

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0035	Date: February 21, 2011
Prime Sponsor(s): Rep. Pace; Massey Sen. Tochtrop	Bill Status: House SVMA Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING THE USE OF FUNDING DERIVED FROM THE STATE-SUPERVISED LOTTERY TO STIMULATE ECONOMIC DEVELOPMENT, AND, IN CONNECTION THEREWITH, AUTHORIZING THE LOTTERY COMMISSION TO CREATE ONE OR MORE KENO GAMES AND ESTABLISHING A GRANT PROGRAM, FUNDED BY KENO PROCEEDS, TO REVERSE THE OFFSHORING OF COLORADO JOBS TO FOREIGN COUNTRIES.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue Cash Funds Colorado Travel and Tourism Promotion Fund Colorado Jobs Home Grant Fund	Cash Funds revenue increase See the State Revenue section.	
State Expenditures Cash Funds Colorado Travel and Tourism Promotion Fund Colorado Jobs Home Grant Fund	Cash Funds expenditure increase See the State Expenditures section.	
FTE Position Change	Increased FTE	
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See the State Appropriation section.		
Local Government Impact: None.		

Summary of Legislation

The bill directs the Colorado Lottery Commission to promulgate rules for the administration of one or more forms of keno. The rules would include the method to be used in selling keno tickets, the method of paying prizes on winning keno tickets, and the manner and amount of compensation to be paid to licensed sales agents.

The bill reallocates the portion of future increases in lottery revenue attributable to keno activity that would otherwise "spill over" to the General Fund, net of operating expenses of the Lottery Commission as follows:

- 50 percent to the Colorado Travel and Tourism Promotion Fund; and
- 50 percent to the Colorado Jobs Home Grant Fund.

State Revenue

New keno games will increase state revenue, but the exact amount will depend on several factors, including the types of new games conducted. No estimate of state revenue is provided at this time. Several other states operate a variety of different keno games, including regular keno and spot keno. The cost to operate these games and the revenue that can be produced, is highly variable depending on the types of keno games selected.

Keno Game Revenue. By creating one or more keno games, the Colorado Lottery Commission will provide a continuous revenue source for the Colorado Travel and Tourism Promotion Fund and the Colorado Jobs Home Grant Fund.

Impact on Existing Gaming Activities. It is expected that the offering of keno games in Colorado will have a negative impact on ticket sales of current lottery games, and well as a negative impact on other forms of legal gaming in the state. The allocation of net lottery proceeds under current law is as follows: 50 percent to Great Outdoors Colorado (GOCO); 40 percent to the Conservation Trust Fund; and 10 percent to the Colorado Division of Parks and Outdoor Recreation. The distribution to GOCO is capped at \$35 million in 1992 dollars, and adjusted for inflation.

State Expenditures

The bill will affect state expenditures of the Colorado Lottery Division in the Department of Revenue; and the Colorado Tourism Office and the Office of Economic Development (OED) within the Governor's office.

Lottery Division. Cost estimates for new keno games are not available at this time, however, significant expenditures and FTE will be required by the Lottery Division to implement the bill. The division will need up-front funding to acquire hardware, consulting services, and communication infrastructure improvements. Costs will also be necessary for the purchase of additional terminals and communication devices for each new retailer that participates in the new games. New staff will be necessary in the areas of sales, marketing, accounting, information technology, investigators, and licensing staff. Operating expenses for new vehicles, leased space, retailer compensation, and vendor fees will also be necessary to run the keno games. While these expenses will be paid before net proceeds are determined, no estimate of annual revenue or expenses has been made at this time.

After expenses of the Colorado Lottery Commission, keno revenue will be distributed as follows:

Colorado Travel and Tourism Promotion Fund. Fifty percent of the net revenue attributable to keno activity will be credited to the Colorado Travel and Tourism Promotion Fund. The fund is used by the Colorado Tourism Office for planning, advertising, promotion, assistance, and development of tourism and travel industries in the state.

Colorado Jobs Home Grant Fund. Fifty percent of the net revenue attributable to keno activity will be credited to the Colorado Jobs Home Grant Fund. Subject to annual appropriation, moneys in the fund will be available to provide grants to Colorado businesses to reverse the trend of offshoring of jobs outside the United States. OED will develop criteria for the issuance of grants that target offsetting the costs of reestablishing manufacturing jobs and other primary jobs in Colorado that would be available in the state but for the offshoring of labor to foreign countries. Grant recipients must affirm that without the grant, the applicant would not establish or expand its business in the state. No estimate has been made regarding the cost to OED to operate the grant program.

Colorado Credit Reserve Program. If moneys in the Colorado Jobs Home Grant Fund exceed the amount needed for grants to qualified applicants, OED, in consultation with the Colorado Economic Development Commission (EDC), may request that excess moneys be directed to the Colorado Credit Reserve (CCR) program. The CCR program provides access to capital for small businesses in Colorado by using small amounts of public resources to encourage private bank financing. The program provides an incentive for banks to offer businesses loans by creating a pooled reserve account to fund losses associated with loans registered in the program. Loans are limited to a maximum of \$500,000. This program is operated jointly by the EDC and the Colorado Housing and Finance Authority (CHFA).

State Appropriations

One or more appropriations will be necessary for the Department of Revenue once final expenditure estimates have been made.

Departments Contacted

Revenue Governor's Office State Treasury