



Legislative
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**FINAL
FISCAL NOTE**

Drafting Number: LLS 18-0875 **Date:** September 11, 2018
Prime Sponsors: Sen. Gardner **Bill Status:** Signed into Law
 Rep. Carver; Hooton **Fiscal Analyst:** Erin Reynolds | 303-866-4146
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Bill Topic: LOCAL GOVERNMENT LIMITED GAMING IMPACT FUND

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

Effective in the current FY 2017-18, the bill annually increases the amount of money credited to the Local Government Limited Gaming Impact Fund by a rate equal to the growth of the state share of gaming tax revenue from the previous year, and by the amount of direct and indirect costs for administering the grant program. It also appropriates funding to two state agencies to study gaming impacts and to create a gambling addiction program plan. The bill will increase state expenditures in FY 2019-20 only and impact state transfers on an ongoing basis.

Appropriation Summary: In FY 2018-19, the bill reduces a Long Bill cash fund appropriation to the Department of Human Services by \$100,000, and appropriates these funds evenly between the Department of Local Affairs and the Department of Human Services.

Fiscal Note Status: This fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under SB 18-191**

		FY 2017-18 <i>(current year)</i>	FY 2018-19	FY 2019-20
Revenue		-	-	-
Expenditures	Cash Funds	-	\$0	\$55,625
	Total	-	\$0	\$55,625
Transfers	General Fund	(\$216,490)	(\$437,436)	(\$437,436)
	Cash Funds	\$216,490	\$437,436	\$437,436
	Total	\$0	\$0	\$0
TABOR Refund		-	-	-

Summary of Legislation

This bill modifies the distribution of the state share of the gaming tax by changing the distribution from \$5 million annually to the Local Government Limited Gaming Impact Fund to \$5 million plus an annual increase equal to the growth of the state share of gaming tax revenue. If the state share does not grow or declines, the fund receives the same amount as it did in the previous fiscal year.

The bill requires a transfer to the fund equal to projected direct and indirect costs for the Department of Local Affairs to administer the grant program, to be made at the beginning of the fiscal year. Any unspent money from this transfer reverts to the fund.

The bill broadens the definition of "documented gaming impacts" to mean the documented expenses, costs, and other impacts—including the provision of gambling addiction counseling to Colorado residents—incurred directly as a result of gambling, including the limited gaming permitted in Gilpin and Teller Counties and at tribal casinos.

In FY 2018-19 and FY 2019-20, the bill requires that \$100,000 of the funds allocated to the Gambling Addiction Account of the Local Government Limited Gaming Impact Fund to be appropriated as follows:

- \$50,000 to the Department of Local Affairs to study and establish what constitutes a "documented gaming impact;" and
- \$50,000 to the Department of Human Services to develop a plan by March 1, 2020, for a gambling addiction program. The program development must include the study of the problem's magnitude, the documentation of existing resources to help address the problem, a study of best practices in other states, and the documentation of any gaps in existing financial resources and infrastructure, including the review of the need for increased addiction counselors.

Background

The gaming tax was first levied in 1991 when casino gambling became legal, through voter approval of Initiative 4, in the municipalities of Black Hawk, Central City, and Cripple Creek. The tax is levied on casinos' adjusted gross proceeds, defined as the amount of money wagered by gamblers minus the amount paid to gamblers in winnings. Casinos on the Ute Mountain and Southern Ute Indian Reservations are not subject to the state gaming tax. Most gaming tax revenue is subject to the TABOR limit on state revenue and spending; however, in 2009, voters approved Amendment 50, which allows additional casino games, higher bet limits, and longer hours of operation. Gaming tax revenue attributed to Amendment 50 is not subject to the TABOR limit.

The gaming tax rates are set by the Colorado Limited Gaming Control Commission, a five-member regulatory body appointed by the Governor to oversee the Division of Gaming. The commission reviews tax rates annually and may raise or lower rates so long as they do not exceed 40 percent on casinos' adjusted gross proceeds. After administrative expenses are paid, gaming tax revenue attributable to Initiative 4 is deposited in the Limited Gaming Fund, and gaming tax revenue attributable to Amendment 50 is credited to the Extended Limited Gaming Fund. The Colorado Constitution requires that 12 percent of limited gaming revenue goes to gaming counties, 10 percent to gaming cities, and 28 percent to the State Historical Fund for preservation of historical sites in gaming cities and statewide. The remaining half of the Limited Gaming Fund, also called the "state share," is allocated to the General Fund and other state programs at the

discretion of the General Assembly through the state statutes. Under current law, funds that receive state share include: the Colorado Travel and Tourism Promotion Fund (\$15.0 million); the Advanced Industries Acceleration Cash Fund (\$5.5 million); the Local Government Limited Gaming Impact Fund (\$5.0 million); the Innovative Higher Education Research Fund (\$2.1 million); the Creative Industries Cash Fund (\$2.0 million); the Colorado Office of Film, Television and Media Operational Account Cash Fund (\$0.5 million); and the remainder is credited to the General Fund.

The Department of Local Affairs uses the Local Government Limited Gaming Impact Fund to provide grants to eligible local governments through a competitive application process to finance planning, construction, and maintenance of public facilities, and the provision of public services related to documented gaming impacts.

State Expenditures

In FY 2018-19, changes to appropriations under the bill will result in no net change in state expenditures. In FY 2019-20, the Department of Human Services will increase cash fund expenditures by \$55,625. These expenditure impacts are shown in Table 2 and discussed below.

**Table 2
Expenditures Under SB 18-191**

Cost Components	FY 2018-19	FY 2019-20
Gambling Addiction Services (DHS)	(\$100,000)	(\$100,000)
DOLA Contract Services (Documented Gaming Impact)	\$50,000	\$50,000
DHS Contract Services (Gambling Addiction Program)	\$50,000	\$105,625
Total	\$0	\$55,625

Department of Local Affairs. The bill appropriates \$50,000 in FY 2018-19 and FY 2019-20 to the Department of Local Affairs to study and establish policies and procedures around what constitutes a "documented gaming impact." The fiscal note assumes that the department will contract for this study.

Department of Human Services. The bill appropriates \$50,000 in FY 2018-19 and FY 2019-20 to the Department of Human Services to develop a plan for a gambling addiction program, with an outline of specific requirements. However, the DHS requires an additional expenditure of \$55,625 in FY 2019-20. Developing the gambling addiction program plan will involve an estimated 1,245 hours of contract work at a rate of \$125 per hour. This includes a study of the magnitude of the gambling problem in Colorado, estimated at 433 hours; documentation of existing financial resources and infrastructure in the state, estimated at 173 hours; study of best practices in other states, estimated at 173 hours; the documentation of gaps in existing resources, estimated at 120 hours; and final plan development, estimated at 346 hours. In total, plan development will cost \$155,625, therefore requiring an additional expenditure of \$55,625 from the Gambling Addiction Account in the Local Government Limited Gaming Impact Fund in FY 2019-20. Table 3 shows the department's estimated timeline to implement a gambling addiction program plan.

**Table 3
Implementation Timeline for Gambling Addiction Program Plan by DHS**

Date	Plan Element
July 2018	Draft Request for Proposal
August 2018	Post Request for Proposal
October 2018	Evaluate and Award Request for Proposal
November 2018	Negotiate Contract
December 2018	Execute Contract
January – November 2019	Contractor Conducts Study
December 2019 – February 2020	Develop Plan
March 2020	Deliver Plan to Legislature

State Transfers

Beginning in the current FY 2017-18, the bill will transfer the amounts shown in Table 4 from the General Fund to the Local Government Limited Gaming Impact Fund. This estimate is based on Legislative Council Staff's March 2018 forecast of the state share of gaming tax revenue. Direct and indirect costs for the Department of Local Affairs to administer the grant program are estimates only, based on current FY 2018-19 costs. Under the bill, these amounts will be transferred at the beginning of the fiscal year.

**Table 4
State Transfers Under SB 18-191**

	FY 2016-17	FY 2017-18 <i>(current year)</i>	FY 2018-19	FY 2019-20
State Share	\$45,331,192	\$47,293,942	\$47,483,843	\$45,867,325
Growth Rate		4.3%	0.4%	(3.4%)
SB 18-191 Amount	\$5,000,000	\$5,216,490	\$5,237,436	\$5,237,436
Direct and Indirect Costs		-	\$200,000	\$200,000
General Fund		(\$216,490)	(\$437,436)	(\$437,436)
LG Limited Gaming Impact Fund		\$216,490	\$437,436	\$437,436

Source: Legislative Council Staff March 2018 Forecast.

Per a formula in current law, 2 percent of the increase will be credited to the Gambling Addiction Account from which the Department of Human Services awards grants for the provision of gambling addiction counseling, including prevention and education, to state residents.

Local Government Impact

The bill will generate additional revenue for local governments that apply for and receive grants from the Local Government Limited Gaming Impact Fund. In addition, the bill's expanded definition of gaming impacts will increase the ways these funds can be used.

State Appropriations

For FY 2018-19, the bill requires and includes a reduction of \$100,000 in the appropriation made in the Long Bill to the Department of Human Services from the gambling addiction account of the Local Government Limited Gaming Impact Fund. Instead of this \$100,000, \$50,000 is appropriated to the Department of Local Affairs and \$50,000 is appropriated to the Department of Human Services.

Effective Date

The bill was signed into law by the Governor and took effect on May 29, 2018.

State and Local Government Contacts

Governor
Information Technology
Revenue

Higher Education
Law

Human Services
Local Affairs