

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7134
BILL NUMBER: SB 367

DATE PREPARED: Jan 3, 2000
BILL AMENDED:

SUBJECT: Gambling addiction services.

FISCAL ANALYST: Brian Tabor
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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			
State Expenditures		500,000	500,000
Net Increase (Decrease)		(500,000)	(500,000)

Summary of Legislation: This bill creates the Pathological Gambling Addiction Fund and requires the Division of Mental Health to allocate at least 40% (instead of 25%) of its Riverboat Admissions Tax allocation to the prevention and treatment of compulsive gambling. It allocates one-half of this money to the Pathological Gambling Addiction Fund and one-half to the Addiction Services Fund. It requires the Division of Mental Health to develop and administer, either directly or by contract, programs for the diagnosis, treatment, and prevention of pathological gambling addiction disorders.

The bill limits to \$1,000,000 the amount of money the Division of Mental Health may in a state fiscal year allocate to certified providers for pathological gambling addiction services. It also requires the Division of Mental Health to submit an annual report to the Governor and the Legislative Council regarding pathological gambling addiction.

Effective Date: July 1, 2000.

Explanation of State Expenditures: *Division of Mental Health:* This bill creates an additional statutory charge to the Division of Mental Health under the Family and Social Services Administration. It requires the Division (either directly or through contracting) to develop and administer programs for diagnosing, treating, and preventing pathological gambling addiction disorders. It also establishes the Pathological Gambling

Addiction Fund as a non-reverting fund to be administered by the Division of Mental Health for these purposes. Each fiscal year, the Division would be required spend no more than 5% of the amount for administrative costs associated with use of the money in the Fund. The bill further provides that the Division may not spend more than \$1 M from the Fund to certified providers of treatment.

This bill also provides that beginning November 1, 2001, the Division of Mental Health will be required to submit an annual report to the Governor and the Legislative Council regarding the number and gender of patients served, their games of choice, treatment length, and other information.

The provisions of this proposal may increase the administrative expenses of the Division of Mental Health, however, the bill does provide additional funding to the Division for addressing pathological gambling addition disorders (see below). It is expected that this amount would be sufficient for the Division to meet the requirements of this bill.

Lottery surplus revenue transfer: This bill requires that \$500,000 in lottery surplus revenue be transferred from the Administrative Trust Fund to the Pathological Gambling Addiction Fund each year beginning in FY 2001. After paying prize money and operating expenses of the Lottery Commission, surplus Lottery revenue is currently transferred from the Administrative Trust Fund in the following manner:

- (1) The Indiana State Teacher's Retirement Fund receives the lesser of:
 - (A) \$30 M each year in quarterly transfers; or
 - (B) the quarterly contributions necessary so that the ratio of the unfunded liability of the Retirement Fund compared to active teacher payroll is as close as possible yet not greater than the ratio on July 1 of the previous year;
- (2) the "k" portion of the Pension Relief Fund receives \$10 M in quarterly transfers;
- (3) the "m" portion of the Pension Relief Fund receives \$20 M in quarterly transfers; and
- (4) remaining revenue is then transferred to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund.

Under this proposal, \$500,000 would be transferred to the Pathological Gambling Addiction Fund before the remaining revenue is transferred to the LGSA (between Steps (3) and (4) above). This bill would reduce the amount that would otherwise have been transferred to the LGSA within the Build Indiana Fund by \$500,000 annually. In FY 1999, \$175.2 M was transferred to the LGSA. However, this amount did not include the statutory \$20 M annual transfer to the "m" portion of the Pension Relief Fund which became effective July 1, 1999 (P.L. 273-1999).

There are two accounts within the Build Indiana Fund: the LGSA and the State and Local Capital Projects Account. Surplus lottery revenue, as well as revenue from the Riverboat Wagering Tax, the Pari-Mutuel Wagering Tax, and charity gaming is deposited in the LGSA. A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account within the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account. The State Budget Agency projects that as of June 30, 2001, the available balance of the Lottery and Gaming Surplus Account will be \$290.6 M.

Riverboat Admission Tax revenue: This requires Division of Mental Health to allocate at least 40% of revenue it receives from the Riverboat Admission Tax to the prevention and treatment of compulsive gambling (an increase from the current 25% minimum level). It further specifies that one-half of this revenue must be deposited in the existing Addiction Services Fund and the remaining one-half in the Pathological

Gambling Addiction Fund established by this proposal.

Under current law, the Riverboat Admission Tax is paid by a person or organization that holds an owner's license for riverboat gambling operations. The tax is \$3.00 for each paid or unpaid admission to a riverboat gaming excursion. The Division of Mental Health receives \$0.10 of each \$3.00 tax, and almost \$3.6 M was distributed to the Division from Admission Tax revenue in FY 1999. The Division is required under current law to use a minimum of 25% of this \$3.6 M, or almost \$890,000, for the prevention and treatment of compulsive gambling. Under this bill, the percentage would be increased to 40%, meaning that at least \$1.4 M (40% of \$3.6 M) must be used for these purposes (based on 1999 revenue) and would be deposited in the Addiction Services Fund and the Pathological Gambling Addiction Fund in equal proportions. The result is \$510,000 more of current revenue (\$1.4 M - \$890,000) would be dedicated for addressing problem gambling.

Requiring the Division of Mental Health to use an additional 15% of Riverboat Admission Tax revenue for the prevention and treatment of compulsive gambling will result in reduced expenditures in other areas.

Explanation of State Revenues: *Pathological Gambling Addiction Fund:* This bill establishes the Pathological Gambling Addiction Fund as a non-reverting fund. Money in the Fund is to be used to develop and administer programs (either directly or through contracting) for diagnosing, treating, and preventing pathological gambling addiction disorders. Beginning in FY 2001, this fund would receive an annual distribution of \$500,000 in surplus Lottery revenue from the Administrative Trust Fund. Approximately \$255,000 in Riverboat Admission Tax revenue (based on 1999 revenue) currently distributed to the Division of Mental Health would also be deposited yearly in the Fund for an annual estimate of \$755,000.

Addiction Services Fund: Beginning in FY 2001, approximately \$255,000 in Riverboat Admission Tax revenue (based on 1999 revenue) currently distributed to the Division of Mental Health would be deposited annually in the Addiction Services Fund for the prevention and treatment of compulsive gambling. The Addiction Services Fund was established as a non-reverting fund by P.L. 2-1992. Revenue from the Alcoholic Beverage Excise Tax and the Riverboat Admission Tax is deposited in the Fund. In FY 1999, more than \$2.9 M was distributed to the Addiction Services Fund from Alcoholic Beverage Excise Tax revenue. The General Assembly may make appropriations from this fund only for the prevention and treatment services related to drug and alcohol addiction or for the prevention and treatment of gambling problems.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Division of Mental Health, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Auditor of State.