

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3160-01
Bill No.: SB 707
Subject: Taxation and Revenue; Gambling.
Type: Original
Date: January 6, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$87,125)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$87,125)	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Gaming Proceeds for Education	\$47,122,200 to \$55,220,000	\$56,547,000 to \$66,190,000	\$56,547,000 to \$66,190,000
Gaming Commission	\$2,132,000 to \$5,200,000	\$2,558,000 to \$6,200,000	\$2,558,000 to \$6,200,000
Total Estimated Net Effect on <u>All</u> State Funds	\$49,254,200 to \$60,420,000	\$59,105,000 to \$72,390,000	\$59,105,000 to \$72,390,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$7,367,800 to \$11,280,000	\$8,841,000 to \$13,510,000	\$8,841,000 to \$13,510,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the proposal would have no fiscal impact on their agency.

Officials from the **Office of Administration - Budget and Planning** state the proposal would have no fiscal impact on their agency and defer to the Gaming Commission for estimating the revenue impact.

Officials from the **Office of the Secretary of State - Elections Division** state that statewide newspaper publication of constitutional amendments cost approximately \$1,161 per column inch based on estimate provided by the Missouri Press Service. For the 3 printings as required by the Constitution and state statute, this would total \$3,485 (3 x \$1,161) per column inch. The estimated total number of inches for this amendment is 25 inches, which includes title header and certification paragraph. Therefore, this proposal is estimated to cost \$87,125 (\$3,485 x 25 inches). The Elections Division assumes this cost would be incurred in FY 2005.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State - Administrative Rules Division (SOS)** assume there would be costs due to additional publishing duties related to the Missouri Gaming Commission's and the Department of Revenue's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 36 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 54 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$2,214, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Missouri Gaming Commission (GAM)** state that an increase in gaming taxes and admission fees is based on the assumption that removing the loss limit will increase gaming revenue and customer visits to Missouri casinos. GAM believes 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 states that some customers are reluctant to show identification and view this as an invasion to their privacy. 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 \$162 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. 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 \$37 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 197,000 high-end customers will visit Missouri casinos at an average win per customer of \$500, thus increasing gaming revenue by about \$98 million.

In summary, GAM assumes that removing the \$500 loss limit will result in additional gaming taxes of roughly \$59,400,000 ((162 million + 37 million + 98 million) x 20% tax rate) as well as an increase in admission fees of roughly \$12,400,000.

This proposal also contains a gaming tax increase of 1 percent. GAM assumes this part of the proposal would result in additional gaming tax revenue of \$11,800,000 in FY 2005 (assuming a September 1, 2004 start date), and \$14,100,000 in fiscal years 2006 and 2007. Below is the total estimated fiscal impact of the proposal by the Missouri Gaming Commission.

	FY 2005 *	FY 2006	FY 2007
State Revenue			
Gaming Taxes for Education	\$44,600,000	\$53,500,000	\$53,500,000
Admission Fees to MGC Fund	\$ 5,200,000	\$ 6,200,000	\$ 6,200,000
(plus)			
1% Gaming Tax Increase	<u>\$11,800,000</u>	<u>\$14,100,000</u>	<u>\$14,100,000</u>
Total	\$61,500,000	\$73,800,000	\$73,800,000
Home Dock Revenue			
Gaming Taxes	\$ 4,900,000	\$ 5,900,000	\$ 5,900,000
Admission Fees	<u>\$ 5,200,000</u>	<u>\$ 6,200,000</u>	<u>\$ 6,200,000</u>
Total	\$10,100,000	\$12,100,000	\$12,100,000

* Assumes a September 1, 2004 start date.

GAM has revised their estimates for the impact of the removal of the \$500 loss limits from last year to the numbers presented above.

Since this legislation is subject to voter referendum, **Oversight** assumes this proposal would have no state fiscal impact without voter approval. **Oversight** assumes the proposal would be on the ballot the first Tuesday in August 2004, which is already a statewide primary election,

ASSUMPTION (continued)

RAS:LR:OD (12/02)

therefore, the state will not incur an additional election expense. If approved by voters, Oversight assumes this proposal would be effective on the first day of the first month following the election, or September 1, 2004.

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 2003 was \$54.99. Oversight assumes this proposal would increase the win per patron in Missouri to \$62.49 (\$54.99 + \$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 \$45,414,000 and an increase in the admission fee revenue of \$2,558,000. The corresponding local increase is estimated to be an increase in gaming tax of \$5,046,000 and an increase in admissions fee revenue of \$2,558,000 annually.

The FY 2003 win per patron in Iowa was \$53 while in calendar 2002 in Illinois it was \$97.31. For fiscal note purposes, **Oversight** will range the potential fiscal impact of this proposal from Oversight's estimates to the Gaming Commission's estimates.

Regarding the increase in gaming tax, all eleven gaming establishments in Missouri had gross receipts over \$20 million in fiscal year 2003, therefore all would be impacted by the additional 1 percent tax. The amount of the increased tax is estimated to be;

Boat / Location	FY 2003 Adjusted Gross Receipts	Amount over \$20 million	1 % tax
President / St. Louis	\$ 73,443,945	\$ 53,443,945	\$ 534,439
Ameristar / St. Charles	\$243,416,463	\$223,416,463	\$2,234,165
Argosy / Riverside	\$ 95,640,371	\$ 75,640,371	\$ 756,404
St. Jo Frontier / St. Joseph	\$ 25,642,429	\$ 5,642,429	\$ 56,424
Harrah's / NKC	\$207,873,039	\$187,873,039	\$1,878,730
Aztar / Caruthersville	\$ 22,229,139	\$ 2,229,139	\$ 22,291
Isle of Capri / KC	\$ 99,271,902	\$ 79,271,902	\$ 792,719
Ameristar / KC	\$209,781,150	\$189,781,150	\$1,897,812
Harrah's / MH	\$236,562,047	\$216,562,047	\$2,165,620
Isle of Capri / Boonville.	\$ 66,209,745	\$ 46,209,745	\$ 462,097
Mark Twain / LaGrange	\$ 25,057,956	\$ 5,057,956	\$ 50,580
Total			<u>\$10,851,281</u>

ASSUMPTION (continued)

RAS:LR:OD (12/02)

With the repeal of the loss limit, **Oversight** assumed a 14 percent increase in wins per patron (\$7.50 / \$53.71). Therefore, Oversight assumes an increase of \$12,370,000 (\$10,851,281 x 114%) in gaming tax revenues from this part of the proposal. Oversight will add this to the increase in gaming tax revenues expected from the repeal of the \$500 loss limit per excursion. Oversight assumes the local docks will receive ten percent of the additional AGR tax and has adjusted GAM's estimates to reflect this.

This proposal would result in an increase in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005	FY 2006	FY 2007
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Cost - Secretary of State</u>			
Publication costs	<u>(\$87,125)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$87,125)</u>	<u>\$0</u>	<u>\$0</u>

**GAMING PROCEEDS FOR
EDUCATION FUND**

<u>Income - Gaming tax proceeds from repeal of \$500 loss limit</u>	\$37,845,000 to \$44,600,000	\$45,414,000 to \$53,500,000	\$45,414,000 to \$53,500,000
<u>Income - 90% of Gaming tax proceeds from additional 1% tax on AGR over \$20 million</u>	\$9,277,200 to \$10,620,000	\$11,133,000 to \$12,690,000	\$11,133,000 to \$12,690,000
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$47,122,200 to \$55,220,000</u>	<u>\$56,547,000 to \$66,190,000</u>	<u>\$56,547,000 to \$66,190,000</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2005	FY 2006	FY 2007
	(10 Mo.)		

GAMING COMMISSION FUND

<u>Income</u> - Increased admissions from repeal of the \$500 loss limit	\$2,132,000 to <u>\$5,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	\$2,132,000 to <u>\$5,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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HOME DOCK CITIES AND COUNTIES

<u>Income</u> - gaming tax from repeal of \$500 loss limit	\$4,205,000 to \$4,900,000	\$5,046,000 to \$5,900,000	\$5,046,000 to \$5,900,000
<u>Income</u> - admission fee increase from repeal of \$500 loss limit.	\$2,132,000 to \$5,200,000	\$2,558,000 to \$6,200,000	\$2,558,000 to \$6,200,000
<u>Income</u> - 10% of Gaming tax proceeds from additional 1% tax on AGR over \$20 million	\$1,030,800 to <u>\$1,180,000</u>	\$1,237,000 to <u>\$1,410,000</u>	\$1,237,000 to <u>\$1,410,000</u>
ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES	<u>\$7,367,800 to</u> <u>\$11,280,000</u>	<u>\$8,841,000 to</u> <u>\$13,510,000</u>	<u>\$8,841,000 to</u> <u>\$13,510,000</u>

FISCAL IMPACT - Small Business

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

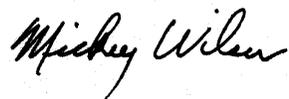
DESCRIPTION

This proposal repeals the loss limits and adds a 1% surcharge on a gaming boat's adjusted gross receipts (AGR) tax, only if the boat's AGR are greater than \$20 million.

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

Office of Administration
 Budget and Planning
Office of Secretary of State
Missouri Gaming Commission
Department of Public Safety
 Missouri Highway Patrol



Mickey Wilson, CPA
Director
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