY 2020. Any costs unable to be funded from the sports betting fund will be funded with general fund.

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	4.00	4.00	4.00	4.00
<b><u>Expenditures:</u></b>				
Personal Services	\$274,088	\$274,088	\$278,200	\$282,374
Operating Expenses	\$1,145,220	\$37,175	\$37,718	\$38,269
Equipment	\$16,045	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$1,435,353</b>	<b>\$311,263</b>	<b>\$315,918</b>	<b>\$320,643</b>

<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$1,400,353	\$0	\$0	\$0
State Special Revenue (02)	\$35,000	\$311,263	\$315,918	\$320,643
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$1,435,353</b>	<b>\$311,263</b>	<b>\$315,918</b>	<b>\$320,643</b>

<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$1,506,126	\$1,554,829
State Special Revenue (02)	\$35,000	\$2,019,434	\$2,072,044	\$2,125,472
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$35,000</b>	<b>\$2,019,434</b>	<b>\$3,578,170</b>	<b>\$3,680,301</b>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$1,400,353)	\$0	\$1,506,126	\$1,554,829
State Special Revenue (02)	\$0	\$1,708,171	\$1,756,126	\$1,804,829
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0

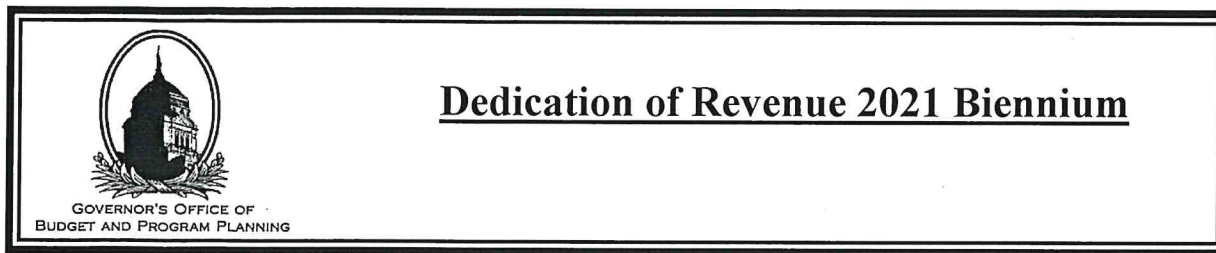
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Sponsor's Initials

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17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

The license fees, permit fee, and taxes will be used to provide effective regulation of the activity. The gambling industry as well as the general public and those participating in the activity will benefit from effective regulation.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Historically, the gambling industry has been required to pay for their regulation through license and permit fees which are deposited in the gambling state special revenue fund. The Gambling Control Division does not receive any general fund appropriations.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

This source of revenue is relevant to the use of funds, but the projected state special revenue for FY2020 is not adequate to fund the projected expenses related to the regulation of sports betting.

- d) **Does the need for this state special revenue provision still exist? \_\_\_Yes \_\_\_No (Explain)**

Yes, the Gambling Control Division does not receive any general fund appropriations. This state special revenue is used to fund the division.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

The division would continue to operate within the spending authority appropriated by the legislature.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Unknown

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

There would not be accounting/auditing efficiencies or inefficiencies as a result of the dedicated revenue provision.