

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1523-01
Bill No.: HB 391
Subject: Gambling; Entertainment; Sports and Amusements.
Type: Original
Date: March 31, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Gaming Proceeds for Education*	\$0	\$0	\$0
Gaming Commission	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000
State School Moneys*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000

* **Income and Transfer Out nets to \$0**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$181,676,000 to \$224,168,000	\$181,676,000 to \$224,168,000	\$181,676,000 to \$224,168,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue, Office of the State Treasurer** and the **Department of Mental Health** each assume this proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning** assume the proposal would not fiscally impact their agency, and defer to the Gaming Commission for revenue estimates.

Officials from the **Department of Social Services (DOS)** state the proposal would result in additional revenue being generated by the \$2 increase in the admission fee for the state school moneys fund to fund state aid to public schools. DOS states they are unable to determine the amount of the increase.

Officials from the **Department of Elementary and Secondary Education (DESE)** state Section 313.805 of the proposal would remove the loss limit for gambling excursions which would result in an unknown increase in Adjusted Gross Receipts (AGR) and admission fees. DESE defers to the Gaming Commission regarding such impact.

ASSUMPTION (continued)

DESE states that Section 313.820 would require excursion gambling boat licensees to pay to the commission an additional admission fee of \$2. Section 313.835 would distribute that additional \$2 admission fee (after payment of the administrative costs of the Commission and any transfers to the compulsive gamblers fund) to the state school moneys fund (SSMF). The following amounts were obtained from the Missouri Gaming Commission Annual Report for FY 2002:

Admission Fees (based on existing \$2 fee)	\$97,699,946
Gaming Commission and other expenses	(\$15,017,186)
Transfers to the Compulsive Gamblers Fund	<u>(\$ 398,074)</u>
	\$82,284,686

DESE states the \$82,284,686 represents the minimum increase expected to the State Schools Money Fund based on an additional \$2 admission fee.

DESE states Section 313.822 would increase the gaming tax on AGR from 20% to 22%. The additional 2% would go to the Gaming Proceeds for Education Fund per subsection (2). Increasing funding to the Gaming Proceeds for Education Fund by 2% would have had the following affect in FY 2002:

Deposits to the Gaming Proceeds for Education Fund for FY 2002	\$217,678,333
	<u>X</u> <u>2%</u>
Additional proceeds from increasing the gaming tax to 22% to go to the Gaming Proceeds for Education Fund	\$ 4,353,567

DESE states that overall, it should be noted that their assumptions were made using FY 2002 data and could be significantly understated depending upon the increase in AGR and admission fees realized by the removal of the loss limit per this proposal.

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (GAM)** assume (based upon an August 1, 2003 start date) the fiscal impact of a \$2 admission fee increase, a 2% gaming tax rate increase and the removal of the loss limit will result in the following increase of revenue to the state and to the home dock cities.

	FY 2004	FY 2005	FY 2006
State Revenue			
Gaming Taxes for Education	\$ 86,534,000	\$ 94,401,000	\$ 94,401,000
Admission Fees to MGC Fund	\$112,661,000	\$122,903,000	\$122,903,000
Total	\$199,195,000	\$217,304,000	\$217,304,000
Home Dock Revenue			
Gaming Taxes	\$ 6,292,000	\$ 6,864,000	\$ 6,864,000
Admission Fees	\$ 6,336,000	\$ 6,912,000	\$ 6,912,000
Total	\$12,628,000	\$13,776,000	\$13,776,000

In response to a proposal from earlier this year that eliminated the \$500 loss limit, GAM stated that an increase in gaming taxes and admission fees stem from the assumption that removing the loss limit will increase gaming revenue and customer visits to Missouri casinos. GAM believed that gaming revenue and customer visits will increase due to following three factors:

1. Removing the loss limit will eliminate the need for boarding cards, which track the loss limit. GAM estimates that by eliminating the boarding card requirement, customer volume will increase by about 12%. Based on an average win per customer of \$60, gaming revenue will increase approximately \$172 million.
2. Removing the loss limit will increase efficiency at the front gate, table games and slot machines. Currently, when a customer arrives at the casino, they must stop at ticketing to obtain a boarding card, which monitors the loss limit. In addition, each time a customer buys in at a table, play stops while the loss limit controls are initiated (swiping the card to check buy-in status). Likewise, at the slot machines play is often interrupted due to loss limit controls. All these factors combine to reduce gaming revenue and drive customers to other more convenient gaming markets. GAM estimates that by eliminating the inefficiencies caused by the loss limit controls, gaming revenue will increase by 2.8% or approximately \$35 million.

ASSUMPTION (continued)

3. Finally, removing the loss limit will attract high-end customers to Missouri casinos. These are gamers who typically buy-in well above the \$500 level. Removing the loss limit would make Missouri a potential destination market for the out of town high-end customers. GAM estimates that an additional 339,000 high-end customers will visit Missouri casinos at an average win per customer of \$400, thus increasing gaming revenue by about \$136 million.

GAM states the estimated impact on the repeal of the \$500 loss limit was revised in the Summer of 2002 down to the estimates incorporated in their response.

Oversight reviewed the effect of the repeal of loss limits on the state of Iowa and found that Iowa's win per patron increased by approximately \$7.50 when its loss limit was repealed. According to the Gaming Commission, the Adjusted Gross Receipts (AGR) per patron, or win per patron in FY 2002 was \$53.71. Oversight assumes the removal of the \$500 loss limit would increase the win per patron in Missouri to \$61.21 (\$53.71 + \$7.50). Assuming a 5% increase in the number of admissions, Oversight estimates the state impact would be an increase in the gaming tax of \$42,877,000 and an increase in the admission fee revenue of \$2,443,000. The corresponding local increase is estimated to be an increase in gaming tax of \$4,764,000 and an increase in admissions fee revenue of \$2,443,000 annually. The FY 2002 win per patron in Iowa was \$49.04 while in calendar 2001 in Illinois it was \$94.85. For fiscal note purposes, **Oversight** will range the potential fiscal impact of the removal of the \$500 loss limit from Oversight's estimates to the Gaming Commission's estimates.

Regarding the \$2 admission fee increase, **Oversight** assumes the number of admissions reported in the Gaming Commission Report for FY 2002 (48,849,973) would be constant and result in an additional \$97,700,000 ($2 \times 48,849,973$) in proceeds for the State School Moneys Fund (SSMF). Taking into account the estimated increase in patrons from the removal of the \$500 loss limit, the additional \$2 tax would also increase the funding to the SSMF by an additional \$4,886,000 to \$13,812,000. Combining these two estimates, Oversight assumes an overall increase to the SSMF of \$102,586,000 to \$111,512,000. Oversight has raised the \$111,512,000 by \$4,479,000 (to \$115,991,000) to utilize the total estimated increase in admission fees per the GAM as the high end of the estimate used in the fiscal note.

Regarding the additional 2% tax on adjusted gross receipts (AGR), **Oversight** assumes the AGR reported in the Gaming Commission Report for FY 2002 (\$1,212,125,485) would remain constant and result in an additional \$24,242,000 ($2\% \times \$1,212,125,485$) in proceeds for the

Gaming Taxes for Education Fund. Taking into account the additional AGR estimated from the removal of the \$500 loss

ASSUMPTION (continued)

limit, Oversight assumes additional proceeds of \$4,764,000 to \$6,864,000 from the additional 2% tax. Combined, these two estimates would result in an additional \$29,006,000 to \$31,106,000 of proceeds to the Gaming Taxes for Education Fund. Oversight has raised the \$31,106,000 by \$1,517,000 (to \$32,623,000) to utilize the total estimated increase in gaming tax as estimated by GAM as the high end of the estimate used in the fiscal note.

With the emergency clause, **Oversight** assumes 12 months of fiscal impact for FY 2004.

Oversight also assumes the additional proceeds to the State School Moneys Fund as well as the Gaming Proceeds For Education Fund will be distributed to the local school districts in the same year.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Income</u> - Gaming tax proceeds from repeal of \$500 loss limit	\$42,877,000 to \$61,778,000	\$42,877,000 to \$61,778,000	\$42,877,000 to \$61,778,000
<u>Income</u> - Gaming tax proceeds from raising the gaming tax rate by 2%	\$29,006,000 to \$32,623,000	\$29,006,000 to \$32,623,000	\$29,006,000 to \$32,623,000
<u>Transfer Out</u> - to the local school districts	(\$71,883,000 to \$94,401,000)	(\$71,883,000 to \$94,401,000)	(\$71,883,000 to \$94,401,000)
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

GAMING COMMISSION FUND

<u>Income</u> - Increased admissions from repeal of the \$500 loss limit	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000
<u>Income</u> - increase in admissions fee by an additional \$2	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000
<u>Transfer Out</u> - to the State School Moneys Fund for increase in admissions fee by an additional \$2	(\$102,586,000 to \$115,991,000)	(\$102,586,000 to \$115,991,000)	(\$102,586,000 to \$115,991,000)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	\$2,443,000 to <u>\$6,912,000</u>	\$2,443,000 to <u>\$6,912,000</u>	\$2,443,000 to <u>\$6,912,000</u>

STATE SCHOOL MONEYS FUND

<u>Transfer In</u> - from Gaming Commission Fund for increase in admissions fee by an additional \$2	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000
<u>Transfer Out</u> - to the local school districts for increase in admissions fee by an additional \$2	(\$102,586,000 to \$115,991,000)	(\$102,586,000 to \$115,991,000)	(\$102,586,000 to \$115,991,000)
ESTIMATED NET EFFECT TO THE STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004

FY 2005

FY 2006

LOCAL SCHOOL DISTRICTS

<u>Transfer In</u> - from Gaming Proceeds For Education Fund	\$71,883,000 to \$94,401,000	\$71,883,000 to \$94,401,000	\$71,883,000 to \$94,401,000
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<u>Transfer In</u> - from State School Moneys Fund for increase in admissions fee by an additional \$2	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000	\$102,586,000 to \$115,991,000
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ESTIMATED NET EFFECT TO THE LOCAL SCHOOL DISTRICTS	\$174,469,000 to <u>\$210,392,000</u>	\$174,469,000 to <u>\$210,392,000</u>	\$174,469,000 to <u>\$210,392,000</u>
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HOME DOCK CITIES AND COUNTIES

<u>Income</u> - gaming tax from repeal of \$500 loss limit	\$4,764,000 to \$6,864,000	\$4,764,000 to \$6,864,000	\$4,764,000 to \$6,864,000
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<u>Income</u> - admission fee increase from repeal of \$500 loss limit.	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000	\$2,443,000 to \$6,912,000
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ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES	<u>\$7,207,000 to</u> <u>\$13,776,000</u>	<u>\$7,207,000 to</u> <u>\$13,776,000</u>	<u>\$7,207,000 to</u> <u>\$13,776,000</u>
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ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$181,676,000 TO <u>\$224,168,000</u>	\$181,676,000 TO <u>\$224,168,000</u>	\$181,676,000 TO <u>\$224,168,000</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes changes to the excursion boat gaming laws. The proposal:

- (1) Removes the per patron, per cruise \$500 loss limit;
- (2) Increases the admission fee for each patron per cruise from \$2 to \$4; and
- (3) Increases the adjusted gross receipts gaming tax from 20% to 22%.

All revenues resulting from the increase in the admission fee will be transferred into the State Schools Moneys Fund.

The proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Gaming Commission
Office of Administration - Budget and Planning
Office of the State Treasurer
Department of Mental Health
Department of Revenue
Department of Elementary and Secondary Education
Department of Social Services



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