

Fiscal Estimate Narratives
DATCP 9/5/2007

LRB Number 07-0958/4	Introduction Number AB-0471	Estimate Type Original
Description Terms and conditions of gift certificates, gift cards, and other gift obligations and providing a penalty		

Assumptions Used in Arriving at Fiscal Estimate

This bill regulates the sale and redemption of gift certificates, gift cards, and similar items (gift obligations). The bill prohibits the following: 1) failing to honor a valid gift obligation; 2) selling a gift obligation that is subject to an expiration date; 3) reducing the value of a gift obligation except for the sale price of goods or service provided by the bearer; and 4) reducing the value of a gift obligation as a condition of disclosing the value of the gift obligation.

Also under the bill, if a person that owns a business intends to transfer ownership of the business or otherwise cease to operate the business, the person may not issue gift obligations that may be redeemed at the business, unless the intended transferee agrees to honor gift obligations issued by the person.

Currently the Department addresses consumer complaints about gift obligations mostly through mediation and education. However, if this bill were to become law, the department would now have specific statutory authority to enforce violations of the provisions in this bill.

Currently national statistics show over \$80 billion in gift obligations were sold in 2006. Of those approximately 10-15% go unused as a result of: a consumer's choice not to use the card; lost cards; expiration dates; and dormancy service fees. Based on experience, the Department can assume that a portion of the unused gift obligations due to expiration dates and dormancy service fees would result in at least 200 formal written consumer complaints per year. The Department estimates 20 complaints per year will require assignment to investigative staff for detailed investigation. Typically, these investigations will involve multiple jurisdictions. The Department estimates an additional workload of 2000 hours to administer and enforce the law.

Based on these assumptions the Department estimates 1.0 FTE Consumer Protection Investigator will be necessary for enforcement of this law. Additional funding of \$66,200 annually will be necessary to fund this position.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Terms and conditions of gift certificates, gift cards, and other gift obligations and providing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
Office set up, computer, telephone service, supplies: \$10,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$53,700		\$
(FTE Position Changes)	(1.0 FTE)		
State Operations - Other Costs	12,500		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$66,200		\$
B. State Costs by Source of Funds			
GPR	66,200		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$66,200		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DATCP/ Michelle Reinen (608) 224-5160		Barb Knapp (608) 224-4746	9/5/2007