

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4136-01
Bill No.: HB 1466
Subject: Gambling; Taxation and Revenue - General.
Type: Original
Date: February 23, 2004

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Gaming Proceeds for Education	\$49,003,500 to \$56,825,000	\$58,804,200 to \$68,170,000	\$58,804,200 to \$68,170,000
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>Other</u> State Funds	\$51,135,500 to \$62,025,000	\$61,362,200 to \$74,370,000	\$61,362,200 to \$74,370,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 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	\$7,576,800 to \$11,458,000	\$9,091,800 to \$13,730,000	\$9,091,800 to \$13,730,000

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 **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.

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.

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 \$12,200,000 in FY 2005 (assuming an October 1, 2004 start date), and \$16,300,000 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	\$40,100,000	\$53,500,000	\$53,500,000
Admission Fees to MGC Fund	\$ 4,700,000	\$ 6,300,000	\$ 6,300,000
(plus)			
1% Gaming Tax Increase	<u>\$12,200,000</u>	<u>\$16,300,000</u>	<u>\$16,300,000</u>
Total	\$57,000,000	\$76,100,000	\$76,100,000

ASSUMPTION (continued)

Home Dock Revenue

Gaming Taxes	\$ 4,400,000	\$ 5,900,000	\$ 5,900,000
Admission Fees	\$ 4,700,000	\$ 6,300,000	\$ 6,300,000
Total	\$ 9,100,000	\$12,200,000	\$12,200,000

* Assumes a October 1, 2004 start date.

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, the amount of the increased tax is estimated to be;

Boat / Location	FY 2003 Adjusted Gross Receipts	Additional 1 % tax
President / St. Louis	\$ 73,443,945	\$ 734,439
Ameristar / St. Charles	\$243,416,463	\$2,434,165
Argosy / Riverside	\$ 95,640,371	\$ 956,404
St. Jo Frontier / St. Joseph	\$ 25,642,429	\$ 256,424
Harrah's / NKC	\$207,873,039	\$2,078,730
Aztar / Caruthersville	\$ 22,229,139	\$ 222,291
Isle of Capri / KC	\$ 99,271,902	\$ 992,719
Ameristar / KC	\$209,781,150	\$2,097,812
Harrah's / MH	\$236,562,047	\$2,365,620
Isle of Capri / Boonville.	\$ 66,209,745	\$ 662,097
Mark Twain / LaGrange	<u>\$ 25,057,956</u>	<u>\$ 250,580</u>
Total	\$1,305,128,185	<u>\$13,051,281</u>

ASSUMPTION (continued)

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 \$14,878,000 (\$13,051,281 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.

Oversight will assume a September 1, 2004 start date for the changes in the proposal.

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

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**GAMING PROCEEDS FOR
EDUCATION FUND**

<u>Income</u> - Gaming tax proceeds from repeal of \$500 loss limit	\$37,845,000 to \$44,600,000	\$45,414,000 to \$53,500,000	\$45,414,000 to \$53,500,000
<u>Income</u> - 90% of Gaming tax proceeds from additional 1% tax on AGR	\$11,158,500 to \$12,225,000	\$13,390,200 to \$14,670,000	\$13,390,200 to \$14,670,000

**ESTIMATED NET EFFECT TO THE
GAMING PROCEEDS FOR
EDUCATION FUND**

\$49,003,500 to <u>\$56,825,000</u>	\$58,804,200 to <u>\$68,170,000</u>	\$58,804,200 to <u>\$68,170,000</u>
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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>
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**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>
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FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

**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
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<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
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<u>Income</u> - 10% of Gaming tax proceeds from additional 1% tax on AGR over \$20 million	\$1,239,800 to <u>\$1,358,000</u>	\$1,487,800 to <u>\$1,630,000</u>	\$1,487,800 to <u>\$1,630,000</u>
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**ESTIMATED NET EFFECT TO
HOME DOCK CITIES AND
COUNTIES**

<u>\$7,576,800 to</u> <u>\$11,458,000</u>	<u>\$9,091,800 to</u> <u>\$13,730,000</u>	<u>\$9,091,800 to</u> <u>\$13,730,000</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 removes the individual player's \$500 loss limit and increases the gaming boat's adjusted gross receipts tax from 20% to 21%.

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

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

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

Mickey Wilson, CPA
Director
February 23, 2004