

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6801

BILL NUMBER: HB 1286

NOTE PREPARED: Feb 20, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Gaming in Taverns.

FIRST AUTHOR: Rep. Van Haften

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Gaming in Taverns*: The bill renames the winner take all drawings in taverns as qualified drawings and specifies the manner in which qualified drawings may be conducted. The bill also provides for a new retailer's endorsement renewal fee schedule and provides that the fee be submitted with the renewal form.

Charity Gaming: The bill amends the definition of "qualified organization" to enable an organization that reorganizes or changes its name to obtain, if certain conditions are met, a charity gaming license under the new name. It also allows a festival worker to make a wager on a game authorized by the festival license if the worker does not conduct or help to conduct that game. The bill provides that identifying information of an operator or a worker submitted to the gaming commission on an application for a license is confidential. It provides that only fraternal and veteran organizations may apply for an annual charity game night license. It also specifies that a facility or location may not be used or rented for purposes of conducting an annual charity game night event on more than three calendar days per calendar week.

Effective Date: (Amended) Upon passage; July 1, 2009.

Explanation of State Expenditures: (Revised) *Charitable Entity Reorganizations*: The Indiana Gaming Commission will have to consider certain evidence that a licensed organization that has reorganized had been continuously in existence, or was an affiliate of a parent organization that was continuously in existence, for five years in Indiana. The number of charitable gaming licensees that are unable to renew a license due to a reorganization is unknown, but likely to be small in number. Any additional administrative cost due to the bill would be defrayed by charity gaming license fee revenue and revenue from the Charity Gaming Excise Tax

distributed to the Charity Gaming Enforcement Fund.

Explanation of State Revenues: (Revised) *Type II Gambling Fees:* The bill changes the graduated renewal fee schedule for a Type II gambling games endorsement. Type II gambling at taverns is in its first year of operation, thus, annual revenue and endorsement renewal fees is unknown. As of December 18, 2008, 1,104 taverns have obtained endorsements to conduct Type II gambling. IF the taverns produce revenue from Type II gambling games at a similar level to the revenue yields of charity organizations holding the PPT (pull tabs, punchboards, and tip boards) license, the change in the renewal fee structure could potentially reduce renewal revenue by \$10,000 to \$60,000 annually. This is based on a gross revenue distribution for taverns simulated based on the gross revenue distribution for PPT licensees (excluding outliers). The simulation assumes the AGR generated by taverns ranges from 15% to 20% of the gross revenue.

(Revised) *Qualified Drawings:* The changes involving winner-take-all drawings for charity organizations and taverns will have no revenue impact since: (1) wagers on winner-take-all drawings are not currently part of the base for computing the annual fees for the PPT license or Type II gambling endorsement; and (2) sales of drawing tickets are not currently part of the base for computing the excise taxes on pull tabs, punchboards, and tip boards purchased by charity organizations and taverns. The impact of eliminating the authority for taverns to conduct raffles is indeterminable.

(Revised) *Charity Game Night License:* Under current statute, the charity game night license may be obtained by a bona fide civic or veterans organization. The bill eliminates the license for civic organizations but allows a fraternal organization to obtain the charity game night license. The number of civic organizations which do not meet the definition of a fraternal organization for purposes of the charity game night license is unknown. The loss in license fee revenue is indeterminable but could potentially be minimal. Moreover, any gaming revenue generated by an organization that loses its license due to this change could potentially shift to charitable gaming being conducted by another organization.

(Revised) *Charitable Entity Reorganizations:* The number of charitable gaming licensees that are unable to renew a license due to a reorganization is unknown, but likely to be small. As a result, the revenue impact of this provision is probably minimal. Moreover, any gaming revenue generated by an organization that loses its license due to a reorganization could potentially shift to charitable gaming being conducted by another organization.

(Revised) *Background Information - Type II Gambling Fees:* Current statute allows tavern owners with an endorsement on their retail alcohol beverage permit to conduct Type II gambling games (pull tab, punchboard, or tip board games). The initial retailer's endorsement fee is \$250. The annual renewal endorsement fee is based on the adjusted gross revenue (AGR) from Type II gambling generated by the tavern during the prior year. AGR is equal to the gross revenue from Type II gambling game and raffle ticket sales minus the total costs of prizes, game purchases, and endorsement fees.

The graduated fee schedule proposed in the bill is specified in the table below.

Annual AGR equals at least:	Annual AGR is less than:	Proposed Fee
\$0	\$25,000	\$100
25,000	50,000	250
50,000	100,000	500
100,000		1,000

The graduated fee schedule under current statute is specified in the table below.

Annual AGR equals at least:	Annual AGR is less than:	Proposed Fee
\$0	\$15,000	\$50
15,000	25,000	100
25,000	50,000	300
50,000	75,000	400
75,000	100,000	700
100,000	150,000	1,000
150,000	200,000	1,500
200,000	250,000	1,800
250,000	300,000	2,500
300,000	400,000	3,250
400,000	500,000	5,000
500,000	750,000	6,750
750,000	1,000,000	9,000
1,000,000	1,250,000	11,000
1,250,000	1,500,000	13,000
1,500,000	1,750,000	15,000
1,750,000	2,000,000	17,000
2,000,000	2,250,000	19,000
2,250,000	2,500,000	21,000
2,500,000	3,000,000	24,000
3,000,000		26,000

Qualified Drawings: The bill establishes new provisions relating to winner-take-all drawings at charitable organizations and taverns. The bill does the following:

- (1) Eliminates the authority for charitable organizations with PPT (pull tabs, punchboards, and tip boards) licenses to also conduct winner-take-all drawings.
- (2) Eliminates the authority for taverns with Type II gambling endorsements to conduct raffles and winner-take-all drawings.
- (2) Authorizes charitable organizations with PPT licenses and taverns with Type II gambling endorsements to conduct daily, weekly, and monthly random drawings (defined as “qualified drawings”) under which all the amounts wagered are paid out in prizes.

The bill provides for a \$300 prize limit for daily, weekly, and monthly drawings. In addition, the tickets for the drawings must be purchased from a licensed distributor of such products. The bill excludes the receipts from tickets sold for qualified drawings from the charitable organization's or tavern owner's gross receipts for purposes of computing the annual fee for the PPT license or Type II gambling endorsement. The bill also exempts the tickets purchased by holders of a Type II gambling endorsement for the qualified drawings from Type II gambling excise tax. (Note: The charity gaming excise tax in current statute would not apply to tickets purchased by charitable organizations.)

Charitable Entity Reorganizations: The bill permits a charitable organization that reorganizes and continues its mission under a new name to qualify for a charitable gaming license provided it was previously either continuously in existence in Indiana for at least five years or affiliated with a parent organization that was continuously in existence for at least five years. The bill specifies information that the organization may provide to the Indiana Gaming Commission as evidence of meeting this requirement. The bill also specifies that the organization have a new tax identification number and that the organization's new name is filed with Secretary of State.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Alcohol and Tobacco Commission; Indiana Gaming Commission.

Local Agencies Affected:

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