

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 14-0673  
**Prime Sponsor(s):** Sen. King

**Date:** February 10, 2014  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**SHORT TITLE:** CLASSIFY LOTTERY DIVISION AS TYPE 1 AGENCY

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Minimal workload or expenditure change.	
FTE Position Change		
<b>Appropriation Required:</b> None		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

Under current law, the State Lottery Division (division) operates as a Type 2 agency within the Department of Revenue (DOR) and under the direction of its executive director, except that the Lottery Commission is empowered to independently promulgate rules related to the lottery. This bill, recommended by the **Legislative Audit Committee** (LAC), reclassifies the division as a Type 1 agency. As a Type 1 agency, the division is responsible for its financial operations, including contracting and preparation of an annual budget.

**Background**

Following a performance audit by the Office of the State Auditor (OSA) in 2003, Senate Bill 04-204 changed the classification of the State Lottery Division from a Type 1 agency to a Type 2 agency. The OSA is required by Section 24-35-218 (1)(b), C.R.S., to conduct annual financial audits and five-year, or more frequent, performance audits of the division. In 2013, the LAC requested and heard testimony from the OSA, the DOR, and other agencies regarding the structure and performance of the Colorado Lottery. On January 14, 2014, the LAC voted to authorize SB 14-126 as a LAC committee bill.

**State Expenditures**

The bill may result in a shift in workload and expenditures between the DOR and the division. The bill does not preclude the division from utilizing DOR resources for procurement, budgeting, or other functions of the division, as guided by its discretion and rules promulgated by the Lottery Commission. The fiscal note assumes the division will continue to request and receive assistance from DOR staff, an arrangement that also existed when the division was a Type 1 agency prior to 2004. However, the bill gives the division the authority to conduct its administration completely apart from existing DOR resources. To the extent this occurs in the future, workload and costs will increase in the division and decrease in the remainder of the DOR.

**Effective Date**

The bill takes effect July 1, 2014.

**State and Local Government Contacts**

Revenue  
State  
Treasury

Office of State Planning and Budgeting  
Joint Budget Committee Staff

Local Affairs  
Natural Resources