

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0141
Prime Sponsor(s): Sen. Kerr; Nicholson
 Rep. Pabon

Date: March 8, 2013
Bill Status: Senate Finance
Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE CONTINUATION OF THE DIVISION OF GAMING, AND, IN CONNECTION THEREWITH, IMPLEMENTING THE RECOMMENDATIONS IN THE 2012 SUNSET REPORT BY THE DEPARTMENT OF REGULATORY AGENCIES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
Cash Funds		
Limited Gaming Fund		at least \$50,000
State Expenditures		
Cash Funds	See State Expenditures section.	
Limited Gaming Fund		\$8,911,175
FTE Position Change		84.4 FTE
Effective Date: July 1, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

Under current law, the authority of the Division of Gaming (division) in the Colorado Department of Revenue (CDOR) to license, implement, regulate, and supervise the conduct of limited gaming is set to expire after the current fiscal year. This bill implements recommendations of the 2012 sunset review of the division by extending its repeal until September 1, 2022.

Based on additional recommendations concerning the division's functions under the Colorado Limited Gaming Act (act) in the sunset review, the act is amended to:

- authorize the use of electronic versions of games allowed by the act;
- expand the definition of equipment subject to regulation under the act to include associated equipment, such as systems used to monitor slot machines and other gaming transactions;
- create a new license type for associated equipment suppliers;
- clarify that retail gaming license applicants may take delivery of slot machines before a license is issued, subject to rules promulgated by the Colorado Limited Gaming Control Commission (commission);

- authorize the commission to provide an alternative to immediate deposit of gratuities collected by dealers and other licensees by promulgating appropriate rules; and
- clarify the specifications of vintage slot machines that are not subject to the act.

The bill also makes technical changes to the act, including authorization for the commission to promulgate new rules concerning the redemption of chips and eliminating other for-profit gambling in Colorado from the factors the commission must consider in its establishment of a tax on gaming proceeds.

Fiscal Impact of Programs Set to Expire

This bill continues a program in CDOR that is set to expire July 1, 2013. Under current law, state agencies may be appropriated funds to wind up the affairs of an expiring program for 12 months following the repeal date. To account for the wind-up period, the impact of extending the program beyond the current repeal date is shown as beginning in FY 2014-15, one year after the repeal date. Ongoing funding for the program is included in CDOR's base budget request for FY 2013-14.

Background

Since approval by a statewide vote in 1990, limited gaming has been authorized within specific areas of Black Hawk, Central City, and Cripple Creek. Today, limited gaming is conducted within 40 casinos statewide, with each facility and business operator, as well as specific personnel, all subject to licensing by the commission. Based on approval of expanded limited gaming in a 2008 vote, licensed casinos may presently offer games, including variations, of blackjack, poker, craps (dice), roulette, and slot machines.

The primary regulatory body for limited gaming is the commission, which is the authority for setting fees, tax rates, and rules applicable to the industry. The division carries out various statutory duties, such as licensing and investigations, and tasks delegated by the commission. All expenses related to the division are paid from the Limited Gaming Fund (fund). Payments from the fund for these costs are not subject to appropriation by the General Assembly.

State Revenue

In FY 2014-15 and future fiscal years, continuation of the division will result in at least \$50,000 in fines to be deposited in the Limited Gaming Fund. The commission relies on the division for investigations of licensees and preparation of disciplinary actions resulting in fines. In recent fiscal years, total fines deposited in the Limited Gaming Fund have ranged from a low of \$10,944 in FY 2008-09 to a high of \$255,477 in FY 2006-07. The fiscal note assumes that division enforcement staff are essential to collect at least \$50,000 in a typical fiscal year.

The division also administers the collection of fees for licensing and other administrative activities related to limited gaming. However, these fees are authorized and set by the commission and are therefore deemed to continue under current law without regard to the enactment of Senate Bill 13-173.

State Expenditures

The bill continues workload in CDOR that requires \$8,911,175 cash funds and 84.4 FTE in FY 2014-15 and future fiscal years. Current duties of the division that are continued by the bill include processing license applications and renewals, reviewing and approving new games, financial oversight of the industry, and enforcement activities. Ongoing funding annually covers \$6,652,800 in personal services, \$1,331,739 in operating costs, and \$926,636 of indirect cost recoveries allocated to the division.

Starting in FY 2013-14, the bill increases workload in the division by a minimal amount. Amendments to the act require the division to administer a new license for suppliers of gaming equipment, with a small number of manufacturers and distributors carrying devices that are not already subject to the act. The commission will also schedule rulemaking on a regular docket to promulgate rules concerning ownership of slot machines by retail gaming license applicants and rules concerning accounting of gratuities paid to licensees. Both these impacts are anticipated to result in a minimal increase in workload and costs to the division. For FY 2013-14 and future fiscal years, any unanticipated increase in costs requiring new expenditures will be available without appropriation from the Limited Gaming Fund.

Departments Contacted

Revenue
Municipalities
Law

Local Affairs
Regulatory Agencies

Public Safety
Counties