

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4195-01
Bill No.: HB 1682
Subject: Gambling
Type: Original
Date: January 28, 2008

Bill Summary: This proposal changes the laws regarding excursion gambling boats by removing the \$500 loss limit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Gaming Proceeds for Education Fund	Up to \$81,560,000	Up to \$97,880,000	Up to \$97,880,000
Gaming Commission	Up to \$12,771,000	Up to \$15,345,000	Up to \$15,345,000
Compulsive Gamblers Fund	Up to \$129,000	Up to \$155,000	Up to \$155,000
Total Estimated Net Effect on Other State Funds	Up to \$94,460,000	Up to \$113,380,000	Up to \$113,380,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	Up to \$21,960,000	Up to \$26,380,000	Up to \$26,380,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal eliminates the loss limits in gaming facilities. The proposal would raise state and local revenues as in the following table

Gaming Forecast	2007	2008	2009	2010
Admissions	51.19	49.72	50.28	49.63
AGR	1,599.76	1,611.44	1,697.64	1,699.90
Win Per Admission	31.25	32.41	33.76	34.25
Win Per Admission with LL removal (+20%)	37.50	38.89	40.52	41.10
New Admissions with LL Removal (+10%)	5.12	4.97	5.03	4.96
Current Admissions, New AGR with LL removal	319.87	322.17	339.71	339.89
New Admissions, New AGR with LL removal	192.00	193.28	203.82	203.86
<i>(Figures in millions of dollars)</i>				
<i>Increased admissions due to Loss Limit Removal</i>				
Current Rate (State + Local, \$2)	10.24	9.94	10.06	9.92
<i>Increased AGR due to Loss Limit Removal</i>				
Current Players, Current AGR Rate (20%)	63.97	64.43	67.94	67.98
New Players, Current AGR Rate (20%)	38.40	38.66	40.76	40.77
Total	112.61	113.03	118.76	118.67
State Education (AGR Taxes * 90%)	92.13	92.78	97.83	97.88
State Gaming Commission (ADM * \$1)	5.12	4.97	5.03	4.96
Local Admission (ADM * \$1)	5.12	4.97	5.03	4.96
Local AGR (AGR Taxes * 10%)	10.24	10.31	10.87	10.88
Available Time Frames			10 months	12 months
Total			98.97	118.67
State Education			81.53	97.88
State Gaming Commission			4.19	4.96
Local Admissions			4.19	4.96
Local AGR			9.06	10.88

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (GAM)** estimate that 30% of Missouri gaming population go out of state due to the loss limit and confidentiality concerns. Therefore, GAM assumes that the repeal of the loss limits will subsequently increase Missouri gaming patrons by 30%. GAM's uses the following FY 2007 data for its estimates:

Patrons:	23,478,176
Adjusted Gross Receipts (AGR)	\$1,599,686,340
State AGR Tax	\$ 287,943,541
Local AGR Tax	\$ 31,993,727
Win Per Patron (WPP)	\$ 68.14

GAM estimates with the elimination of the loss limits, the number of patrons in Missouri casinos will increase by 30 percent, or up to 30,521,629 patrons (23,478,176 x 130%). Applying the win per patron of \$68.14 to the new patron estimate would yield an AGR of \$2,079,743,786 (30,521,629 x \$68.14). Applying the state tax rate of 18% would yield gaming taxes of \$374,353,882, with the new portion attributed to the repeal of the loss limits equaling \$86,410,340 (\$374,353,882 - \$287,943,541).

GAM also estimates an increase to both the state and home dock cities/counties of \$15,495,596 from an increase in admission fee revenue (30,521,629 - 23,478,176 = 7,043,453 new patrons x \$1 each for state and locals x average of 2.2 admissions per patron).

Therefore, the total new state and local taxes GAM estimates will be generated by this proposal is:

	State	Local	Total
Increase in AGR Tax from repeal of loss limits	86,410,340	9,601,149	96,011,489
Increase in Admission Fees from repeal of loss limits	15,495,596	15,495,596	30,991,192

With BAP's estimate of additional gaming tax revenue from the repeal of loss limits of \$97.88 million annually and the Gaming Commission's estimate of \$86.4 million, **Oversight** will assume the fiscal impact from this part of the proposal to be up to the higher estimate, or 'Up to \$97.88 million.' With BAP's estimate of additional admission fee revenue from the repeal of loss limits of \$4.96 million annually and the Gaming Commission's estimate of \$15.5 million, Oversight will assume the fiscal impact from this part of the proposal to be up to the higher estimate, or 'Up to \$15.5 million.'

ASSUMPTION (continued)

Oversight will assume ten months of increased gaming tax revenue in FY 2009 from this proposal.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Income</u> - Gaming Tax (18%) proceeds from repeal of \$500 loss limit	Up to <u>\$81,560,000</u>	Up to <u>\$97,880,000</u>	Up to <u>\$97,880,000</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	Up to <u>\$81,560,000</u>	Up to <u>\$97,880,000</u>	Up to <u>\$97,880,000</u>
GAMING COMMISSION FUND			
<u>Income</u> - Increased admissions from repeal of \$500 loss limit	Up to \$12,900,000	Up to \$15,500,000	Up to \$15,500,000
<u>Transfer Out</u> - 1 percent to the Compulsive Gamblers Fund	(Up to <u>\$129,000</u>)	(Up to <u>\$155,000</u>)	(Up to <u>\$155,000</u>)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	Up to <u>\$12,771,000</u>	Up to <u>\$15,345,000</u>	Up to <u>\$15,345,000</u>

<u>FISCAL IMPACT - State Government</u>	FY 2009	FY 2010	FY 2011
(continued)	(10 Mo.)		

COMPULSIVE GAMBLERS FUND

<u>Transfer In</u> - 1 percent of increase in admissions from repeal of loss limit	<u>Up to \$129,000</u>	<u>Up to \$155,000</u>	<u>Up to \$155,000</u>
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ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>Up to \$129,000</u>	<u>Up to \$155,000</u>	<u>Up to \$155,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2009	FY 2010	FY 2011
	(10 Mo.)		

HOME DOCK CITIES AND COUNTIES

<u>Income</u> - gaming tax from repeal of \$500 loss limit	Up to \$9,060,000	Up to \$10,880,000	Up to \$10,880,000
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<u>Income</u> - admission fee increase from repeal of \$500 loss limit	Up to \$12,900,000	Up to \$15,500,000	Up to \$15,500,000
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ESTIMATED NET EFFECT TO THE HOME DOCK CITIES & COUNTIES	<u>Up to \$21,960,000</u>	<u>Up to \$26,380,000</u>	<u>Up to \$26,380,000</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.

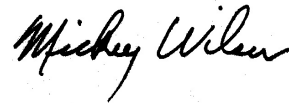
FISCAL DESCRIPTION

Currently, the maximum amount an individual can lose on an excursion gambling boat is \$500 per excursion. This bill removes the loss limit.

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

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

Mickey Wilson, CPA
Director
February 20, 2008