COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0467-01
Bill No.: HB 123
Subject: Gambling
Type: Original
Date: January 5, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Gaming Proceeds for Education	$51,879,000 to $55,575,000	$62,254,300 to $66,730,000	$62,254,300 to $66,730,000
Gaming Commission	$2,178,990 to $4,752,000	$2,615,580 to $5,643,000	$2,615,580 to $5,643,000
Compulsive Gamblers	$22,010 to $48,000	$26,420 to $57,000	$26,420 to $57,000
Total Estimated Net Effect on Other State Funds	**$54,080,000 to $60,375,000**	**$64,896,300 to $72,430,000**	**$64,896,300 to $72,430,000**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$7,965,000 to $10,875,000**	**$9,558,700 to $13,070,000**	**$9,558,700 to $13,070,000**

FISCAL ANALYSIS

ASSUMPTION

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. Currently, in order to obtain a boarding card, the customer must show identification, something they are often reluctant to do. Many customers see this as the government invading their privacy or find it patronizing and offensive. In addition, the use of a boarding card leaves the patron with the impression that their play is being tracked. Therefore, customers are opting to visit casinos in neighboring jurisdictions where identification and the use of a boarding card are not required, such as Illinois, Iowa, Mississippi (primarily Tunica), and the Indian casinos in Kansas. GAM estimates that by eliminating the boarding card requirement, customer volume will increase by about 10%. Based on an average win per customer of $57, gaming revenue will increase approximately $144 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. The loss limit controls, which often requires waiting in lines, results in customer frustration and dissatisfaction. For those on a time budget, it also reduces the time the customer is able to engage in the activity they came for - gambling. 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 2.7% or approximately $40 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. These customers are currently not bothering to gamble in Missouri and they are utilizing other jurisdictions such as Illinois, Mississippi, Las Vegas or Atlantic City. Removing the loss limit would make Missouri a potential destination market for the out of town high-end customers. There is substantial evidence that Missouri casino hotel construction would increase immediately upon removal of the loss limit. Many of the Missouri casinos are well positioned to attract these out of town customers and appear to be willing to invest more in the state to create tourist friendly destinations. 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 estimates that the gaming revenue increase from all three factors is $282 million, which equates to $56 million in new gaming taxes on an annual basis. The increase in customer visits is 2.7 million or 5.7 million admissions, which equates to $11 million in new admission fees for the state and home dock municipalities. The breakout of GAM's estimate of increased taxes and fees between the state and the home dock cities and counties follows;

	FY 2006	FY 2007	FY 2008
State Revenue			
Loss Limit			
Gaming Taxes for Education	$38,100,000	$50,800,000	$50,800,000
Admission Fees to MGC Fund	$ 4,300,000	$ 5,700,000	$ 5,700,000
Gaming Tax Increase			
Gaming Taxes for Education	$13,300,000	$17,700,000	$17,700,000
Total	**$55,700,000 ***	**$74,200,000**	**$74,200,000**

ASSUMPTION (continued)

Home Dock Revenue			
Loss Limit			
Gaming Taxes	$ 4,200,000	$ 5,600,000	$ 5,600,000
Admission Fees	$ 4,300,000	$ 5,700,000	$ 5,700,000
Gaming Tax Increase			
Gaming Taxes	$ 0	$ 0	$ 0
Total	**$ 8,500,000 ***	**$11,300,000**	**$11,300,000**

* Assumes a October 1, 2005 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.

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 2004 was $56.37. Oversight assumes this proposal would increase the win per patron in Missouri to $63.87 ($56.37 + $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 $47,965,000 and an increase in the admission fee revenue of $2,642,000. The corresponding local increase is estimated to be an increase in gaming tax of $5,329,000 and an increase in admissions fee revenue of $2,642,000 annually. The FY 2004 win per patron in Iowa was $55 while the calendar year 2004 (through November) in Illinois it was $111. 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 from 20% to 21%, the amount of the increased tax is estimated to be;

Boat / Location	FY 2004 Adjusted Gross Receipts	Additional 1 % tax
President / St. Louis	$ 71,843,574	$ 718,436
Ameristar / St. Charles	$284,747,394	$2,847,474
Argosy / Riverside	$124,111,486	$1,241,115
St. Jo Frontier / St. Joseph	$ 23,935,964	$ 239,360
Harrah's / NKC	$199,332,830	$1,993,328

ASSUMPTION (continued)

Aztar / Caruthersville	$ 22,185,729	$ 221,857
Isle of Capri / KC	$100,432,130	$1,004,321
Ameristar / KC	$225,878,279	$2,258,783
Harrah's / MH	$254,674,008	$2,546,740
Isle of Capri / Boonville.	$ 72,077,861	$ 720,779
Mark Twain / LaGrange	$ 25,798,381	$ 257,984
Total	$1,405,017,634	$14,050,177

With the repeal of the loss limit, **Oversight** assumed a 13 percent increase in wins per patron ($7.50 / $56.37). Therefore, Oversight assumes an increase of $15,877,000 ($14,050,177 x 113%) 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, pursuant to 313.822(1), RSMo., and has adjusted GAM's estimates to reflect this.

Oversight will assume a September 1, 2005 start date for the changes in the proposal.

Oversight also assumes 1 percent of the increase in admission fee revenue to the state will be transferred to the Compulsive Gamblers Fund, pursuant to 313.820, RSMo.

Officials from the **Department of Public Safety - Director's Office** and the **Missouri Highway Patrol** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** defers to the Missouri Gaming Commission for an estimate of the fiscal impact.

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

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
GAMING PROCEEDS FOR EDUCATION FUND			
Income - Gaming tax proceeds from repeal of $500 loss limit	$39,971,000 to $42,300,000	$47,965,000 to $50,800,000	$47,965,000 to $50,800,000
Income - 90% of Gaming tax proceeds from additional 1% tax on AGR	$11,908,000 to $13,275,000	$14,289,300 to $15,930,000	$14,289,300 to $15,930,000
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	**$51,879,000 to $55,575,000**	**$62,254,300 to $66,730,000**	**$62,254,300 to $66,730,000**
GAMING COMMISSION FUND			
Income - Increased admissions from repeal of the $500 loss limit	$2,201,000 to $4,800,000	$2,642,000 to $5,700,000	$2,642,000 to $5,700,000
Transfer Out - 1 percent to the Compulsive Gamblers Fund	($22,010) to ($48,000)	($26,420) to ($57,000)	($26,420) to ($57,000)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	**$2,178,990 to $4,752,000**	**$2,615,580 to $5,643,000**	**$2,615,580 to $5,643,000**
COMPULSIVE GAMBLERS FUND			
Transfer In - 1 percent of increase in admissions from repeal of the loss limit	$22,010 to $48,000	$26,420 to $57,000	$26,420 to $57,000
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	**$22,010 to $48,000**	**$26,420 to $57,000**	**$26,420 to $57,000**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
HOME DOCK CITIES & COUNTIES			
Income - gaming tax from repeal of $500 loss limit	$4,441,000 to $4,600,000	$5,329,000 to $5,600,000	$5,329,000 to $5,600,000
Income - admission fee increase from repeal of $500 loss limit.	$2,201,000 to $4,800,000	$2,642,000 to $5,700,000	$2,642,000 to $5,700,000
Income - 10% of Gaming tax proceeds from additional 1% tax on AGR	$1,323,000 to $1,475,000	$1,587,700 to $1,770,000	$1,587,700 to $1,770,000
ESTIMATED NET EFFECT TO HOME DOCK CITIES & COUNTIES	**$7,965,000 to $10,875,000**	**$9,558,700 to $13,070,000**	**$9,558,700 to $13,070,000**

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

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

Mickey Wilson

RS:LR:OD (12/02)

Mickey Wilson, CPA
Director
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