

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2616-01  
Bill No.: SB 721  
Subject: Education, Elementary and Secondary; Gambling; Education, Higher.  
Type: Original  
Date: January 22, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$14,887,500)	(\$35,730,000)	(\$53,595,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$14,887,500)</b>	<b>(\$35,730,000)</b>	<b>(\$53,595,000)</b>

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
State School Moneys	\$0	\$0	\$0
Gaming Proceeds for Education Fund	\$0	\$0	\$0
Gaming Commission Fund	\$2,132,000 to \$5,200,000	\$2,558,000 to \$6,200,000	\$2,558,000 to \$6,200,000
Education Job Retraining Program	\$52,732,500 to \$59,487,500	\$81,144,000 to \$89,230,000	\$99,009,000 to \$107,095,000
<b>Total Estimated Net Effect on All State Funds</b>	<b>\$54,864,500 to \$64,687,500</b>	<b>\$83,702,000 to \$95,430,000</b>	<b>\$101,567,000 to \$113,295,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$6,337,000 to \$10,100,000</b>	<b>\$7,604,000 to \$12,100,000</b>	<b>\$7,604,000 to \$12,100,000</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of the State Treasurer** and the **Department of Public Safety - Missouri Highway Patrol** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Coordinating Board for Higher Education (CBHE)** state Section 313.903 indicates potential additional funding for the Missouri College Guarantee Program and the Missouri Academic Scholarship program in FY 2010. The amount of funding that may be available through this provision in FY 2010 for these programs is unknown.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Missouri Gaming Commission, Department of Elementary and Secondary Education, Department of Higher Education, and the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 48 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 72 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$2,952, however, the actual

ASSUMPTION (continued)

fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the bill changes the use of any gaming proceeds for education exceeding the FY04 funding level. The amounts transferred from the Gaming Proceeds for Education Fund in FY 2004 are:

School District Bond Fund	\$ 450,000
State School Moneys Fund	<u>\$231,380,000</u> (estimate)
TOTAL	\$231,830,000

DESE states that transfers from the Gaming Proceeds for Education Fund would continue to be made for the foundation formula and the School District Bond Fund in the estimated amount of \$231,830,000 for years FY 2005 through FY 2009. Any money in the fund greater than the estimated \$231,830,000 would be transferred to the Educational Job Retraining Program Fund. The Department of Economic Development (DED) would implement this job retraining program. Therefore, the growth in money in this fund would no longer be for K-12 education but rather adult job retraining and administered by DED. After FY 2009, any money in the fund greater than the estimated \$231,830,000 would be transferred to:

- a. The Missouri College Guarantee Fund,
- b. The Higher Education Academic Scholarship program, or
- c. Providing state aid to school districts pursuant to the foundation program pursuant to Section 163.031, RSMo. (State School Moneys Fund)

DESE states that an increased cost to the state cannot be determined. Without this bill, any additional money in the Gaming Proceeds for Education Fund would be available for the school foundation formula. If this money is not available for the formula, other state money will be needed for the formula. Therefore, DESE estimates an unknown cost to the General Revenue Fund and the State School Moneys Fund as some amount of additional General Revenue funding

ASSUMPTION (continued)

will be required to replace the normal growth in the Gaming Proceeds for Education Fund that would normally go from the Gaming Proceeds for Education Fund to the State Schools Money Fund.

DESE defers to the Missouri Gaming Commission regarding the fiscal impact of the repeal of the \$500 loss limit.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposed legislation repeals the loss limit for players on excursion gambling boats. It also establishes the Educational Job Retraining Program Fund from gaming revenue for education over the amount transferred in FY 2004. Also, beginning in FY 2010, it provides the potential for additional funding for the Missouri College Guarantee Fund and the Academic Scholarship Fund (Bright Flight).

BAP assumes that removing the loss limit will result in an additional \$40.1 million in state revenue in FY 2005 (assumes August 28, 2004 effective date).

For Fiscal Year 2005 through 2009, gaming revenue in excess of the amount transferred to the School District Bond Fund and State School Moneys Fund in FY 2004 will be transferred to the Educational Job Retraining Program Fund. Gaming Proceeds for Education grows approximately 2% each year. Based on the FY 2004 and FY 2005 estimates, \$2.2 million would be transferred to the Educational Job Retraining Program Fund. Any amount directed to the Educational Job Retraining Program Fund reduces the amount that would be available to fund the foundation formula.

Projected FY 2005 Gaming Proceeds for Education	\$240,400,000
FY 2004 Gaming Proceeds for Education transfer	(\$237,750,000)
FY 2004 School District Bond Fund transfer	<u>(\$ 450,000)</u>
FY 2005 Educational Job Retraining Program Fund	\$ 2,200,000

BAP states that in Fiscal Year 2010, all the gaming proceeds over the amount transferred in FY 2004 to the School District Bond Fund and the State School Moneys Fund would be transferred to the Missouri College Guarantee Fund, the Higher Education Academic Scholarship Fund, or used to fund the foundation formula.

Officials from the **Department of Economic Development - Division of Workforce Development (DWD)** state this proposal would be an additional program for the Division and would entail tracking and processing of retraining claims filed in local career centers.

RAS:LR:OD (12/02)

ASSUMPTION (continued)

DWD assumes the need for one Work Force Development Specialist II (at \$33,876 annually) to be directly responsible for administration and oversight of the program; one Accountant I (at \$30,804 annually) to provide fiscal support; both for payments, and reporting; and one Computer Info Tech II (at \$40,716 annually) to run programs needed to submit information for reporting data and statistical information. DWD states that it is unknown at this time how many dollars will be input into this program.

DWD assumes the proposal will result in additional costs of \$147,776 in FY 2005 and roughly \$160,000 per year thereafter from the Educational Job Retraining Program Fund.

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. GAM states that some customers are reluctant to show identification and view this as an invasion to their privacy. GAM estimates that by eliminating the boarding card requirement, customer volume will increase by about 12%. Based on an average win per customer of \$60, gaming revenue will increase approximately \$162 million.
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. 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 2.8% or approximately \$37 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. Removing the loss limit would make Missouri a potential destination market for the out of town high-end customers. 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.

ASSUMPTION (continued)

In summary, GAM assumes that removing the \$500 loss limit will result in additional gaming taxes of roughly \$59,400,000 ((162 million + 37 million + 98 million) x 20% tax rate) as well as an increase in admission fees of roughly \$12,400,000. The breakout of GAM's estimate of increased taxes and fees between the state and the home dock cities and counties follows;

	FY 2005	FY 2006	FY 2007
<b>State Revenue</b>			
Gaming Taxes for Education	\$44,600,000	\$53,500,000	\$53,500,000
Admission Fees to MGC Fund	\$ 5,200,000	\$ 6,200,000	\$ 6,200,000
<b>Total</b>	<b>\$49,800,000</b>	<b>\$59,700,000</b>	<b>\$59,700,000</b>
<b>Home Dock Revenue</b>			
Gaming Taxes	\$ 4,900,000	\$ 5,900,000	\$ 5,900,000
Admission Fees	\$ 5,200,000	\$ 6,200,000	\$ 6,200,000
<b>Total</b>	<b>\$10,100,000</b>	<b>\$12,100,000</b>	<b>\$12,100,000</b>

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 2003 was \$54.99. Oversight assumes this proposal would increase the win per patron in Missouri to \$62.49 (\$54.99 + \$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 \$45,414,000 and an increase in the admission fee revenue of \$2,558,000. The corresponding local increase is estimated to be an increase in gaming tax of \$5,046,000 and an increase in admissions fee revenue of \$2,558,000 annually.

The FY 2003 win per patron in Iowa was \$53 while in calendar 2002 in Illinois it was \$97.31. For fiscal note purposes, **Oversight** will range the potential fiscal impact of this proposal from Oversight's estimates to the Gaming Commission's estimates.

**Oversight** assumes that an amount of additional General Revenue funding will be required to replace the normal growth in the Gaming Proceeds for Education Fund that would usually go to the State School Moneys Fund. The proceeds that normally go from the Gaming Proceeds for

**ASSUMPTION** (continued)

Education Fund to the State School Moneys Fund and the School District Bond Fund will be retained at the FY 2004 level. Therefore, no additional revenue in future years from normal inflation or growth will go towards these funds from the Gaming Proceeds for Education Fund. Oversight assumes that this normal growth will be replaced by the General Revenue Fund. Oversight has reviewed the actual proceeds received into the Gaming Proceeds for Education Fund for the last three fiscal years as well as the projection for FY 2004, and the growth rate has been roughly 7.5 percent per year. Taking 7.5 percent of the projected transfer out of the Gaming Proceeds for Education Fund to the two school funds (\$238,200,000) for FY 2004, Oversight will assume that the normal growth per year would be roughly \$17,865,000 ( $\$238,200,000 \times 7.5\%$ ). Therefore, Oversight will show this as a loss to General Revenue since it is replacing what was lost to the new Education Job Retraining Program Fund to keep the Gaming Proceeds for Education fund receiving the normal annual growth. This amount is compounded each year, so for FY 2006, the loss is estimated to be \$35,730,000 ( $\$17,865,000 + \$17,865,000$ ) and so on. For FY 2005, Oversight assumes 10 months, or \$14,887,500 ( $\$17,865,000 / 12 \times 10$ ) of impact.

Beginning in FY 2010, the funds transferred from the Gaming Proceeds for Education Fund in excess of FY 2004 levels will be transferred to the Missouri College Guarantee Fund, the Higher Education Academic Scholarship Program, or to school districts based upon the foundation formula. **Oversight** assumes this part of the proposal is beyond the scope of the fiscal note.

**Oversight** assumes DWD will utilize all of these proceeds on additional FTE and other costs to administer the program, training, tuition assistance and other expenses from the new program.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Transfer Out</u> - to the State School Moneys Fund	<u>(\$14,887,500)</u>	<u>(\$35,730,000)</u>	<u>(\$53,595,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$14,887,500)</u></b>	<b><u>(\$35,730,000)</u></b>	<b><u>(\$53,595,000)</u></b>

FISCAL IMPACT - State Government  
 (continued)

FY 2005  
 (10 Mo.)

FY 2006

FY 2007

**STATE SCHOOL MONEYS FUND**

<u>Transfer In</u> - from General Revenue	\$14,887,500	\$35,730,000	\$53,595,000
<u>Loss</u> - in growth from the Gaming Proceeds for Education Fund	<u>(\$14,887,500)</u>	<u>(\$35,730,000)</u>	<u>(\$53,595,000)</u>

**ESTIMATED NET EFFECT TO THE STATE SCHOOL MONEYS FUND**

\$0

\$0

\$0

**GAMING PROCEEDS FOR EDUCATION FUND**

<u>Income</u> - Gaming tax proceeds from repeal of \$500 loss limit	\$37,845,000 to \$44,600,000	\$45,414,000 to \$53,500,000	\$45,414,000 to \$53,500,000
<u>Savings</u> - growth money no longer transferred to State School Money Fund	\$14,887,500	\$35,730,000	\$53,595,000
<u>Transfer Out</u> - to Educational Job Retraining Program Fund reflecting projected growth	<u>(\$14,887,500)</u>	<u>(\$35,730,000)</u>	<u>(\$53,595,000)</u>
<u>Transfer Out</u> - to Educational Job Retraining Program Fund from \$500 loss limit repeal	<u>(\$37,845,000 to \$44,600,000)</u>	<u>(\$45,414,000 to \$53,500,000)</u>	<u>(\$45,414,000 to \$53,500,000)</u>

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

\$0

\$0

\$0



FISCAL IMPACT - State Government  
 (continued)

FY 2005  
 (10 Mo.)

FY 2006

FY 2007

**GAMING COMMISSION FUND**

<u>Income</u> - Increased admissions from repeal of the \$500 loss limit	\$2,132,000 to <u>\$5,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>
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<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<b>\$2,132,000 to <u>\$5,200,000</u></b>	<b>\$2,558,000 to <u>\$6,200,000</u></b>	<b>\$2,558,000 to <u>\$6,200,000</u></b>
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**EDUCATIONAL JOB RETRAINING  
PROGRAM FUND**

<u>Transfer In</u> - from Gaming Proceeds for Education Fund for normal growth	\$14,887,500	\$35,730,000	\$53,595,000
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<u>Transfer In</u> - from the Gaming Proceeds for Education Fund for loss limit repeal	\$37,845,000 to <u>\$44,600,000</u>	\$45,414,000 to <u>\$53,500,000</u>	\$45,414,000 to <u>\$53,500,000</u>
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<b>ESTIMATED NET EFFECT TO THE EDUCATIONAL JOB RETRAINING PROGRAM FUND</b>	<b>\$52,732,500 to <u>\$59,487,500</u></b>	<b>\$81,144,000 to <u>\$89,230,000</u></b>	<b>\$99,009,000 to <u>\$107,095,000</u></b>
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FISCAL IMPACT - Local Government

FY 2005  
 (10 Mo.)

FY 2006

FY 2007

**HOME DOCK CITIES AND  
COUNTIES**

<u>Income</u> - gaming tax from repeal of \$500 loss limit	\$4,205,000 to \$4,900,000	\$5,046,000 to \$5,900,000	\$5,046,000 to \$5,900,000
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<u>Income</u> - admission fee increase from repeal of \$500 loss limit.	\$2,132,000 to <u>\$5,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>	\$2,558,000 to <u>\$6,200,000</u>
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<b>ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES</b>	<b><u>\$6,337,000 to</u> <u>\$10,100,000</u></b>	<b><u>\$7,604,000 to</u> <u>\$12,100,000</u></b>	<b><u>\$7,604,000 to</u> <u>\$12,100,000</u></b>
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### FISCAL IMPACT - Small Business

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

### DESCRIPTION

This proposal repeals the \$500 gaming loss limit contained in Section 313.805, RSMo.

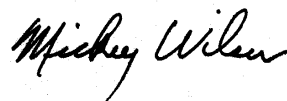
Further, this proposal directs any increase in the Gaming Proceeds for Education Fund during fiscal years 2005 through 2009 to the Educational Job Retraining Fund, established by this proposal within the State Treasury. The Educational Job Retraining Fund will be administered by the Department of Economic Development and will provide educational job training and tuition assistance for unemployed or underemployed Missouri residents who were employed in this state on a full-time basis for a minimum of three consecutive years immediately prior to losing their jobs due to job elimination during adverse economic conditions.

Beginning in fiscal year 2010 and for each fiscal year thereafter, any increase (from base fiscal year 2004) in the Gaming Proceeds for Education Fund shall be transferred to: the Missouri College Guarantee Fund; the Higher Education Academic Scholarship Program; and school districts pursuant to the Foundation Formula.

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 - Missouri Highway Patrol  
Department of Elementary and Secondary Education  
Department of Economic Development - Division of Workforce Development  
Office of the Secretary of State  
Coordinating Board of Higher Education  
Office of the State Treasurer



L.R. No. 2616-01  
Bill No. SB 721  
Page 11 of 11  
January 22, 2004

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RAS:LR:OD (12/02)