



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0189

Title: Authorize historical horseracing gambling

Primary Sponsor: Bogner, Kenneth

Status: 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$9,600	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,278,060)	(\$2,556,120)	(\$2,556,120)	(\$2,556,120)
State Special Revenue	\$1,278,060	\$2,556,120	\$2,556,120	\$2,556,120
Net Impact-General Fund Balance:	<u>(\$1,278,060)</u>	<u>(\$2,556,120)</u>	<u>(\$2,556,120)</u>	<u>(\$2,556,120)</u>

Description of fiscal impact: SB 189 will legalize historical horseracing machines. The bill establishes a tax on the gross proceeds, deposited into state special revenue funds, and a 50% distribution of historical horseracing machine tax revenue collections to the Board of Horseracing.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. The Department of Justice (DOJ) currently has approximately 1,400 active gambling operators that have licensed video gambling machines. It is assumed with the passage of this bill, 25% of active establishments will license historical horseracing machines (1,400 establishments x 25% = 350 establishments).
2. It is assumed that each licensed establishment will have 2 historical horseracing machines, replacing 700 video gambling machines.
3. Based on statistical Montana video gambling machine data (three-year average annual gross revenue per machine), with a 15% tax, it is estimate that the tax revenue generated from historical horseracing machines

Fiscal Note Request – As Introduced

(continued)

annually will be approximately \$2,556,120 (700 machines x approximately \$24,344 annual gross revenue per machine x 15% tax = \$2,556,120 tax collections).

4. It is estimated that the replacement of video gambling machines with historical horseracing machines will reduce the revenue to the general fund while increasing state special revenue funds in the same amount.
5. The bill directs 50% of the tax revenue collected for historical horseracing machines to be deposited in the Gambling State Special Revenue Fund (\$2,556,120 tax collections x 50% = \$1,278,060 to Gambling State Special Revenue Fund).
6. The bill directs the remaining 50% of the tax revenue collected for historical horseracing machines to be deposited in a state special revenue account for the Board of Horseracing as provided in 23-4-105, MCA.
7. The bill will require 80 hours of programming modifications to the Gentax system. The total cost of this work will be \$9,600.
8. SB 189 is effective January 1, 2022, so FY 2022 revenue is halved to account for the bill becoming effective halfway through the fiscal year.

	<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:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$9,600	\$0	\$0	\$0
TOTAL Expenditures	<u>\$9,600</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$9,600	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$9,600</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$1,278,060)	(\$2,556,120)	(\$2,556,120)	(\$2,556,120)
SSR Gambling	\$639,030	\$1,278,060	\$1,278,060	\$1,278,060
SSR Board of Horseracing	\$639,030	\$1,278,060	\$1,278,060	\$1,278,060
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,278,060)	(\$2,556,120)	(\$2,556,120)	(\$2,556,120)
State Special Revenue (02)	\$1,268,460	\$2,556,120	\$2,556,120	\$2,556,120

NO SPONSOR SIGNATURE 2/16 KA 2/13/21

Sponsor's Initials Date Budget Director's Initials Date