



Montana Gambling Control Division

2550 Prospect Ave | PO Box 201424 Helena, MT 59620 | 406-444-1971 Fax 406-444-9157



TO: Legislative Finance Committee
Amy Carlson, Legislative Fiscal Analyst

FROM: Angela Nunn, Administrator
Gambling Control Division

DATE: September 3, 2019

SUBJECT: Solvency of the Gambling License Fee Account

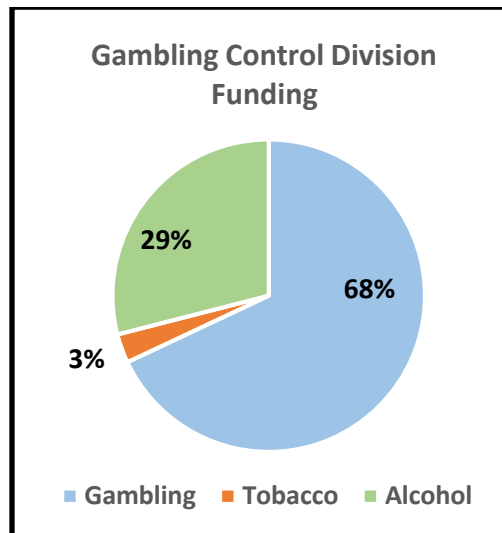
Division Overview

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 by gambling state special revenue from the collection of license and permit fees for gambling activities. The division 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.



GCD is currently working with Department of Revenue, Alcoholic Beverage Control Division to determine whether 29% is an appropriate level of funding or if an increase is warranted based on growth of the alcohol industry and level of services provided by the division. The percentage was established in the early 2000's and has not changed since its implementation.

Revenue Distribution

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.

FY 2018 GCD Distribution of Revenue				
Revenue Source	Total Collected	<i>Distribution of Funds</i>		
		Local Govt.	Gambling Control	General Fund
Antique Slot Machine Dealer	\$ -		\$ -	
Bingo & Keno Permit Fees	\$ 24,000		\$ 24,000	
Calcutta Application Fees	\$ 4,625		\$ 4,625	
Card Dealer License Fees	\$ 10,578		\$ 10,578	
Card Room Contractor Fees	\$ 4,950		\$ 4,950	
Card Table Permit Fees	\$ 59,250	\$ 38,000	\$ 21,250	
Card Tournament Fees	\$ 10,340		\$ 10,340	
Casino Night Permit Fees	\$ 1,200		\$ 1,200	
Fines/Penalties	\$ 51,761			\$ 51,761
Lab Test Fees	\$ 153,021		\$ 153,021	
Live Bingo & Keno Tax	\$ 12,993	\$ 12,993		
Manufacturer/Route Operator License Fees	\$ 84,208		\$ 84,208	
Operator License Fees	\$ 93,186		\$ 93,186	
Sports Tab Tax	\$ 3,362		\$ 3,362	
Record Checks	\$ 46,760		\$ 46,760	
Miscellaneous Receipts	\$ 21		\$ 21	
VGM Gross Income Tax	\$ 60,324,163			\$ 60,324,163
VGM Permit Fees	\$ 4,244,647	\$ 1,767,200	\$ 2,477,447	
Totals	\$ 65,129,065	\$1,818,193	\$2,934,948	\$ 60,375,924
Percent of Total	100.00%	2.79%	4.51%	92.70%

FY 2019 GCD Distribution of Revenue				
Revenue Source	Total Collected	<i>Distribution of Funds</i>		
		Local Govt.	Gambling Control	General Fund
Antique Slot Machine Dealer	\$ 50		\$ 50	
Bingo & Keno Permit Fees	\$ 28,375		\$ 28,375	
Calcutta Application Fees	\$ 4,950		\$ 4,950	
Card Dealer License Fees	\$ 9,856		\$ 9,856	
Card Room Contractor Fees	\$ 4,650		\$ 4,650	
Card Table Permit Fees	\$ 56,000	\$ 34,350	\$ 21,650	
Card Tournament Fees	\$ 12,720		\$ 12,720	
Casino Night Permit Fees	\$ 925		\$ 925	
Fines/Penalties	\$ 89,051			\$ 89,051
Lab Test Fees	\$ 134,837		\$ 134,837	
Live Bingo & Keno Tax	\$ 10,416	\$ 10,416		
Manufacturer/Route Operator License Fees	\$ 76,277		\$ 76,277	
Operator License Fees	\$ 114,372		\$ 114,372	
Sports Tab Tax	\$ 2,269		\$ 2,269	
Record Checks	\$ 41,865		\$ 41,865	
Miscellaneous Receipts	\$ 80		\$ 80	
VGM Gross Income Tax	\$ 63,227,780			\$ 63,227,780
VGM Permit Fees	\$ 4,139,805	\$ 1,725,900	\$ 2,413,905	
Totals	\$ 67,954,277	\$1,770,666	\$2,866,781	\$ 63,316,830
Percent of Total	100.00%	2.61%	4.22%	93.18%

Solvency of the Gambling License Fee Account

The revenue collections into the gambling license fee account have varied over last four years with slight increases or decreases (1-2%). The revenue projections for FY20 and FY21 are based on a four-year average.

The expenditures exceeded the revenue collections in two of the last four fiscal years which caused a decrease in the fund balance.

Based on projections for FY20 and FY21, the estimated ending fund balance in the gambling license fee account will be \$890,419 at the end of the biennium.

Fiscal Year	FY2016	FY2017	FY2018	FY2019	FY2020 Projected	FY2021 Projected
Beginning Fund Balance	\$ 1,170,138	\$ 1,283,304	\$ 1,160,921	\$ 1,271,152	\$ 1,207,328	\$ 1,071,901
Gambling State Special Revenue Collections	\$ 4,750,801	\$ 4,678,835	\$ 4,740,148	\$ 4,627,031	\$ 4,721,192	\$ 4,721,192
Actual Expenditures	\$ 2,877,435	\$ 2,980,109	\$ 2,820,964	\$ 2,926,852	\$ 3,070,332	\$ 3,116,387
Distributions to Local Government	\$ 1,760,200	\$ 1,819,500	\$ 1,808,953	\$ 1,764,003	\$ 1,786,287	\$ 1,786,287
Adjustments	\$ -	\$ (1,609)	\$ -	\$ -	\$ -	\$ -
Revenue - Expenditures	\$ 113,166	\$ (120,775)	\$ 110,231	\$ (63,824)	\$ (135,427)	\$ (181,482)
Ending Fund Balance	\$ 1,283,304	\$ 1,160,921	\$ 1,271,152	\$ 1,207,328	\$ 1,071,901	\$ 890,419

Proposed changes

The division is working with the Gaming Advisory Council to consider legislative changes which would provide a long-term solution to the division's funding situation and declining fund balance. A proposal will be presented at the Legislative Finance Committee's September 2020 meeting.

The division is open to recommendations from the Legislative Finance Committee.