



**Fiscal Estimate Narratives**  
**DATCP 6/18/2007**

|   |                                   |                               |
|---|-----------------------------------|-------------------------------|
| LRB Number <b>07-2339/5</b>   | Introduction Number <b>SB-191</b> | Estimate Type <b>Original</b> |
| <b>Description</b><br>Disclosure of terms and conditions applicable to the use of gift certificates, gift cards, and other gift obligations and providing penalties |                                   |                               |

**Assumptions Used in Arriving at Fiscal Estimate**

This bill regulates the sale of gift certificates, gift cards, or similar items (gift obligations). Under the bill, a seller of a gift obligation must provide to a purchaser at the point of sale a conspicuous disclosure of any expiration date that applies to the gift obligation and the terms and amount of any service charge that apply to the gift obligation.

The Department addresses consumer complaints mostly through mediation and education, but would now have specific statutory authority to enforce and fine businesses in violation 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

|  |                 |  |                 |
|--|-----------------|--|-----------------|
| <b>LRB Number</b> 07-2339/5  |                 | <b>Introduction Number</b> SB-191              |                 |
| <b>Description</b><br>Disclosure of terms and conditions applicable to the use of gift certificates, gift cards, and other gift obligations and providing penalties  |                 |  |                 |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>one time costs, office setup, computer, telephone service, supplies: \$10,000 |                 |  |                 |
| <b>II. Annualized Costs:</b>   |                 | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|  |                 | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>  |                 |  |                 |
| 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   |                 |  |                 |
| <b>TOTAL State Costs by Category</b>   | <b>\$66,200</b> |  | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>   |                 |  |                 |
| GPR  | 66,200          |  |                 |
| FED  |                 |  |                 |
| PRO/PRS  |                 |  |                 |
| SEG/SEG-S  |                 |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>   |                 |  |                 |
|  | Increased Rev   |  | Decreased Rev   |
| GPR Taxes  | \$              |  | \$              |
| GPR Earned   |                 |  |                 |
| FED  |                 |  |                 |
| PRO/PRS  |                 |  |                 |
| SEG/SEG-S  |                 |  |                 |
| <b>TOTAL State Revenues</b>  | <b>\$</b>       |  | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>  |                 |  |                 |
|  | State           |  | Local           |
| NET CHANGE IN COSTS  | \$66,200        |  | \$              |
| NET CHANGE IN REVENUE  | \$              |  | \$              |
| <b>Agency/Prepared By</b>  |                 | <b>Authorized Signature</b>                    |                 |
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|  |                 | <b>Date</b>                                    |                 |
|  |                 | 6/15/2007                                      |                 |