

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB1689

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Albo

3. Committee

4. Title Charitable gaming; changes in regulations of Charitable Gaming Board and use of proceeds.

5. Summary/Purpose:

HB 1689 serves three purposes:

- 1) To authorize the Charitable Gaming Board to adopt variations in the types of bingo games and raffles that may be conducted provided such variations result in charitable gaming conducted in a manner consistent with the charitable gaming law.
- 2) To provide that after payment of business and other lawful expenses, an organization conducting charitable gaming must use all of the remaining receipts for charitable purposes, except that such receipts cannot be less than five percent of the organization's gross receipts.
- 3) To provide that in determining whether to deny, suspend, or revoke the permit of any organization solely because of its failure to meet this requirement, the department shall consider whether (i) the organization is otherwise in compliance with the laws and regulations governing charitable gaming in the Commonwealth; (ii) there are pending criminal charges or prior convictions against any officer of the organization or game manager involving a felony related to fraud, theft, or financial crimes, or involving a misdemeanor related to moral turpitude; and (iii) the organization, in the opinion of the department, has used sufficient proceeds for charitable purposes.

6. FISCAL IMPACT ESTIMATES ARE PRELIMINARY:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2004-05			
2005-06	-\$189,000	-3.00	General
2006-07	-\$169,000	-3.00	General
2007-08	-\$169,000	-3.00	General
2008-09	-\$169,000	-3.00	General
2009-10	-\$169,000	-3.00	General
2010-11	-\$169,000	-3.00	General

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2004-05			

2005-06	-\$840,000	General
2006-07	-\$840,000	General
2007-08	-\$840,000	General
2008-09	-\$840,000	General
2009-10	-\$840,000	General
2010-11	-\$840,000	General

7. Budget amendment necessary: Yes (item 72 for the positions decrease, and the decrease in revenues)

- 8. Fiscal implications:** The bill reduces the number of charitable organizations that would be eligible for licensing, decreases the percentage paid to the charitable organizations, and increases the variety of games allowed.

According to financial reports filed by charitable organizations, 28 percent would not meet the required minimal percentage if the payments for their real property, which are allowed under current law, were eliminated from the calculation of qualified payments. This causes an annual decrease in revenues of \$840,000. The Department of Charitable Gaming historically collects \$3.0 million in revenues each year.

Annual Calculation of decrease in revenues

Number of organizations	550
Historical revenues generated	\$3,000,000
Anticipated percent decrease	28 %
Total revenue decrease:	\$840,000

The 28 percent decrease in organizations subject to oversight will result in reductions to the agency's auditing, inspecting, and enforcement workload. As a result, it is estimated that three positions could be deleted: one auditor, one inspector, and one enforcement officer resulting in an annual savings of \$169,000. The severance package does not need to be considered, as the department has not yet implemented the additional positions allotted in the 2004 budget amendments.

Annual Calculation of decrease expenditures

Auditors (present total)	5
Inspectors (present total)	3
Enforcement Officers (present total)	4
Total number of staff:	12
Total proposed decrease:	3
Average salary and benefits:	\$56,333
Equipment costs (one time):	\$20,000
Total annual staffing cost:	\$169,000

The present rules and regulations for Charitable Gaming require organizations to pay between five percent and 12 percent of their earnings to the charity, dependant upon annual gross receipts. The proposed bill decreases this amount to a set five percent. The consequence is a

decrease in the amount given to the charitable organizations. This amount cannot be estimated at this time.

The proposed bill will also increase the variety of games that charitable organizations can promote during the bingo sessions. This may draw more players to a particular game, but historically it does not appear to increase the amount of monies each player will spend during the game.

Annual Fiscal Affect from proposed bill

Total Revenue decrease:	\$840,000
Total Expenditure decrease:	\$169,000
Total Fiscal Impact:	-\$671,000

9. Specific agency or political subdivisions affected: Department of Charitable Gaming

10. Technical amendment necessary: No

11. Other comments: None

Date: 01/10/05 / cab

Document: (G:\Fis 2005\Hb1689.Doc Carol Bell)

cc: Secretary of Administration