



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

| | | | |
|-------------------------|-----------------|----------------|-------------------------------------|
| Bill # | HB0704 | Title: | Generally revise state lottery laws |
| Primary Sponsor: | Buttrey, Edward | Status: | As Amended |

- 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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue - BOHR | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| Other - Montana Lottery | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Revenue: | | | | |
| General Fund | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| State Special Revenue - BOHR | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| Other - Montana Lottery | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Net Impact-General Fund Balance: | <u>\$57,650</u> | <u>\$57,650</u> | <u>\$51,015</u> | <u>\$44,280</u> |

Description of fiscal impact: HB 704 allows the Montana State Lottery (Lottery) to establish a lottery game with 50% of the net proceeds going to the Board of Horse Racing. It is estimated that the game will make a profit every year. The game will provide a source of income for the Board of Horse Racing and the General Fund.

FISCAL ANALYSIS

Assumptions:

Department of Administration, Montana Lottery

1. The Lottery will offer a game that will benefit the Board of Horse Racing (BOHR). The details of the game will be outlined in a memorandum of understanding between the Lottery and BOHR.
2. A game will be designed that will offer a \$5.00 ticket, occurring once a year.
3. The game will be designed, printed, and then offered for sale. The earliest sale date is January 2022. Sales will last approximately six months with revenue available in late 2022.

4. The ticket revenue is estimated to be \$1,000,000 per fiscal year, with 200,000 tickets being offered and sold at \$5.00 a ticket.
5. The total expenses are estimated to be \$884,700 per fiscal year in fiscal years 2022 and 2023. This amount has been inflated by 1.5% for fiscal years 2024 and 2025.
6. The expenses are comprised of averages from the last six \$5.00 lottery games the Lottery has provided and include the cost of prizes, commissions, tickets, vendor fees, and overhead.
7. Net revenue would be approximately \$115,300 (\$1,000,000 - \$884,700) for fiscal years 2022 and 2023, \$102,030 for fiscal year 2024, and \$88,560 for fiscal year 2025. Fifty percent (\$57,650 for fiscal years 2022 and 2023, \$51,015 for fiscal year 2024, and \$44,280 for fiscal year 2025) will be transferred to the Board of Horse Racing. The other 50% will be transferred to the General Fund.

Department of Commerce, Board of Horse Racing

8. Any revenue received by the Board of Horse Racing under this program will be used to expand the number of horse race days in the state. The board will also use new revenues, if adequate, to open another race track 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. Revenues for a new raffle or lottery game provided by Montana Lottery are estimated at \$115,300 for fiscal years 2022 and 2023, \$102,030 for fiscal year 2024, and \$88,560 for fiscal year 2025. This means that \$57,650 for fiscal years 2022 and 2023, \$51,015 for fiscal year 2024, and \$44,280 for fiscal year 2025 will be transferred to the board.


| | <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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact: Combined</u> | | | | |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures:</u> | | | | |
| Operating Expenses - BOHR | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| Operating Expenses - Lottery | \$884,700 | \$884,700 | \$897,970 | \$911,440 |
| Transfers - Lottery | \$115,300 | \$115,300 | \$102,030 | \$88,560 |
| TOTAL Expenditures | <u>\$1,057,650</u> | <u>\$1,057,650</u> | <u>\$1,051,015</u> | <u>\$1,044,280</u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Rev. - BOHR | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| Other - Montana Lottery | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| TOTAL Funding of Exp. | <u>\$1,057,650</u> | <u>\$1,057,650</u> | <u>\$1,051,015</u> | <u>\$1,044,280</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| State Special Rev. - BOHR | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| Other - Montana Lottery | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| TOTAL Revenues | <u>\$1,115,300</u> | <u>\$1,115,300</u> | <u>\$1,102,030</u> | <u>\$1,088,560</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| State Special Rev. - BOHR | \$0 | \$0 | \$0 | \$0 |
| Other - Montana Lottery | \$0 | \$0 | \$0 | \$0 |

| | <u>FY 2022 Difference</u> | <u>FY 2023 Difference</u> | <u>FY 2024 Difference</u> | <u>FY 2025 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact: Montana Lottery</u> | | | | |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$884,700 | \$884,700 | \$897,970 | \$911,440 |
| TOTAL Expenditures | <u>\$884,700</u> | <u>\$884,700</u> | <u>\$897,970</u> | <u>\$911,440</u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | \$884,700 | \$884,700 | \$897,970 | \$911,440 |
| TOTAL Funding of Exp. | <u>\$884,700</u> | <u>\$884,700</u> | <u>\$897,970</u> | <u>\$911,440</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| TOTAL Revenues | <u>\$1,000,000</u> | <u>\$1,000,000</u> | <u>\$1,000,000</u> | <u>\$1,000,000</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | \$115,300 | \$115,300 | \$102,030 | \$88,560 |

Fiscal Note Request – As Amended

(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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Fiscal Impact: Board of Horse Racing | | | | |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| TOTAL Expenditures | <u>\$57,650</u> | <u>\$57,650</u> | <u>\$51,015</u> | <u>\$44,280</u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| TOTAL Funding of Exp. | <u>\$57,650</u> | <u>\$57,650</u> | <u>\$51,015</u> | <u>\$44,280</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$57,650 | \$57,650 | \$51,015 | \$44,280 |
| TOTAL Revenues | <u>\$57,650</u> | <u>\$57,650</u> | <u>\$51,015</u> | <u>\$44,280</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |


9/13/21
KA
4-10-21
Sponsor's Initials *Date* *Budget Director's Initials* *Date*