



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0893.01: Revise lottery state finance laws related to property tax relief**

Primary Sponsor: **Katie Zolnikov**

Status: **As Introduced**

☐ Included in the Executive Budget

☐ Needs to be included in HB 2

☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts

☐ Technical Concerns

☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$25,000 | \$25,000 | \$0 | \$0 |
| Other | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |
| Net Impact | <u>(\$25,000)</u> | <u>(\$25,000)</u> | <u>\$0</u> | <u>\$0</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 893 mandates the Montana State Lottery (Lottery) to establish a raffle lottery game, in the spirit of the existing Montana Millionaire game, with the proceeds going to the state property tax assistance account establish in SB 90. However, the Montana Lottery is not expected to be profitable until FY 2035.

There is also a \$50,000 appropriation provided to the Department of Revenue, for the biennium beginning July 1, 2025, to implement the provisions of SB 90.

FISCAL ANALYSIS

Assumptions

Department of Administration

1. Starting the game on July 4, 2025, will not be feasible, as it takes six months to program and test a new game. It is assumed that the game will not be ready to roll out until July 4, 2026.
2. In FY 2026, costs are estimated to be \$621,200. This includes advertising, vendor fees, and other operating expenses, but excludes the prize payouts as those will not happen until the next fiscal year. The costs for FY 2027 through FY 2029, which includes an estimated \$4 million in prize payouts, are projected to be \$4,571,200 each fiscal year.
3. The sales price (\$20.00) and the number of tickets for sale (500,000) will be the same as the Montana Millionaire game.
4. The estimated number of sales from FY 2026 through FY 2029 are shown in the table below:

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| Ticket Sales | 117,000 | 120,000 | 135,000 | 150,000 |
| Price per ticket | \$20 | \$20 | \$20 | \$20 |
| Total Revenue | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |

5. The Lottery estimates a profit for FY 2026, but only due to the timing of the prize payout being in the next fiscal year. Losses are projected for the following three years. It is estimated that a profit will not be realized until several years after the introduction of the new game as it builds interest, understanding, and support for the game.

Department of Revenue

6. It is estimated that the Montana Lottery will begin this new game in FY 2026 and that it will take several years before this game is profitable. At that point, profits will be distributed to the property tax assistance program established by SB 90.
7. For the fiscal note forecast period, the only impact to the Department of Revenue is an appropriation of \$50,000, for the biennium beginning July 1, 2025, to implement the provisions of SB 90. Is it assumed that this amount will be split equally between FY 2026 and FY 2027.
8. There are no additional costs to the department beyond those required for SB 90.

Fiscal Analysis Table

Department of Administration

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Operating Expenses | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| TOTAL Expenditures | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| <u>Funding of Expenditures</u> | | | | |
| Other | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| TOTAL Funding of Expenditures | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| <u>Revenues</u> | | | | |
| Other | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |
| TOTAL Revenues | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| Other | \$1,718,800 | (\$2,171,200) | (\$1,871,200) | (\$1,571,200) |

Department of Revenue

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Operating Expenses | \$25,000 | \$25,000 | \$0 | \$0 |
| TOTAL Expenditures | \$25,000 | \$25,000 | \$0 | \$0 |

Funding of Expenditures

| | | | | |
|--------------------------------------|-----------------|-----------------|------------|------------|
| General Fund (01) | \$25,000 | \$25,000 | \$0 | \$0 |
| TOTAL Funding of Expenditures | \$25,000 | \$25,000 | \$0 | \$0 |

Revenues**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

| | | | | |
|-------------------|------------|------------|-----|-----|
| General Fund (01) | (\$25,000) | (\$25,000) | \$0 | \$0 |
|-------------------|------------|------------|-----|-----|

STATEWIDE SUMMARY

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Fiscal Impact | | | | |
| TOTAL Fiscal Impact | 0.00 | 0.00 | 0.00 | 0.00 |
| Expenditures | | | | |
| Operating Expenses | \$646,200 | \$4,596,200 | \$4,571,200 | \$4,571,200 |
| TOTAL Expenditures | \$646,200 | \$4,596,200 | \$4,571,200 | \$4,571,200 |
| Funding of Expenditures | | | | |
| General Fund (01) | \$25,000 | \$25,000 | \$0 | \$0 |
| Other | \$621,200 | \$4,571,200 | \$4,571,200 | \$4,571,200 |
| TOTAL Funding of Expenditures | \$646,200 | \$4,596,200 | \$4,571,200 | \$4,571,200 |
| Revenues | | | | |
| Other | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |
| TOTAL Revenues | \$2,340,000 | \$2,400,000 | \$2,700,000 | \$3,000,000 |
| Net Impact to Fund Balance (Revenue minus Funding of Expenditures) | | | | |
| General Fund (01) | (\$25,000) | (\$25,000) | \$0 | \$0 |
| Other | \$1,718,800 | (\$2,171,200) | (\$1,871,200) | (\$1,571,200) |

Effect on County or Other Local Revenues or Expenditures**Department of Revenue**

- HB 893 increases the property tax assistance available to each primary home which counties may retain if the assistance is greater than a home's property tax liability.


Technical Concerns

- In the new section 1, the prize structures are legislated, which could potentially put the Lottery in fiscal jeopardy if they do not sell enough tickets to cover the costs. There are amplified concerns that the Lottery will not be able to meet the market demands of this type of game because statute will dictate the game design and make it unable to meet the needs of the changing market. Giving the Lottery the ability to modify the prize structure and other game elements will potentially lessen this risk and make the game more viable.

Sponsor's Initials

Date

NOT SIGNED BY SPONSOR
4/3



Budget Director's Initials

4/3/2025

Date