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FISCAL IMPACT STATEMENT

LS 6801
BILL NUMBER: HB 1286

NOTE PREPARED: Apr 30, 2009
BILL AMENDED: Apr 28, 2009

SUBJECT: Gaming.

FIRST AUTHOR: Rep. Van Haften
FIRST SPONSOR: Sen. Alting

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Instant Lottery Prize Redemptions:* The bill extends the period in which an instant prize may be claimed from 60 to 180 days after the end of the lottery game.

Lottery Prize Intercepts: The bill requires the Lottery Commission to deduct from a lottery prize the amounts intercepted by law for payment to the state and to pay the balance of the prize to the prize winner. (Current law requires the Lottery Commission to transfer the prize to the Auditor of State, who makes the deduction and pays the balance to the prize winner.)

UCC Exception for Lottery Prizes: The bill provides that the right to a prize in the State Lottery is not considered an account for purposes of the Uniform Commercial Code. (This provision eliminates a conflict between the Lottery Law, which does not permit the right to a prize to be assigned, and the Uniform Commercial Code, which does.)

Gaming in Taverns: The bill 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. The bill specifies when a festival worker may participate as a player in gaming activity offered at the festival. It 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.

Qualified Drawings: The bill specifies the manner in which qualified drawings may be conducted.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: *Lottery Prize Intercepts:* The bill would require the Hoosier Lottery instead of the Auditor of State to deduct amounts from certain Lottery prizes to pay debts a prize winner owes to a state agency, delinquent state taxes, or child support. Currently, the Hoosier Lottery transfers the prize money to the Auditor who then deducts the amount owed and pays the remainder to the prize winner.

Under the bill, the Hoosier Lottery would transfer the amounts it deducts for debts to the Auditor of State and then pay any remaining prize money to the prize winner. The administrative impact of this change should be minimal, as the Hoosier Lottery already receives reports from the Treasurer, the Department of State Revenue, the Department of Administration, the Department of Transportation, the Attorney General, and the courts identifying persons who owe debts to state agencies, delinquent state taxes, or child support.

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: *Instant Lottery Prize Redemptions:* The bill extends the deadline for redeeming a winning instant lottery ticket from 60 days after the end of the lottery game to 180 days after the end of the lottery game. By lengthening the redemption period for winning instant tickets, the bill could potentially reduce unclaimed prize amounts used in future prize pools or prize promotions. To the extent that this reduces the payout rate on future games, it could reduce sales of those games and revenue to the state from lottery profits. The extent of this impact is indeterminable because data does not exist on instant ticket redemptions past the current 60-day deadline.

Current statute sets the redemption deadline for lottery draw games at 180 days after the drawing or end of the lottery game play in which the prize was won. However, the instant ticket redemption deadline is 60 days after the end of the game. Unclaimed prize amounts: (1) in FY 2007 totaled about \$6.7 M from instant tickets and about \$5.2 M from draw game tickets; and (2) in FY 2008 totaled about \$8.4 M from instant tickets and about \$5.0 M from draw game tickets.

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.

Qualified Drawings: The changes involving qualified drawings by 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.

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.

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.

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 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. (Note: These drawings could include winner-take-all drawings or any other type of drawing in which the total 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: Hoosier Lottery; Auditor of State; Alcohol and Tobacco Commission; Indiana Gaming Commission.

Local Agencies Affected:

Information Sources: Beth Coffman, Alcohol and Tobacco Commission, 317-234-6520. Larry Delaney, Indiana Gaming Commission, 317-233-8518. Kathryn Densborn, Hoosier Lottery, (317) 264-4946.

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