

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3018-01  
Bill No.: HB 815  
Subject: Gambling  
Type: Original  
Date: January 6, 2004

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2005</b> | <b>FY 2006</b> | <b>FY 2007</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON STATE FUNDS</b>                  |                                     |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2005</b>                      | <b>FY 2006</b>                      | <b>FY 2007</b>                      |
| Gaming Proceeds for Education                               | \$37,845,000 to \$44,600,000        | \$45,414,000 to \$53,500,000        | \$45,414,000 to \$53,500,000        |
| Gaming Commission   | \$2,132,000 to \$5,200,000          | \$2,558,000 to \$6,200,000          | \$2,558,000 to \$6,200,000          |
| <b>Total Estimated Net Effect on <u>All</u> State Funds</b> | <b>\$39,977,000 TO \$49,800,000</b> | <b>\$47,972,000 TO \$59,700,000</b> | <b>\$47,972,000 TO \$59,700,000</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                                    |                                    |                                    |
|--|------------------------------------|------------------------------------|------------------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2005</b>                     | <b>FY 2006</b>                     | <b>FY 2007</b>                     |
| <b>Local Government</b>                    | <b>\$6,337,000 to \$10,100,000</b> | <b>\$7,604,000 to \$12,100,000</b> | <b>\$7,604,000 to \$12,100,000</b> |

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Public Safety - Missouri Highway Patrol** state the proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning** state the proposal should not result in additional costs or savings to their agency, and defer to the Gaming Commission for estimating the revenue impact.

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.

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ASSUMPTION (continued)

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.
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. The breakout of GAM's estimate of increased taxes and fees between the state and the home dock cities and counties follows;

|                            | FY 2005             | FY 2006             | FY 2007             |
|----------------------------|---------------------|---------------------|---------------------|
| <b>State Revenue</b>       |                     |                     |                     |
| 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        |
| <b>Total</b>               | <b>\$49,800,000</b> | <b>\$59,700,000</b> | <b>\$59,700,000</b> |
| <b>Home Dock Revenue</b>   |                     |                     |                     |
| Gaming Taxes               | \$ 4,900,000        | \$ 5,900,000        | \$ 5,900,000        |
| Admission Fees             | \$ 5,200,000        | \$ 6,200,000        | \$ 6,200,000        |
| <b>Total</b>               | <b>\$10,100,000</b> | <b>\$12,100,000</b> | <b>\$12,100,000</b> |

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

ASSUMPTION (continued)

**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.

| <u>FISCAL IMPACT - State Government</u>                                       | FY 2005<br>(10 Mo.)                            | FY 2006  | FY 2007  |
|---|--|--|--|
| <b>GAMING PROCEEDS FOR<br/>EDUCATION FUND</b>                                 |  |  |  |
| <u>Income</u> - Gaming tax proceeds from<br>repeal of \$500 loss limit        | \$37,845,000 to<br><u>\$44,600,000</u>         | \$45,414,000 to<br><u>\$53,500,000</u>         | \$45,414,000 to<br><u>\$53,500,000</u>         |
| <b>ESTIMATED NET EFFECT TO THE<br/>GAMING PROCEEDS FOR<br/>EDUCATION FUND</b> | <b>\$37,845,000 to<br/><u>\$44,600,000</u></b> | <b>\$45,414,000 to<br/><u>\$53,500,000</u></b> | <b>\$45,414,000 to<br/><u>\$53,500,000</u></b> |
| <b>GAMING COMMISSION FUND</b>   |  |  |  |
| <u>Income</u> - Increased admissions from<br>repeal of the \$500 loss limit   | \$2,132,000 to<br><u>\$5,200,000</u>           | \$2,558,000 to<br><u>\$6,200,000</u>           | \$2,558,000 to<br><u>\$6,200,000</u>           |
| <b>ESTIMATED NET EFFECT TO THE<br/>GAMING COMMISSION FUND</b>                 | <b>\$2,132,000 to<br/><u>\$5,200,000</u></b>   | <b>\$2,558,000 to<br/><u>\$6,200,000</u></b>   | <b>\$2,558,000 to<br/><u>\$6,200,000</u></b>   |

| <u>FISCAL IMPACT - Local Government</u>                                 | FY 2005<br>(10 Mo.)                                  | FY 2006  | FY 2007  |
|---|--|--|--|
| <b>HOME DOCK CITIES AND COUNTIES</b>                                    |  |  |  |
| <u>Income</u> - gaming tax from repeal of \$500 loss limit              | \$4,205,000 to<br>\$4,900,000                        | \$5,046,000 to<br>\$5,900,000                        | \$5,046,000 to<br>\$5,900,000                        |
| <u>Income</u> - admission fee increase from repeal of \$500 loss limit. | \$2,132,000 to<br>\$5,200,000                        | \$2,558,000 to<br>\$6,200,000                        | \$2,558,000 to<br>\$6,200,000                        |
| <b>ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES</b>            | <b><u>\$6,337,000 to</u><br/><u>\$10,100,000</u></b> | <b><u>\$7,604,000 to</u><br/><u>\$12,100,000</u></b> | <b><u>\$7,604,000 to</u><br/><u>\$12,100,000</u></b> |

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal removes the \$500 per person per cruise gambling loss limit on Missouri river boat casinos.

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  
Department of Public Safety - Missouri Highway Patrol

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 6, 2004