

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4731-01  
Bill No.: HB 1826  
Subject: Gambling; Boats and Watercraft; Licenses  
Type: Original  
Date: February 18, 2010

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Bill Summary: This proposal prohibits imposition of penalties, suspension or revocation of an excursion gambling boat license due to inadequate declining performance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<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 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<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 2011	FY 2012	FY 2013
<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 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri Gaming Commission (MGC)** state this legislation has a fiscal impact on both local and state governments. By eliminating the Commission's ability to discipline a licensee for issues related to performance, MGC believes that this language neutralizes the ability of the Commission to hold casinos accountable to the standards set out in state statutes and regulations. From the standpoint of a fiscal impact on local governments, this would mean that the revenue collected from fines currently assessed on violators would no longer be collected, thus depriving the home dock counties of that additional revenue stream which is currently devoted to education. While there is no guarantee in a given year as to the total amount of financial penalty revenue received by local governments, the numbers below, which span the last three fiscal years, is evidence of the amount of revenue that could be lost if the Commission could no longer discipline licensees for performance (violations). The MGC states the amount of penalties collected for local political subdivisions for the past three years has been \$383,500 in FY 2007, \$433,750 in FY 2008 and \$167,000 in FY 2009.

The ability of the Commission to assess financial and take other forms of administrative action, to ensure accurate collection of all taxes and admission fees, would be eliminated by the passage of this legislation. It is impossible to quantify, however, the negative fiscal impact caused by anything less than total compliance with tax and fee collections. To provide some perspective as to the possible degradation of the base amount of Adjusted Gross Receipt (AGR) tax revenue collected in a given year, please see the chart attached below. Note: each dollar of AGR represents 19 cents (\$.189) to Education.

In addition, when utilized as one of many disciplinary options available to the Commission ending in revocation and subsequent re-issuance of a new license, the fiscal impact must include unrealized tax revenues (Education) for each potential replacement licensee. While the income that is lost due to declining performance is difficult to measure, the accompanying chart would point to the potential income of a new licensee in a rural or urban area. It is also necessary to include but difficult to measure the value of the capital investment accompanying a proposal by a prospective licensee. Past proposals would indicate these are substantial capital investments carrying with them significant economic multiplier effects resulting in significant state income and sales tax revenues.

Rather than plugging in a dollar amount, we have left the fiscal impact as "unknown" because not only is it difficult to measure the costs of a singular event, the proposed change in law would affect all future actions of the Commission in this respect.

ASSUMPTION (continued)

The MGC provided the following comparative information regarding Missouri's casinos.

	2009 Adjusted Gross <u>Receipts (millions)</u>	Number of employees <u>by site (at 6/30/09)</u>
Argosy (KC area)	\$198.2	1,019
Harrah's (KC area)	\$197.8	1,261
Ameristar (KC area)	\$243.7	1,948
Isle of Capri (KC area)	\$ 81.5	506
Harrah's (St. Louis area)	\$292.4	1,616
Ameristar (St. Louis area)	\$297.0	1,636
Lumiere (St. Louis area)	\$181.1	1,343
President (St. Louis area)	\$ 23.3	239
Boonville	\$ 81.3	540
Caruthersville	\$ 33.2	326
Mark Twain	\$ 36.4	243
St. Joseph	\$ 37.7	284

**Oversight** is uncertain if this proposal would impede the Gaming Commission's ability to revoke the license of the President Casino in St. Louis (operations set to discontinue July 1, 2010). Oversight assumes that if the Gaming Commission revokes the license of the President casino, a new license could be awarded to a different facility that will be able to generate gaming revenue for the state at a level higher than what is currently being produced by the President. However, Oversight assumes the fiscal impacts presented by the Gaming Commission (additional revenue for education and additional capital investment in Missouri) to be potential indirect effects of the bill. Oversight assumes the Gaming Commission would still be able to revoke a license of a casino for various other offenses; however, 'inadequate declining performance' would not be one of them.

**Oversight** assumes the MGC will still be able to assess fines and penalties on casinos for various violations. A similar proposal from this year (SB 839) does not allow the MGC to impose penalties, suspend or revoke a license based on 'inadequate declining income' (this proposal is for 'inadequate declining performance'). Oversight will assume the effect of this proposal would be the same as SB 839.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

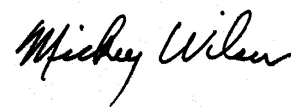
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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



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