

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5505-01  
Bill No.: HB 2420  
Subject: Gambling  
Type: Original  
Date: April 14, 2008

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Bill Summary: This proposal establishes a three-year moratorium on issuing new licenses for excursion gambling boats.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Gaming Proceeds for Education	(Unknown)	(Unknown)	(Unknown)
Gaming Commission	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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 FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## **FISCAL ANALYSIS**

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### ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state the language, as written, calling for a three year moratorium on licenses issued for gaming boats, would preclude the licensing of the Pinnacle South County Project when it is completed within the next 12-15 months. The value of that pending project, that has already begun construction, is on the order of \$400 million. The project is part of the two-part obligation they have undertaken to develop properties in the St. Louis area. That commitment was originally made in 2005 as a multiple location single project with each property being licensed upon completion of the individual project. The first project, Lumiere Place, in downtown St. Louis was licensed and opened Dec. 19, 2007. Pinnacle also owns the President casino.

The amount of lost tax revenues that might be attributable to the South County project at the time of completion, and final licensing, is indeterminate at this point in time. However, the recent market study completed for GAM estimated that the Lemay-South St. Louis County project would be in the range of 2.9% - 4.7% of the St. Louis regional market place revenues, and a 2.3% - 3.6% patron/s admissions of the regional market.

In response to a similar proposal from this year, HB 1929, GAM assumed this equates to \$3.6 million to \$5.9 million of AGR tax as well as \$247,000 to \$386,000 in admission fees to the state.

In response to a similar proposal from this year, HB 1929, GAM also stated the impact of the Sugar Creek property would be in the range of 2.4% - 3.2% of the Kansas City regional market place revenues, and a 1.6% - 2.1% patrons/admissions of the regional market. This is prior to the impact that Kansas gaming will have upon Missouri casinos (estimated to be as high as a 40 percent loss). GAM assumed this equates to \$3.1 million to \$4.1 million of AGR tax as well as \$922,000 to \$1.2 million in admission fees.

ASSUMPTION (continued)

**Oversight** notes that there are three other riverboat casino properties in Missouri that have estimated capital investment of roughly \$400 million (the estimated capital investment the new property in St. Louis County will have per GAM). Below is a listing of those three other properties and their respective admission fees and gaming tax as provided in the Gaming Commission report for Fiscal Year 2007.

Casino / Location	Est. Capital Investment	Admission Fees	Gaming Tax
Ameristar / St. Charles	\$431,000,000	\$18,075,906	\$60,049,463
Ameristar / Kansas City	\$359,000,000	\$16,458,642	\$51,302,046
Harrah's / Maryland Heights	\$404,504,580	\$19,092,078	\$65,049,946

**Oversight** could assume, based upon these numbers, that a \$400 million property would generate \$15 million - \$20 million in admission fees (which would be divided equally between the state and the home dock) and \$50 million - \$65 million in gaming tax (10% of this to the home dock and 90% to the state). However, as indicated below, the size of the capital investment in a casino property may not have an dependable relationship to the amount of fee and tax revenue the property generates.

The Lumiere Place (*also roughly a \$400 million capital investment*) opened for business on December 19, 2007. The admission fees and gaming tax totals for January and February 2008 for this property, as compared to the other \$400 million properties is shown below.

Casino / Location	Estimated Capital Investment	Jan. & Feb. '08 Admission Fees	Jan. & Feb. '08 AGR	Estimated Jan. & Feb. '08 Gaming Tax
Lumiere Place / St. Louis	\$400,000,000	\$962,537	\$23,665,902	\$4,733,180
Ameristar / St. Charles	\$431,000,000	\$1,390,783	\$46,346,953	\$9,269,391
Ameristar / Kansas City	\$359,000,000	\$1,287,304	\$47,032,053	\$9,406,411
Harrah's / Md. Heights	\$404,504,580	\$1,252,341	\$40,546,312	\$8,109,262

Therefore, if you annualize (multiply by 6) Lumiere Place's performance for January and February of 2008, you would arrive at \$11.55 million in admission fees and \$28.4 million in gaming taxes, which both lie outside the range estimated above for a \$400 million capital investment project.

ASSUMPTION (continued)

**Oversight** is also unsure of the size of the potential development in Sugar Creek, or even if the casino would be designed, constructed and opened by August 28, 2011. Oversight does not know the amount of casino patrons the new Lemay and Sugar Creek properties would lure away from existing casinos in Missouri. Therefore, based upon the uncertainty of estimating admission fee and gaming tax revenue on a new casino and based upon the actual construction of a new gaming facility in St. Louis County that is scheduled to be licensed and opened in twelve to fifteen months and potential development in Jackson County, **Oversight** will assume an unknown loss of potential revenue in FY 2009, FY 2010 and FY 2011 (moratorium ends August 28, 2011).

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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**GAMING PROCEEDS FOR  
EDUCATION FUND**

<u>Loss</u> - Potential loss of 18% AGR tax revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<u><b>(UNKNOWN)</b></u>	<u><b>(UNKNOWN)</b></u>	<u><b>(UNKNOWN)</b></u>
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**GAMING COMMISSION FUND**

<u>Loss</u> - Potential loss of \$1 per admission fee revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<u><b>(UNKNOWN)</b></u>	<u><b>(UNKNOWN)</b></u>	<u><b>(UNKNOWN)</b></u>
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FISCAL IMPACT - Local Government

FY 2009  
(10 Mo.)

FY 2010

FY 2011

**HOME DOCK CITIES/COUNTIES**

Loss - Potential loss of 2% AGR tax revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.

(Unknown)

(Unknown)

(Unknown)

Loss - Potential loss of \$1 per admission fee revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT TO  
HOME DOCK CITIES/COUNTIES**

**(UNKNOWN)**

**(UNKNOWN)**

**(UNKNOWN)**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

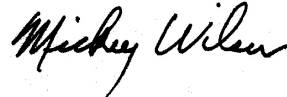
This proposal places a three year moratorium (until August 28, 2011) upon the issuance of new licenses to operate excursion gambling boats.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Missouri Gaming Commission

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

Mickey Wilson, CPA  
Director  
April 14, 2008