

**STATE**

**REVISED CONDITIONAL FISCAL IMPACT**

(replaces fiscal note dated February 15, 2010)

**Drafting Number:** LLS 10-0861  
**Prime Sponsor(s):** Sen. King K.  
 Rep. Lambert

**Date:** April 26, 2010  
**Bill Status:** House Finance  
**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**TITLE:** CONCERNING THE TRANSFER OF RESPONSIBILITY FOR THE REGULATION OF GAMES OF CHANCE FROM THE SECRETARY OF STATE TO THE DEPARTMENT OF REVENUE IN ACCORDANCE WITH HOUSE CONCURRENT RESOLUTION 09-1003, AND MAKING AN APPROPRIATION THEREFOR.

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>
<b>State Revenue</b>		
Cash Funds		
Department of State Cash Fund		(\$1,000,000)
Bingo-Raffle Cash Fund		1,000,000
<b>State Transfers or Diversions</b>		
Transfer from the Department of State Cash Fund to the Bingo-Raffle Cash Fund		(\$428,420)
<b>State Expenditures</b>		
Cash Funds		
Department of State Cash Fund	\$116,020	(\$455,560)
Bingo-Raffle Cash Fund		455,560
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon approval of HCR09-1003 by the voters in November 2010, unless a referendum petition is filed.		
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

*The revised fiscal note reflects new information concerning the funding source for implementation costs of the bill and information technology costs.*

**Summary of Legislation**

SB10-141 designates the Department of Revenue (DOR) as the licensing and enforcement authority for games of chance, such as bingo and raffles. All existing staff, resources, and funds in the Department of State (DOS) relating to these functions are transferred to the DOR on July 1, 2011. This bill is conditional upon voter approval of HCR09-1003, which is a proposed constitutional amendment to give the General Assembly authority to determine which agency regulates bingo and raffles.

**State Revenue**

**The bill increases revenue in the DOR by \$1.0 million in FY 2011-12 and decreases revenue in the DOS by the same amount.** After July 1, 2011, revenue from licensing games of chance will go to the Bingo-Raffle Cash Fund in the DOR. Previously, this revenue was deposited into the Department of State Cash Fund. Based on the last several years, about \$1.0 million in licensing revenue is expected annually.

**State Transfers and Diversions**

**The bill transfers all unspent and unencumbered funds in the Department of State Cash Fund from licensing games of chance to the Bingo-Raffle Cash Fund in the DOR on July 1, 2011. This fund balance is estimated to be \$428,420.** In FY 2010-11, the DOS is expected to have bingo and raffle licensing revenue of \$1.0 million. Total expenses paid from licensing revenue will be \$571,580 in FY 2010-11, including \$455,560 for operating and staff expenses in the DOS and \$116,020 for start-up costs in the DOR. Based on these revenue and expenditures in FY 2010-11, a fund balance of \$428,420 is estimated at the end of the fiscal year, which will be transferred to the DOR. This analysis assumes that fund balance generated in years prior to FY 2010-11 will not be available to transfer, as excess funds in the Department of State Cash Fund have been shifted to the General Fund as part of budget balancing measures.

**State Expenditures**

**Cash funds expenditures in the DOR will increase by \$116,020 in FY 2010-11 and by \$455,560 and 6.0 FTE in FY 2011-12. Costs in the DOS will decrease by \$455,560 and 6.0 FTE in FY 2011-12.** The first-year costs in the DOR are start-up costs for transferring staff from the DOS and establishing the bingo and raffle licensing program. The implementation costs in the DOR include \$20,640 for furniture, \$7,380 for computers, \$24,000 for IT infrastructure, and \$64,000 for licensing software. Ongoing operating and staff costs for licensing bingo and raffles are expected to remain constant after the transfer. If the DOR wishes to increase staff, change the type of staff, promulgate new rules, or make other changes to the program, this funding will be addressed through the annual budget process. Current costs for bingo and raffle licensing are listed in Table 1.

<b>Cost Components</b>	<b>FY 2010-11</b>
Personal Services	\$424,133
FTE	6.0
Operating Expenses and Travel	28,427
Legal Services	3,000
<b>TOTAL</b>	<b>\$455,560</b>

**Departmental Differences**

**The Department of Law indicates the need for \$18,091 and 0.1 FTE for 240 hours of legal services in FY 2010-11, and \$29,670 and 0.1 FTE for 394 hours of legal services in FY 2011-12 to set up a new licensing program within the Department of Revenue.** However, this analysis does not include these costs, as it is assumed that existing rules for licensing bingo and raffles promulgated by the Department of State will be adopted by the Department of Revenue. Modifying the rules to accommodate the new licensing authority are expected to be minimal and can be accomplished within existing appropriations for legal services currently budgeted for licensing games of chance.

**State Appropriations**

The bill requires an appropriation of \$116,020 to the Department of State from the Department of State Cash Fund in FY 2010-11, of which the entire amount should be reappropriated to the Department of Revenue.

**Departments Contacted**

Revenue      State      Law      Personnel and Administration