



# Montana Gambling Control Division

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TO: Legislative Finance Committee  
Amy Carlson, Legislative Fiscal Analyst

FROM: Angela Nunn, Administrator  
Gambling Control Division

DATE: September 11, 2020

SUBJECT: Solvency of the Gambling License Fee Account

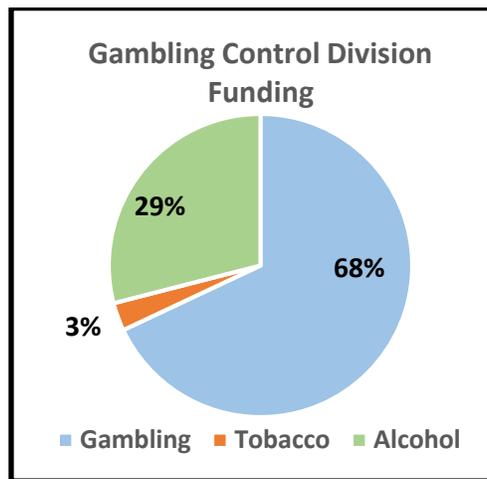
## Division Overview

The Gambling Control Division (GCD) is responsible for regulating all forms of gambling in Montana except for the lottery and horse racing and has enforcement responsibilities for illegal gambling.

## Division funding

Statute provides that, "Revenue to fund the expense of administration and control of gambling as regulated by parts 1 through 8 of this chapter must be derived solely from fees, taxes, and penalties on gambling activities, except the gambling activities of the Montana state lottery and the parimutuel industry." (*Mont. Code Ann. §23-5-110(3)*)

GCD is primarily funded (68%) by gambling state special revenue from the collection of license and permit fees for gambling activities. The division currently receives 29% of its budget from the Liquor proprietary fund for the services provided to the Department of Revenue, Alcoholic Beverage Control Division and 3% from the Tobacco Settlement fund for the tobacco tax investigation services provided to the Department of Public Health and Human Services and Department of Revenue.



## Solvency of the Gambling License Fee Account

GCD collects revenue from several sources – primarily taxes and permits. While the division collects over \$65 million dollars a year, GCD retains only approximately 4% of the total which is deposited into the gambling license fee account (state special fund 02074) to fund division operations.

The revenue collections into the gambling license fee account have varied over last several years with slight increases or decreases (1-2%). So far in the first quarter of FY21, the division has seen lower revenue collections due to a reduced number of video gambling machines being permitted, likely due to COVID restrictions. The FY21 projections have accounted for that reduction.

In an effort to preserve cash in this fund, the department has made several internal changes, maximized other available funding, and continued to be very conservative in spending. In our report last year, the department projected an ending net position in FY20 of \$1,071,901. We are pleased to report that through the various measures the department implemented, the actual net position at the end of FY20 was \$1,518,591.

The FY21 projected expenditures are based on our appropriation level. Given our conservative management of the cash in this fund, it unlikely that our actual spending will reach that level. That said, the projections for FY21 estimate the ending net position in the gambling license fee account will be \$1,097,845 at the end of the biennium.

Fiscal Year	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 Projected
Beginning Net Position	\$ 1,170,138	\$ 1,283,304	\$ 1,160,922	\$ 1,271,154	\$ 1,207,328	\$ 1,518,591
Gambling State Special Revenue Collections	\$ 4,750,801	\$ 4,678,836	\$ 4,740,149	\$ 4,627,031	\$ 4,665,734	\$ 4,466,308
Actual Expenditures	\$ 2,877,435	\$ 2,980,109	\$ 2,820,976	\$ 2,926,852	\$ 2,610,396	\$ 3,217,179
Distributions to Local Government	\$ 1,760,200	\$ 1,819,500	\$ 1,808,942	\$ 1,764,003	\$ 1,744,075	\$ 1,669,875
Adjustments		\$ (1,609)				
Revenue-Expenditures	\$ 113,166	\$ (120,773)	\$ 110,232	\$ (63,825)	\$ 311,263	\$ (420,746)
Ending Net Position	\$ 1,283,304	\$ 1,160,922	\$ 1,271,154	\$ 1,207,328	\$ 1,518,591	\$ 1,097,845

## Proposed changes

The division is continuing to work with the Gaming Advisory Council to monitor the division’s funding situation and is working with them to develop a long-term solution.

After a thorough review of the services provided to the Alcoholic Beverage Control Division, the department is proposing to increase the funding GCD receives from the Liquor proprietary fund from 29% to 32%. This decision package will be presented in the department’s budget proposal in the upcoming session. If approved, this will provide the division the funding needed to keep the gambling license fee account solvent while a long-term solution is developed. The new split would be as displayed below.

