



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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|------------------------|-----------------------|--|
| <b>Bill Number:</b>    | H. 4137               | Amended by the House of Representatives on May 2, 2025 |
| <b>Subject:</b>        | American Heroes Bingo |  |
| <b>Requestor:</b>      | House Ways and Means  |  |
| <b>RFA Analyst(s):</b> | Daigle                |  |
| <b>Impact Date:</b>    | May 8, 2025           |  |

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### Fiscal Impact Summary

This bill creates a new class of bingo license, Class G, for veteran's organizations operating an American Heroes Bingo Game, which costs \$1,000 per license. This bill also creates guidelines for American Heroes Bingo Game and adds definitions. This bill specifies that 15 percent of the monthly net hold derived from American Heroes Bingo, which is total revenue paid by players less any prizes, must be remitted to the Veteran's Trust Fund. A budget outlining the anticipated expenditures of such funds must be prepared and submitted to the Secretary of Veterans' Affairs for approval, and no disbursement of funds can be made without prior approval of the Secretary. In addition, 10 percent of the monthly net hold derived from American Heroes Bingo must be split and remitted equally to the South Carolina state headquarters of the American Legion, Veterans of Foreign Affairs, and Disabled American Veterans. Other chartered Veteran's Service Organizations with membership in excess of 4,000 may also submit a claim for the proceeds derived from American Heroes Bingo. This act takes effect upon approval of the Governor.

The Department of Revenue (DOR) indicates that this bill will have a minimal impact on the department in order to undergo system and website updates, as well as to update forms and educational materials for the new Class G bingo license. DOR anticipates that any increase in expenditures and workload for the department can be managed with existing staff and resources.

The Department of Veteran's Affairs (DVA) indicates that this bill will increase expenses by approximately \$83,000 beginning in FY 2025-26, including \$79,000 of recurring expenses and \$4,000 of non-recurring expenses. Recurring expenses will increase by approximately \$79,000 beginning in FY 2025-26 for salary and fringe to hire 1.0 FTE Program Coordinator I that will be responsible for building a new reporting mechanism and budget process, and preparing a report for the Secretary. Non-recurring expenses will increase by approximately \$4,000 for a laptop, a phone, and associated equipment. DVA will request General Fund appropriations to fund the expenses due to this bill.

This bill may reduce General Fund, Other Funds, and local revenue by an undetermined amount due the exclusion of American Heroes Bingo from bingo card taxes if organizations shift from one of the current classes of bingo license to the new Class G bingo license. This bill may also increase General Fund revenue due to the new Class G bingo license fee. Further, this bill may increase the Veteran's Trust Fund revenue, which is based on 15 percent of a Class G license holder's American Heroes Bingo monthly net hold. Currently, revenue from the existing classes

of bingo licenses is distributed to the General Fund and Other Funds. Bingo card tax revenue is distributed to the General Fund, Other Funds, counties, and refunded to the nonprofit organization that holds the license. Veteran's organizations may already have an existing bingo license, and licenses are not required to be renewed except in specific instances. If veteran's organizations that already have a license currently elect to obtain this new Class G license, this bill may reduce revenue that would be derived from bingo card taxes currently distributed to the General Fund, Other Funds, counties, and the nonprofit that holds the license. Alternatively, if veteran's organizations elect to acquire the new Class G license, this would increase General Fund revenue derived from the license fee as well as increase the Veteran's Trust Fund revenue based on the value of each Class G license holder's net hold amount.<sup>1</sup> Based on information provided by DVA, it is unclear how many applicable veteran's organizations are in the state, how many currently hold an existing class of bingo license, and how many may purchase the Class G license.

## **Explanation of Fiscal Impact**

### **Amended by the House of Representatives on May 2, 2025**

#### **State Expenditure**

This bill creates a new class of bingo license, Class G, for veteran's organizations operating an American Heroes Bingo Game, which costs \$1,000 per license. Organizations that hold the new Class G license may impose an entrance fee of five dollars. This bill creates guidelines for the game play of an American Heroes Bingo Game, including the use of electronic bingo aids and electronic cards. This bill defines the term "net hold," which is the total revenue, coin, currency, tickets, or equivalent placed into the electronic bingo aids or otherwise paid by players, less any prizes paid out to players. This bill also defines American Heroes Bingo, among other definitions pertaining to electronic bingo cards and aids.

Additionally, this bill specifies that a portion of the monthly net hold derived from American Heroes Bingo must be remitted to the Veteran's Trust Fund. Additionally, a budget outlining the anticipated expenditures of such funds must be prepared and submitted to the Secretary of Veterans' Affairs for approval and no disbursement of funds can be made without prior approval of the Secretary.

**Department of Revenue.** DOR indicates that this bill will have a minimal impact on the department for system and website updates, as well as to update forms and educational materials for the new Class G bingo license. DOR anticipates that any increase in expenditures and workload for the department can be managed with existing staff and resources.

**Department of Veterans Affairs.** This bill requires the department to review budgets and disburse funds for the Veteran's Trust Fund of South Carolina. DVA indicates that this bill will

<sup>1</sup> Please note that while the Class G licenses would be distributed to the Department on Aging Senior Citizen Centers Permanent Improvement Fund first and the remainder will be distributed to the General Fund, new license fees are not likely to increase this Other Fund revenue. Since \$948,000 is the maximum contribution from bingo license fees and bingo card taxes, we do not anticipate an increase in license fees to increase this Other Fund revenue.

increase expenses by approximately \$83,000 beginning in FY 2025-26, including \$79,000 of recurring expenses and \$4,000 of non-recurring expenses. Recurring expenses will increase by approximately \$79,000 beginning in FY 2025-26 for salary and fringe to hire 1.0 FTE Program Coordinator I that will be responsible for building a new reporting mechanism and budget process and preparing a report for the Secretary. Non-recurring expenses will increase by approximately \$4,000 in FY 2025-26 for a laptop, a phone, and associated equipment. DVA will request General Fund appropriations to fund the expenses due to this bill.

### State Revenue

This bill creates a new class of bingo license, Class G, for veteran’s organizations, which costs \$1,000 per license. This bill specifies that 15 percent of the monthly net hold derived from American Heroes Bingo must be remitted to the Veteran’s Trust Fund. In addition, 10 percent of the monthly net hold derived from American Heroes Bingo must be split and remitted equally to the South Carolina headquarters of the American Legion, Veterans of Foreign Affairs, and Disabled American Veterans. This bill states that other chartered Veteran’s Service Organizations with membership in excess of 4,000 may also submit a claim for the proceeds derived from American Heroes Bingo. This bill also requires that all revenue received and deposited into the Veteran’s Trust Fund from American Heroes Bingo is subject to an annual budget process. Additionally, a budget outlining the anticipated expenditures of such funds must be prepared and submitted to the Secretary of Veterans’ Affairs for approval and no disbursement of funds can be made without prior approval of the Secretary.

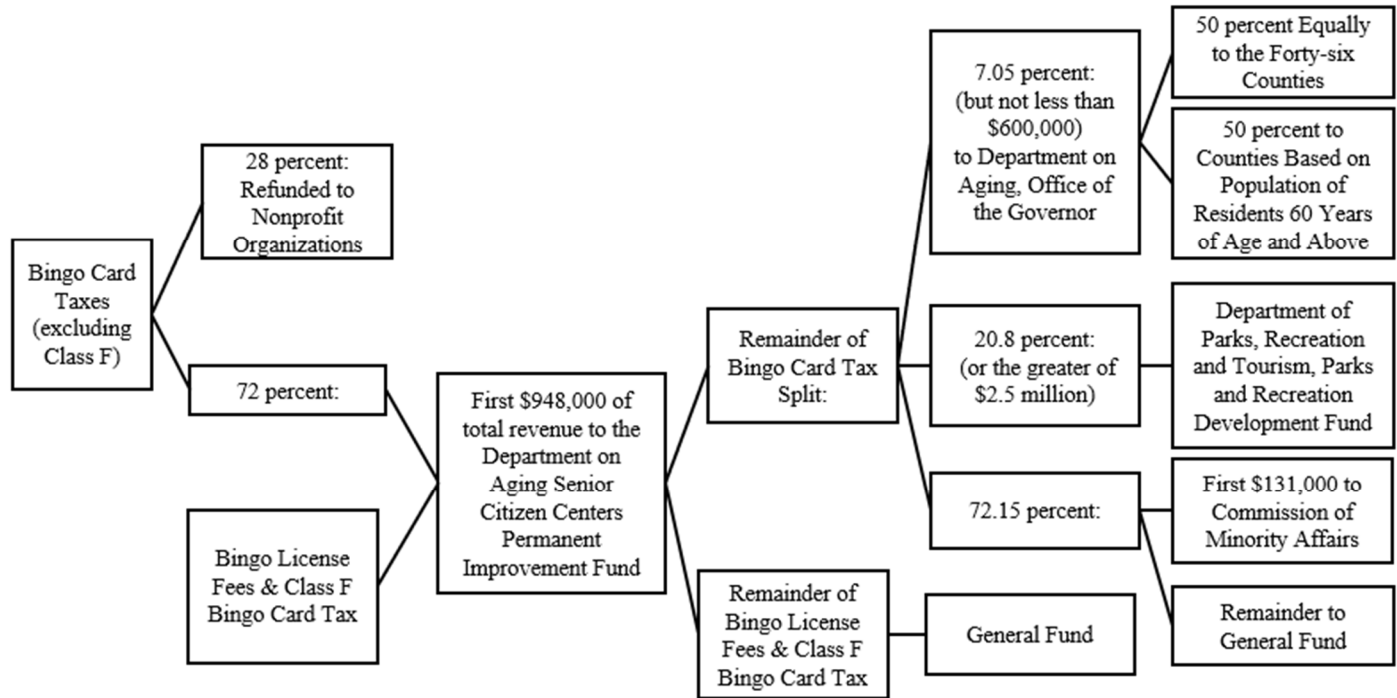
Currently, veteran’s organizations may have any one of the existing classes of bingo licenses. Bingo licenses are not required to be renewed unless there are changes in the operation or location of the game, and a nonprofit organization can only hold one license. Bingo license classes vary by the prize amounts that are offered and the number of bingo sessions an organization may hold. The table below displays the differences between bingo license classes.

| Class          | License Fee    | Bingo Card Tax | Bingo Sessions Restrictions | Prize Restrictions  |
|----------------|----------------|----------------|-----------------------------|---|
| AA             | \$4,000        | 10%            | 1 Session per Month         | ≥\$50,000 and ≤\$250,000 per Session  |
| B              | \$1,000        | 10%            | 5 Sessions per Week         | ≤\$8,000 per Session  |
| C              | \$0            | 4%             | N/A                         | ≤ \$20 per Game during a Session; \$150 in Cash or Merchandise for Six Jackpots per Session |
| D              | \$100 or \$200 | 10%            | Temporary                   | ≤\$50 in Merchandise per Game   |
| E <sup>2</sup> | \$500          | 10%            | 1 Session per Week          | ≤\$4,000 per Session  |
| F <sup>3</sup> | \$100          | 5%             | 1 Session per Week          | ≤\$4,000 per Session  |
| G (new)        | \$1,000        | N/A            | 6 Sessions per Week         | ≤\$50,000 per Game  |

<sup>2</sup> Gross proceeds must not exceed \$40,000 per calendar quarter. If proceeds exceed \$30,000 in a calendar quarter, the organization has ten days to obtain a Class B license

<sup>3</sup> Gross proceeds must not exceed \$40,000 per calendar quarter, and there are restrictions on the use of proceeds.

The figure below illustrates the current flow of revenue that is derived from existing bingo card taxes and bingo license fees, and their allocations to the General Fund, Other Funds, and local funds, and refunds. Unlike current bingo license types, the new Class G license is not subject to the bingo card tax. However, the new Class G license fee will be disbursed in the same manner as existing license fees.



The following tables outline the differences in revenue distribution for bingo license fees and bingo card taxes, respectively.

| <b>Bingo License Fees Distribution by License Class:</b> | <b>AA</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G (new)</b> |
|--|-----------|----------|----------|----------|----------|----------|----------------|
| Other Fund and General Fund                              | 100%      | 100%     | 100%     | 100%     | 100%     | 100%     | 100%           |

| <b>Bingo Card Taxes Distribution by License Class:</b>                             | <b>AA</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G (new)</b> |
|--|-----------|----------|----------|----------|----------|----------|----------------|
| Other Funds, General Fund and Counties, subject to mandatory minimum distributions | 72%       | 72%      | 72%      | 72%      | 72%      | 100%     | N/A            |
| Refunded to Nonprofit Organizations  | 28%       | 28%      | 28%      | 28%      | 28%      | 0%       | N/A            |

| <b>Class G Bingo License Distribution of Net Hold</b>                            |     |
|--|-----|
| Veteran's Trust Fund   | 15% |
| Equally to Three Specified Veteran's Organizations, subject to additional claims | 10% |

This bill may reduce General Fund and Other Funds revenue by an undetermined amount due the exclusion of American Heroes Bingo from bingo card taxes if organizations shift from one of the current classes of bingo license to the new Class G bingo license. This bill may also increase General Fund revenue due the new Class G bingo license fee of \$1,000. However, we anticipate any revenue impact to be minimal. For reference in FY 2023-24, the mandatory transfers exceeded total bingo revenue, and the General Fund paid out \$160,000 in net revenue from bingo license fees, bingo card taxes, and bingo violations. Revenue from bingo licenses is currently distributed to Other Funds and the General Fund. Revenue from bingo card taxes is currently distributed to the General Fund, Other Funds, and counties, and are refunded to nonprofit organizations. This bill creates a new disbursement framework for revenue derived from American Heroes Bingo based on the net hold amount generated by veterans' organizations conducting the game. This bill specifies that 15 percent of the monthly net hold for derived from American Heroes Bingo must be remitted to the Veteran's Trust Fund. In addition, 10 percent of the monthly net hold derived from American Heroes Bingo must be split and remitted equally to the South Carolina state headquarters of the American Legion, Veterans of Foreign Affairs, and Disabled American Veterans. Because veteran's organizations may already have different classes of bingo licenses, this bill may reduce bingo card tax revenue collections from General Funds and Other Funds as the new Class G license is not subject to a bingo card tax. Further, this bill may increase General Fund revenue due to the new Class G license fee of \$1,000.<sup>4</sup> This bill may also increase the Veterans' Trust Fund from revenue derived from 15 percent of a Class G license holder's American Heroes Bingo monthly net hold.

We reached out to DVA, the National Association of American Veterans, and the South Carolina Association of County Veterans Affairs to inquire about the number of applicable veteran's organizations in South Carolina and received a response from DVA. DVA indicates that it does not have a list of veteran's organizations in the state, but it did provide information on national congressionally chartered veterans service organizations. However, not all congressionally chartered veterans service organizations have chapters in South Carolina, and while some do, it is unclear whether others have chapters in the state. Additionally, there may be veteran's organizations operating in the state that are not congressionally chartered but are in good standing with their respective national veteran's association and have a national dues-paying membership of at least 5,000 persons. Furthermore, it is unknown how many veteran's organizations currently hold an existing class of bingo license and whether current veteran's organization license holders will obtain the new Class G license. Therefore, the number of veteran's organizations in the state that may apply for the Class G bingo license and remit a percentage of American Heroes Bingo net hold is unknown, and thus, the net impact on the General Fund and Other Funds revenue is undetermined.

### **Local Expenditure**

N/A

<sup>4</sup> Please note that while the Class G licenses would be distributed to the Department on Aging Senior Citizen Centers Permanent Improvement Fund first and the remainder will be distributed to the General Fund, new license fees are not likely to increase this Other Fund revenue. Since \$948,000 is the maximum contribution from bingo license fees and bingo card taxes, we do not anticipate an increase in license fees to increase this Other Fund revenue.

**Local Revenue**

This bill may reduce local revenue by an undetermined amount due to the exclusion of the Class G bingo licenses from the bingo card tax. Revenue from bingo licenses and bingo card taxes is currently distributed to the General Fund, Other Funds, and counties, and refunded to nonprofit organizations. In this bill, no portion of the revenue retained from Class G license holders is distributed to counties. Thus, local revenue may decrease by the amount of bingo card tax revenue that was previously retained from veteran’s organizations that may become Class G license holders. The number of veteran’s organizations in the state that may purchase the Class G bingo license is unknown, and therefore, the potential decrease in local revenue is undetermined.



Frank A. Rainwater, Executive Director