

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2782-01
Bill No.: SB 863
Subject: Economic Development; Gambling; Boards, Commissions, Committees,
Councils.
Type: Original
Date: January 6, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Gaming Proceeds for Education	\$37,845,000 to \$44,600,000	\$45,414,000 to \$53,500,000	\$45,414,000 to \$53,500,000
Gaming Commission	\$2,132,000 to \$5,200,000	\$2,558,000 to \$6,200,000	\$2,558,000 to \$6,200,000
Total Estimated Net Effect on <u>All</u> State Funds	\$39,977,000 TO \$49,800,000	\$47,972,000 TO \$59,700,000	\$47,972,000 TO \$59,700,000

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** state the proposal should not result in additional costs or savings to their agency and defer to the Gaming Commission for an estimate regarding the revenue impact.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the proposal would not fiscally impact their agency.

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.

ASSUMPTION (continued)

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.

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
State Revenue			
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
Total	\$49,800,000	\$59,700,000	\$59,700,000
Home Dock Revenue			
Gaming Taxes	\$ 4,900,000	\$ 5,900,000	\$ 5,900,000
Admission Fees	\$ 5,200,000	\$ 6,200,000	\$ 6,200,000
Total	\$10,100,000	\$12,100,000	\$12,100,000

GAM has revised their estimates for the impact of the removal of the \$500 loss limits from last year to the numbers presented above.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**GAMING PROCEEDS FOR
EDUCATION FUND**

<u>Income</u> - Gaming tax proceeds from repeal of \$500 loss limit	\$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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**ESTIMATED NET EFFECT TO THE
GAMING PROCEEDS FOR
EDUCATION FUND**

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

\$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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<u>FISCAL IMPACT - Local Government</u>	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
<u>Income</u> - admission fee increase from repeal of \$500 loss limit.	\$2,132,000 to \$5,200,000	\$2,558,000 to \$6,200,000	\$2,558,000 to \$6,200,000
ESTIMATED NET EFFECT TO HOME DOCK CITIES AND COUNTIES	<u>\$6,337,000 to</u> <u>\$10,100,000</u>	<u>\$7,604,000 to</u> <u>\$12,100,000</u>	<u>\$7,604,000 to</u> <u>\$12,100,000</u>

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 authority of the Gaming Commission to enforce a \$500 maximum loss per person per gambling excursion.

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

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

Mickey Wilson, CPA
Director
January 6, 2004