

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 3691
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: MARCH 9, 2009

SUMMARY

- Synopsis:** Makes various changes related to casino service industry licensing, casino service employees, testing of gaming devices, casino simulcasting, and unclaimed casino obligations.
- Type of Impact:** Revenue increase to the Casino Revenue Fund.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Revenue			
Casino Revenue Fund	\$2,885,578	\$3,850,864	Indeterminate

Based on information provided by the Casino Control Commission, this fiscal estimate assumes that the total unclaimed casino obligations estimated to be owed to patrons is \$13.7 million and that the effective date of the bill is on or before June 30, 2009.

- In relevant part, this bill provides that all unclaimed casino obligations arising after the bill's effective date, that remain outstanding after one year of the issuance of the obligation, will be allocated 25 percent to the State for deposit into the Casino Revenue Fund and 75 percent to the casino licensee for specified purposes.
- The bill provides that all unclaimed casino obligations extant on the bill's effective date will be allocated evenly between the State for deposit into the Casino Revenue Fund and the casino licensee. In addition, the bill requires the casino licensees to make an advance payment of 25 percent of these unclaimed obligations for deposit into the Casino Revenue Fund by June 30, 2009. The remainder of the State's share is to be deposited in the Casino Revenue Fund one year after the effective date of the bill.
- Based on information provided by the Casino Control Commission (CCC), the Office of Legislative Services (OLS) estimates that current unclaimed casino obligations, referred to in the bill, total \$13.7 million. The OLS notes that if patrons make claims for the money that is owed to them within one year of the issuance of the obligation, then the amount of money

distributed pursuant to the formula will be reduced accordingly. Future unclaimed casino obligations cannot be estimated at this time.

- The OLS notes that the bill does not explicitly define unclaimed casino obligations for the purposes of the distribution formula. The OLS presumes that the CCC will specify by regulation the types of obligations that will be affected by the bill and that the estimate of State revenue reflects the CCC's intent in this regard. The determination of what is or is not included in the definition could have a significant effect on the amount of money eligible to be distributed according to the formula provided in the bill.
- This bill revises the definition of gross revenue and provides to the casinos an exemption from generally acceptable accounting principles (GAAP) for the purposes of internal control. The OLS notes that it cannot be said with certainty, at this time, what the implications may be of giving the casinos the ability to deviate from GAAP in regard to gross revenue taxes.
- This bill makes various changes related to casino service industry licensing, casino service employees, testing of gaming devices and casino simulcasting, and establishes a formula for the distribution of unclaimed casino obligations.

BILL DESCRIPTION

Assembly Committee Substitute for Assembly Bill No. 3691 of 2009 revises various provisions of the Casino Control Act. The provisions of the bill pertinent to this fiscal estimate provide that any obligation owed to a patron by a casino licensee as a result of a gaming transaction which remains unclaimed would expire in one year, and at that time the monetary amount or value of the debt would be distributed 25 percent to the Casino Revenue Fund and 75 percent to the casino licensee for marketing purposes. Concerning representations of debt issued or obligations incurred prior to the effective date of the bill, the obligation of the casino licensee to pay the patron would expire one year after the bill's effective date, and the monetary amount or value of those debts would be distributed 50 percent to the Casino Revenue Fund and 50 percent to the casino licensee.

Additionally, the bill provides that each casino licensee must, on or before June 30, 2009, make a payment to the Casino Revenue Fund in an amount equal to 25 percent of the value of the money or debt owed to its patrons as a result of gaming transactions that occurred more than one year prior to the effective date of the bill. This payment would be credited towards the total obligation of the casino licensee to make payments to the Casino Revenue Fund in an amount equal to 50 percent of the value of expired gaming related obligations incurred prior to the effective date of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

According to information provided by the CCC, the current unclaimed casino obligations total \$13.7 million. The OLS notes that if patrons make claims for the money owed to them within one year, then the amount of money distributed pursuant to the formula will be reduced accordingly. Additionally, it is not possible to estimate the potential revenues with respect to future unclaimed casino obligations that would be subject to the 25 percent distribution to the Casino Revenue Fund.

Based on information provided by the CCC, the OLS estimates that if the bill, for the purpose of this estimate, is enacted by April 1, 2010 and that \$13.7 million is the amount of current unclaimed casino obligations, then \$6.7 million is required to be deposited into the Casino Revenue Fund by April 1, 2010 and \$7.0 million is required to be retained by the casinos, assuming current obligations remain unclaimed by this date. The bill requires the casino licensees to make an advance payment of 25 percent of the amount owed, or \$2.9 million, to the Casino Revenue Fund by June 30, 2009, leaving the remaining \$3.8 million to be deposited one year after the effective date of this bill, or in this example, on April 1, 2010. Currently none of this money escheats to the State.

The OLS notes that it cannot be said with certainty, at this time, what the implications may be of giving the casinos the ability to deviate from GAAP in regard to gross revenue taxes. In addition, the OLS notes that the bill does not explicitly define unclaimed casino obligations for the purposes of the distribution formula. The OLS presumes that the CCC will specify by regulation the types of obligations that will be affected by the bill and that the estimate of State revenue reflects the CCC's intent in this regard. The determination of what is or is not included in the definition could have a significant effect on the amount of money eligible to be distributed according to the formula provided in the bill. Furthermore, the OLS notes that while the CCC testified that \$13.7 million in unclaimed casino obligations accrued from 2003 through 2008, it was not clear what types of obligations, e.g., vouchers, keno tickets, or benefits from loyalty programs, or perhaps even jackpots compose the total obligation and why obligations were not accrued before 2003.

Section: State Government

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This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).