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FISCAL IMPACT STATEMENT

LS 6870

BILL NUMBER: HB 1463

NOTE PREPARED: Mar 4, 2003

BILL AMENDED: Mar 3, 2003

SUBJECT: Charity Gaming.

FIRST AUTHOR: Rep. Whetstone

FIRST SPONSOR: Sen. Waterman

BILL STATUS: As Passed - House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill allows a school to obtain an annual license to conduct not more than 25 allowable events in a calendar year. The bill provides that the fee to obtain or renew an annual school license is \$200. The bill authorizes a school to conduct an unlimited number of single day raffles. It also authorizes a separate charity gaming license for card tournaments. The bill increases the maximum amount of total prizes awarded in a pull tab, punchboard, or tip board game from \$2,000 to \$5,000. The bill increases the maximum single prize for one winning ticket in a pull tab, punchboard, or tip board game from \$300 to \$599. It sets forth the method to determine a qualified organization's net proceeds from an allowable event. The bill describes the permitted and impermissible uses of the net proceeds. The bill also provides that certain additional entities are eligible to receive mandated donations of charity gaming proceeds when an organization's charity gaming receipts exceed 90% of the organizations gross receipts. The bill limits door prizes to \$25,000 annually except for a one time door prize event where total prizes of up to \$20,000 are permitted. The bill also makes other changes concerning charity gaming operations and the regulation of charity gaming.

Effective Date: (Amended) July 1, 2003; January 1, 2004.

Explanation of State Expenditures: (Revised) The bill establishes two new charity gaming licenses; establishes the calculation of net proceeds from allowable charity gaming events; and specifies the lawful purposes for which net proceeds may be spent. The bill also delineates the individuals (organization members and other) who may work at an organization's charity gaming events. The bill requires the Department of State Revenue (DOR) to establish procedures for licensed manufacturers, distributors, and charity gaming organizations to account by serial number or other distinguishing mark for the pull tabs, punchboards, and tip boards they sell. The bill also requires licensed organizations to account for the amounts paid for the

purchase of pull tabs, punchboards, and tip boards. The DOR has indicated it will absorb the additional administrative impact relating to the new charity gaming licenses and other changes contained in the bill within its current budget and resources.

Explanation of State Revenues: (Revised) *School Charity Gaming License:* The bill allows school corporations and accredited nonpublic schools to obtain an annual school charity gaming license to conduct up to 25 charity gaming events. The school license also allows a school corporation or nonpublic school to conduct an unlimited number of single day raffle events (i.e. "50-50" games at school athletic events). Under the bill, initial and annual renewal school license fee is \$200.

Currently, there are 294 school corporations and approximately 309 accredited nonpublic schools in Indiana. If all of these entities obtained annual school charity gaming licenses, the license fee would yield about \$121,000 annually. This impact could be reduced somewhat to the extent that school corporations or nonpublic schools already conducting charity gaming events under licenses established in current law shift to the school charity gaming license potentially to pay a lower fee. It would appear that schools and school organizations paying substantial fees for annual bingo licenses (fees based on gross receipts earned by the entity from the bingo operations) may require more than 25 bingo events in a year to generate their current gross receipts. Therefore, it is surmised that these entities likely would not shift to the annual school license. Additional charity gaming by school corporations and nonpublic schools also could increase overall sales in the state of pull tabs, punchboards, and tip boards. This could increase revenue from the Charity Gaming Excise Tax, however, the extent of this increase is indeterminable. The fiscal impact relating to license fee and excise tax revenue also could be reduced to the extent that more widespread charity gaming by school corporations and nonpublic schools under the new license substitutes for existing charity gaming operations of civic, other educational, political, religious, senior citizens, or veterans organizations.

Card Tournaments: The bill establishes a separate charity gaming license for qualified organizations to conduct card tournaments involving a number of players who compete in a series of elimination card games for prizes. It limits the total prizes awarded by a qualified organization in one card tournament to \$500, and annually in all of its card tournaments to \$20,000. The DOR is to set the fee for initial and annual renewal card tournament licenses. The impact of the new card tournament license is indeterminable and contingent on such activity currently occurring or that might be encouraged by the additional license.

Pull Tab Prize Pay-Outs: The bill changes two prize value limits for pull tab, punchboard, and tip board games operated by licensed charitable organizations. Specifically, the bill increases the total prizes limit for a single pull tab, punchboard, or tip board game from \$2,000 to \$5,000. In addition, the bill increases from \$300 to \$599 the limit for a single prize awarded for one winning ticket in a pull tab, punchboard, or tip board game. Since these changes could potentially increase the average and aggregate value of prizes awarded in these games, overall spending on pull tab, punchboard, and tip board games also might increase. If overall play of these games does increase, it could potentially increase the gross revenue of licensed charitable gaming organizations. This would affect the Charity Gaming License Fee. This assumes that gross revenue from other charitable gaming doesn't decline as players spend more on pull tab, punchboard, and tip board games. Increased play of pull tab, punchboard, and tip board games could lead to an increase in sales of these devices to licensed charitable gaming organizations. This could increase revenue from the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards.

Background: Current law permits a bona fide civic, educational, political, religious, senior citizens, or veterans organization to hold a charity gaming license for purposes of conducting charity gaming events. Allowable charity gaming events consist of bingo, charity nights, raffles, door prize events, festivals, and sale

of pull tabs, punchboards, and tip boards. In FY 2002, 2,184 charity gaming licences were issued by the DOR resulting in \$4.1 M in license fees. The Charity Gaming License Fee is based on the total gross revenue earned from charity gaming by a licensed organization. The license fee can range from \$25 for organizations with less than \$15,000 in charity gaming gross revenue to \$25,000 for organizations with at least \$3.0 M in charity gaming gross revenue. In FY 2002, charity gaming events resulted in approximately \$583.1 M in gross revenue, with event expenses totaling about \$509.5 M. The net proceeds retained by the organizations conducting charity gaming totaled about \$73.6 M.

Businesses that manufacture, distribute, or sell charity gaming devices to organizations within the state must obtain a manufacturer's or distributor's license. The manufacturer's license fee is \$3,000 annually, and the distributor's license fee is \$2,000 annually. In FY 2002, 14 manufacturer's licenses and 58 distributor's licenses were issued by the DOR resulting in \$158,000 in revenue. In addition to the license fees, the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards is based on the wholesale price of these devices when sold to organizations by distributors and manufacturers. The Charity Gaming Excise Tax resulted in approximately \$1.6 M in revenue during FY 2002. License fee and excise tax revenue is deposited in the Charity Gaming Enforcement Fund to pay the charity gaming administrative costs incurred by the DOR. Revenue remaining in the Fund after payment of administrative costs is distributed quarterly to the Build Indiana Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: School Corporations.

Information Sources: *Charity Gaming Annual Reports, FY 1998-FY 2002*, Department of State Revenue.

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