



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

<b>Bill #</b>	HB0704	<b>Title:</b>	Generally revise state lottery laws
<b>Primary Sponsor:</b>	Buttrey, Edward	<b>Status:</b>	As Introduced

- 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

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue - BOHR	\$0	\$0	\$100,000	\$308,000
Other - Montana Lottery	\$2,852,000	\$2,852,000	\$2,925,000	\$3,150,000
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue - BOHR	\$0	\$0	\$100,000	\$308,000
Other - Montana Lottery	\$2,250,000	\$2,700,000	\$2,925,000	\$3,150,000
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 704 allows the Montana State Lottery (Lottery) to establish a raffle lottery game with the proceeds going to the Board of Horseracing (BOHR). It is estimated that the raffle game would lose money the first two years, and then start to make a profit for fiscal year 2024 and beyond. There is financial risk to the Lottery with the new raffle as described in the technical notes.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration, Montana Lottery**

1. This new raffle game would be identical to the only raffle game Lottery currently offers. However, costs are estimated to be more due to a comprehensive advertisement campaign to build interest, understanding, and support for the game.
2. The estimated cost for fiscal years 2022 and 2023 would be \$2,852,000. These costs are the same as the fiscal year 2020 Montana Millionaire raffle game costs with additional costs of \$100,000 added for advertising.

3. The estimated cost for fiscal year 2024 is \$2,825,000, which slightly cuts the advertising costs by \$27,000 as the game becomes more well-known.
4. The estimated fiscal year 2025 cost is \$2,842,000, which includes another cut to advertising (\$25,000) but adds an inflation adjustment of 1.5%.
5. The sale price (\$20.00) and number of available tickets for sale (225,000) will be the same as the Montana Millionaire game to make the probability of winning the same between the two. It is estimated it will take several years for the game to become as popular as the Montana Millionaire game.
6. The estimated number of ticket sales for fiscal years 2022 through 2025 are 112,500, 135,000, 146,250, 157,500, respectively. This would result in gross revenues of \$2,250,000 for fiscal year 2022, \$2,700,000 for fiscal year 2023, \$2,925,000 for fiscal year 2024, and \$3,150,000 for fiscal year 2025.
7. Lottery estimates a net loss of \$602,000 in fiscal year 2022 and a net loss of \$152,000 in fiscal year 2023. Lottery estimates a net profit of \$100,000 for fiscal year 2024 and a net profit of \$308,000 for fiscal year 2025. Those net profits would be transferred to the Board of Horse Racing.

**Department of Commerce, Board of Horse Racing**

8. Any revenue received by the Board of Horse Racing (BOHR) under this program will be used to expand the number of horse race days in the state. The board of horse racing will also use new revenues, if adequate, to open another racetrack in the state that is currently closed and to provide financial support for the new race meet. Some of the new funds may also be used for funding upgrades and improvements at the active tracks in the state.
9. Revenue estimates for a new raffle or lottery game provided by Montana Lottery show that net revenue would not be positive until year three of the program, so no transfers to BOHR could occur until fiscal year 2024. In fiscal year 2024, \$100,000 in net revenue would be transferred to BOHR and in fiscal year 2025, \$308,000 would be transferred.

Fiscal Note Request – As Introduced

(continued)

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact: Combined</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Operating Expenses - BOHR			\$100,000	\$308,000
Operating Expenses - Lottery	\$2,852,000	\$2,852,000	\$2,825,000	\$2,842,000
Transfers - Lottery	\$0	\$0	\$100,000	\$308,000
<b>TOTAL Expenditures</b>	<u>\$2,852,000</u>	<u>\$2,852,000</u>	<u>\$3,025,000</u>	<u>\$3,458,000</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Rev. - BOHR			\$100,000	\$308,000
Other - Montana Lottery	\$2,852,000	\$2,852,000	\$2,925,000	\$3,150,000
<b>TOTAL Funding of Exp.</b>	<u>\$2,852,000</u>	<u>\$2,852,000</u>	<u>\$3,025,000</u>	<u>\$3,458,000</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Rev. - BOHR			\$100,000	\$308,000
Other - Montana Lottery	\$2,250,000	\$2,700,000	\$2,925,000	\$3,150,000
<b>TOTAL Revenues</b>	<u>\$2,250,000</u>	<u>\$2,700,000</u>	<u>\$3,025,000</u>	<u>\$3,458,000</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	(\$602,000)	(\$152,000)	\$0	\$0

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact: Montana Lottery</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$2,852,000	\$2,852,000	\$2,825,000	\$2,842,000
<b>TOTAL Expenditures</b>	<u>\$2,852,000</u>	<u>\$2,852,000</u>	<u>\$2,825,000</u>	<u>\$2,842,000</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$2,852,000	\$2,852,000	\$2,825,000	\$2,842,000
<b>TOTAL Funding of Exp.</b>	<u>\$2,852,000</u>	<u>\$2,852,000</u>	<u>\$2,825,000</u>	<u>\$2,842,000</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$2,250,000	\$2,700,000	\$2,925,000	\$3,150,000
<b>TOTAL Revenues</b>	<u>\$2,250,000</u>	<u>\$2,700,000</u>	<u>\$2,925,000</u>	<u>\$3,150,000</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	(\$602,000)	(\$152,000)	\$100,000	\$308,000

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b>Fiscal Impact: Board of Horse Racing</b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Operating Expenses	\$0	\$0	\$100,000	\$308,000
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$308,000</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$100,000	\$308,000
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$308,000</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$100,000	\$308,000
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$308,000</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

**Department of Administration, Montana Lottery**

1. In new section 1, the prize structures are legislated which could potentially put Lottery in fiscal jeopardy if they do not sell enough tickets to cover the costs. Giving the Lottery the ability to modify the prize structure would lessen this risk and make the game more viable.

**AUTHORIZED BY SPONSOR**

\_\_\_\_\_ 4/6/21 \_\_\_\_\_ KA \_\_\_\_\_ 4-6-21  
*Sponsor's Initials*                      *Date*                      *Budget Director's Initials*                      *Date*