

March 4, 2015

The Honorable Ralph Ostmeyer, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Ostmeyer:

SUBJECT: Fiscal Note for SB 262 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 262 is respectfully submitted to your committee.

SB 262 would enact the Kansas Charitable Gaming Act to regulate, license and tax the management, operation and conduct of and participation in games of bingo and raffles by nonprofit and charitable organizations. Existing bingo statutes would be repealed and replaced with the provisions in this bill. The bingo tax would remain the same as in current law, but game limitations and the amount of prizes that can be awarded would increase. The bill would create the State Charitable Gaming Regulation Fund in the Department of Revenue to receipt all fees, taxes, penalties and fines in addition to a new \$25 raffle license and a 1.0 percent tax on gross receipts from the sale of raffle tickets for any organization with sales exceeding \$25,000. Expenditures from this fund would be expended for the administration and enforcement of the act. Amounts credited to the State General Fund, the State Bingo Regulation Fund, and the Problem Gambling and Addictions Grant Fund under current law would cease.

SB 262 would also create the Charitable Gaming Refund Fund as a clearing fund from which refunds of the license and registration fees and taxes imposed in this bill would be issued. Charitable raffle tickets sold by licensees would be exempt from sales tax. The bill would also exclude the sale of charitable raffles from the definition of "bet." The bill outlines provisions related to game rules and limitations, penalties, exemptions and requirements that would be imposed on participants, licensees, and the Department of Revenue. The administrator of charitable gaming under the Department of Revenue would be responsible for developing and implementing the rules and regulations necessary to carry out and oversee the act.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$229,000)	\$125,500
Expenditure	--	--	--	\$100,000
FTE Pos.	--	--	--	--

Under current law, bingo taxes generate annual revenues of approximately \$357,000, of which \$108,000 is credited to the State Bingo Regulation Fund within the Department of Revenue; \$20,000 is credited to the Problem Gambling and Addictions Grant Fund within the Department for Aging and Disability Services; and the balance, or \$229,000, is remitted to the State General Fund. If SB 262 were enacted, these revenues would be directed to the Department of Revenue for the newly created State Charitable Gaming Regulation Fund.

The Department estimates this fund would receive a total of \$482,500, including the amounts listed above in addition to new revenue totaling \$125,500, of which \$2,500 would be from the \$25 raffle license collected from approximately 100 organizations; \$20,000 would be from the 1.0 percent raffle tax, which the Department estimates would be assessed on gross sales of approximately \$2.0 million; and \$103,000 would be from an estimated 30.0 percent increase in bingo tax receipts as a result of increased limitations on the number of games allowed and prizes awarded. The Department estimates SB 262 would increase its expenditures by \$100,000 in FY 2016, which includes the cost to modify tax processing and registration systems; to add one staff person to administer the raffle tax; and to add one part-time attorney or tax specialist to draft rules, regulations and notices, and respond to communication regarding the regulation of raffles. The Department is unable to estimate the cost of enforcement at this time, but indicates these costs would be in addition to the expenditures included in this fiscal note. Any fiscal effect associated with SB 262 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, KDOR