

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2283-01
Bill No.: SB 1
Subject: Taxation and Revenue; Sales and Use; Taxation and Revenue - General;
 Gambling.
Type: Original
Date: June 6, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$4,087,125)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$4,087,125)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Gaming Proceeds for Education	\$44,518,000 to \$62,337,000	\$53,422,000 to \$74,804,000	\$53,422,000 to \$74,804,000
Gaming Commission	\$2,035,000 to \$5,755,000	\$2,443,000 to \$6,906,000	\$2,443,000 to \$6,906,000
Total Estimated Net Effect on Other State Funds *	\$46,553,000 TO \$68,092,000	\$55,865,000 TO \$81,710,000	\$55,865,000 TO \$81,710,000

* Assumes the proposal is passed by the voters of the state.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
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*	\$6,055,000 to \$11,475,000	\$7,207,000 to \$13,770,000	\$7,207,000 to \$13,770,000

* Assumes the proposal is passed by the voters of the state.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state 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 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 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.

In summary, GAM assumes that removing the \$500 loss limit will result in additional gaming taxes of roughly \$68,600,000 ((172 million + 35 million + 136 million) x 20% tax rate) as well as an increase in admission fees of roughly \$13,812,000. The breakout of GAM's estimate of increased taxes and fees between the state and the home dock cities and counties is below.

This proposal also contains a gaming tax increase to the state of 1 percent. GAM assumes this part of the proposal would result in additional gaming tax revenue of \$9,770,000 in FY 2004 (assuming an October 1, 2003 start date), and \$13,026,000 in fiscal years 2005 and 2006. Below is the estimated fiscal impact of the proposal by the Missouri Gaming Commission.

	FY 2004 *	FY 2005	FY 2006
State Revenue			
Gaming Taxes for Education	\$46,334,000	\$61,778,000	\$61,778,000
Admission Fees to MGC Fund	\$ 5,180,000	\$ 6,906,000	\$ 6,906,000
Total	\$51,513,000	\$68,684,000	\$68,684,000
(plus)			
1% Gaming Tax Increase	\$ 9,770,000	\$13,026,000	\$13,026,000
Total	\$61,283,000	\$81,710,000	\$81,710,000
 Home Dock Revenue			
Gaming Taxes	\$ 5,148,000	\$ 6,864,000	\$ 6,864,000
Admission Fees	\$ 5,180,000	\$ 6,906,000	\$ 6,906,000
Total	\$10,328,000	\$13,770,000	\$13,770,000

* Assumes an October 1, 2003 start date.

GAM states the estimated impact on the repeal of the \$500 loss limit was revised in the Summer

of 2002 down to the estimates above.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state they have reviewed the proposal and offer the following:

1. 313.805 - Eliminates loss limits on gambling boats. See figures below.
2. 313.822 - Requires riverboats to pay an additional one percent adjusted gross receipts tax on the amount of adjusted gross receipts in excess of \$30 million. See figures below.

	FY 2004 *	FY 2005	FY 2006
State Revenue			
Gaming Taxes for Education	\$46,334,000	\$61,778,000	\$61,778,000
Admission Fees to MGC Fund	<u>\$ 5,180,000</u>	<u>\$ 6,906,000</u>	<u>\$ 6,906,000</u>
Total	\$51,513,000	\$68,684,000	\$68,684,000
(plus)			
1% Gaming Tax Increase	<u>\$ 9,770,000</u>	<u>\$13,026,000</u>	<u>\$13,026,000</u>
Total	\$61,283,000	\$81,710,000	\$81,710,000
 Home Dock Revenue			
Gaming Taxes	\$ 5,148,000	\$ 6,864,000	\$ 6,864,000
Admission Fees	<u>\$ 5,180,000</u>	<u>\$ 6,906,000</u>	<u>\$ 6,906,000</u>
Total	\$10,328,000	\$13,770,000	\$13,770,000

* Assumes an October 1, 2003 start date.

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.

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 for the first Tuesday in August 2003 in a special election (with an estimated expense to the Office of Administration of \$4 million. If approved by voters, **Oversight** assumes this

ASSUMPTION (continued)

proposal would be effective on the first day of the first month following the election, or September 1, 2003.

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 this proposal 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 this proposal from Oversight's estimates to the Gaming Commission's estimates.

Regarding the additional 1 percent tax on licensees with gross receipts over \$30 million, there were eight gaming establishments in Missouri that would be impacted according to the Gaming Commission annual report for FY 2002.

Boat / Location	FY 2002 Adjusted Gross Receipts	Amount over \$30 million	1 % tax
President / St. Louis	\$ 79,115,932	\$ 49,115,932	\$ 491,159
Ameristar / St. Charles	\$156,637,634	\$126,637,634	\$1,266,376
Argosy / Riverside	\$100,073,364	\$ 70,073,364	\$ 700,734
Harrah's / NKC	\$202,609,471	\$172,609,471	\$1,726,095
Isle of Capri / KC	\$ 96,717,035	\$ 66,717,035	\$ 667,170
Ameristar / KC	\$196,791,350	\$166,791,350	\$1,667,914
Harrah's / MH	\$270,385,993	\$240,385,993	\$2,403,860
Isle of Capri / Boonv. (annualized)	\$ 62,722,858	\$ 32,722,858	<u>\$ 327,228</u>

Total \$9,250,536

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 \$10,545,000 (\$9,250,536 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.

ASSUMPTION (continued)

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

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Cost</u> - Secretary of State			
Publication costs	(\$87,125)	\$0	\$0
<u>Cost</u> - Office of Administration			
Special election costs	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,087,125)</u>	<u>\$0</u>	<u>\$0</u>

**GAMING PROCEEDS FOR
EDUCATION FUND**

<u>Income</u> - Gaming tax proceeds from repeal of \$500 loss limit and additional 1% tax on AGR over \$30 million	\$44,518,000 to <u>\$62,337,000</u>	\$53,422,000 to <u>\$74,804,000</u>	\$53,422,000 to <u>\$74,804,000</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$44,518,000 to \$62,337,000</u>	<u>\$53,422,000 to \$74,804,000</u>	<u>\$53,422,000 to \$74,804,000</u>

GAMING COMMISSION FUND

<u>Income</u> - Increased admissions from repeal of the \$500 loss limit	\$2,035,000 to <u>\$5,755,000</u>	\$2,443,000 to <u>\$6,906,000</u>	\$2,443,000 to <u>\$6,906,000</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	\$2,035,000 to <u>\$5,755,000</u>	\$2,443,000 to <u>\$6,906,000</u>	\$2,443,000 to <u>\$6,906,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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HOME DOCK CITIES AND COUNTIES

<u>Income</u> - gaming tax from repeal of \$500 loss limit	\$3,970,000 to \$5,720,000	\$4,764,000 to \$6,864,000	\$4,764,000 to \$6,864,000
<u>Income</u> - admission fee increase from repeal of \$500 loss limit.	\$2,035,000 to <u>\$5,755,000</u>	\$2,443,000 to <u>\$6,906,000</u>	\$2,443,000 to <u>\$6,906,000</u>
ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES	<u>\$6,005,000 to</u> <u>\$11,475,000</u>	<u>\$7,207,000 to</u> <u>\$13,770,000</u>	<u>\$7,207,000 to</u> <u>\$13,770,000</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 authority of the Gaming Commission to enforce a \$500 maximum loss per person per gambling excursion.

The proposal also adds an additional tax from licensees with over \$20 million in gross receipts at a rate of one percent on the gross receipts over \$30 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

Missouri Gaming Commission
Office of Administration - Budget and Planning
Office of the Secretary of State



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JUNE 6, 2003