

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5505-02
Bill No.: HCS for HB 2420
Subject: Gambling
Type: Original
Date: April 25, 2008

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

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	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Gaming Commission	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

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	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state there could be several licenses granted within the three-year moratorium period capable of generating additional revenues. In particular, the Commission had begun the process of expansion in the Sugar Creek, Missouri area, but that expansion has been put on hold temporarily due to substantial changes in the overall economic environment. However, it is reasonable to assume that given the length of the moratorium, general economic conditions could improve sufficiently to move forward with the expansion process resulting in an additional gaming license being granted for the Sugar Creek area.

Data based on revenue/zip code models in GAM's Statewide Market Study (pgs 81 & 84) indicates that a development in the Sugar Creek area could result in the following potential revenue losses.

KANSAS CITY MARKET AREA:*

The statewide market study estimated that Sugar Creek would have generated 2.4% - 3.2% of FY 2007 AGR, and 1.6% - 2.1% patrons/admissions of the Kansas City regional market.

FY '07 Kansas City market AGR was: \$ 719,411,866
FY '07 Kansas City market Admissions were: \$ 47,135,432

2.4% of FY '07 Kansas City market AGR: \$ 17,265,885
3.2% of FY '07 Kansas City market AGR: \$ 23,021,180

2.4% of FY '07 Kansas City market AGR tax @ 18%: \$ 3,107,859
3.2 % of FY '07 Kansas City market AGR tax @ 18%: \$ 4,143,812

FY '07 Kansas City market Admissions were: \$ 47,135,432 of which, ½ goes to state fund recipients for a total of \$23,567,716

1.6% of FY '07 Kansas City market share of state admission fees: \$377,084
2.1% of FY '07 Kansas City market share of state admission fees: \$494,922

* Note: since estimates are for FY '07 for the Kansas City market area, there is no attempt to estimate the impact of Kansas gaming. That impact has been estimated as high as a 40% loss of Kansas City, Missouri market revenues. Also, statewide AGR revenues for FY 08 have been flat, while admission fees have declined by 4% statewide.

ASSUMPTION (continued)

In response to a similar proposal from this year (HB 1929), officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Other versions of this gaming license moratorium did not exclude those properties currently not licensed but in the works; therefore, since the South St. Louis County project is currently under construction, Oversight assumed a definite but unknown amount of lost revenue resulting from the proposal. This substitute appears to exempt the Lemay project from the moratorium; therefore, there are no longer any casinos that are currently under construction that would not be allowed to open because of this moratorium. **Oversight** is 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, or if there are other casino properties that would otherwise have been licensed and opened for business prior to the end of the moratorium. Therefore, based upon the uncertainty of estimating admission fee and gaming tax revenue on a new casino and the uncertainty of whether new casinos would have otherwise been constructed and licensed within the moratorium period, **Oversight** will assume an potential unknown loss of potential revenue in FY 2009, FY 2010 and FY 2011 (moratorium ends August 28, 2011). Oversight will range the fiscal impact from \$0 to (Unknown).

FISCAL IMPACT - State Government

FY 2009
 (10 Mo.)

FY 2010

FY 2011

**GAMING PROCEEDS FOR
 EDUCATION FUND**

Loss - 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.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

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

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

GAMING COMMISSION FUND

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.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO THE
 GAMING COMMISSION FUND**

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

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.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(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.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

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

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

\$0 to
(UNKNOWN)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

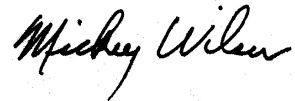
This proposal places a three year moratorium (until August 28, 2011) upon the issuance of new licenses to operate excursion gambling boats.

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

L.R. No. 5505-02
Bill No. HCS for HB 2420
Page 7 of 7
April 25, 2008

SOURCES OF INFORMATION

Missouri Gaming Commission
Office of the Secretary of State

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

Mickey Wilson, CPA
Director
April 25, 2008