

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1520-03  
Bill No.: SB 402  
Subject: Gambling; Education, Higher; Higher Education Dept.; Education, Elementary and Secondary; Appropriations  
Type: Original  
Date: March 26, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$7,695,000 to Unknown)	(\$7,695,000 to Unknown)	(\$7,695,000 to Unknown)
Gaming Proceeds for Education *	\$0	\$0	\$0
Gaming Commission	\$4,079,000	\$4,895,000	\$4,895,000
Missouri College Guarantee	\$74,555,000 to \$130,073,000	\$89,465,000 to \$156,088,000	\$89,465,000 to \$156,088,000
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Unknown) to \$126,457,000</b>	<b>(Unknown) to \$153,288,000</b>	<b>(Unknown) to \$153,288,000</b>

\* Offsetting revenues and expenditures of \$89 million to \$156 million.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Local Funds	\$12,363,000 to \$18,532,000	\$14,836,000 to \$22,238,000	\$14,836,000 to \$22,238,000
<b>Local Government</b>	<b>\$12,363,000 to \$18,532,000</b>	<b>\$14,836,000 to \$22,238,000</b>	<b>\$14,836,000 to \$22,238,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

### FISCAL ANALYSIS

#### ASSUMPTIONS

Officials from the **Missouri Gaming Commission** assume this proposal will have no fiscal impact on their organization. **Oversight** assumes this response referred only to the transfer of additional gaming revenues.

In response to a similar proposal, officials from the **Missouri Gaming Commission** (GAM) assumed removing the gambling loss limit would be likely to increase the amount of state and local tax dollars received from riverboat gambling. GAM states that it is difficult to estimate the impact this proposal would have on problem gambling or social costs. GAM assumes that a way to predict the fiscal impact of removing the \$500 loss limit is to assume that all Missouri boats' adjusted gross receipts per patron would rise to at least the level of the Illinois riverboats doing business in the St. Louis market, which was \$70.61 in calendar year ended, December 31, 2000.

A "patron" is an individual visiting a riverboat, regardless of how long they may stay on the boat. An "admission", however, is the number of times that a patron may hit a two-hour cruise window while on the boat. For example, a patron may stay on the boat for 2 ½ hours, but could possibly hit three two-hour cruise windows, or admissions, each of which triggers a \$2 admission fee.

In addition, GAM stated there is strong evidence that the inconveniences of the loss limits drive down the number of visits. Patrons that have been to gaming facilities with no loss limits often find the loss limits cumbersome and inconvenient and either do not return or reduce their number of visits to Missouri casinos. In addition, high limit players in Missouri and from other jurisdictions limit visitation or do not patronize Missouri casinos because of the loss limits.

ASSUMPTION (continued)

Based on these facts, GAM assumed the removal of the loss limits would raise the adjusted gross receipts per patron to \$70.61 (from the current AGR per patron of \$41.53) and would increase admissions by at least 10%. Based upon calculations used by GAM and updated with calendar year 2000 admission totals, the state impact from gaming tax is assumed to be \$156,088,000 annually; while the local impact would be \$17,343,000 annually. GAM also estimated an increase in the number of admissions, and applying fiscal year 2000 admission totals to their assumptions, GAM has estimated an annual state and local impact of \$4,895,000 each. The estimates do not account for any increase in jobs, a multiplier effect, facility expansion, or additional facilities constructed as a result of the removal of the loss limit.

GAM assumes the proposed changes to RSMo 313.805 (3) regarding the commission not having the power to restrict the amount of time an individual may spend aboard an excursion gambling boat will not have a fiscal impact.

The **Office of Administration (OA), Division of Budget and Planning** state that the proposal should not result in additional costs or savings to their agency.

In response to similar legislation from last year, officials from the **Missouri Highway Patrol** stated that they initially anticipate no fiscal impact nor an increase in personnel.

**Oversight** reviewed the effect of the loss limits on the state of Iowa and found that Iowa's win per admission increased by approximately \$7.50. According to the Gaming Commission, the Adjusted Gross Receipts (AGR) per admission in FY 2000 was \$20.18. Oversight assumes this proposal would increase the AGR per admission in Missouri to \$27.68. Assuming a 10% increase in the number of admissions, Oversight estimates the state impact from gaming tax and admissions fee would be \$94,360,000 annually; while the local impact would be \$14,836,000 annually. For fiscal note purposes, Oversight will range the potential fiscal impact from the low to high estimates.

Officials from the **Department of Higher Education (CBHE)** assume this bill would capture additional gaming revenue for the Missouri College Guarantee Program and increase the Academic Scholarship ("Bright Flight") award by \$1,000 to \$3,000. CBHE has no way of knowing what the increases in gaming revenue to the College Guarantee Program would be under this bill. However, there would not be additional administrative costs related to revenue growth in this program.

ASSUMPTION (continued)

In the past two fiscal years there have been approximately 8,100 students receive the Bright Flight Scholarship. Although all participating students receive \$1,000 per semester, not all students receive the award for both semesters due to enrollment changes or other causes of lost eligibility. Thus the mathematical average award is not \$2,000 per student, but \$1,900 per student. Therefore an increase in the award amount from \$2,000 to \$3,000 would entail a \$950 average increase per student. This produces a fiscal impact of  $8,100 \times \$950 = \$7,695,000$  per academic year, which is equivalent to one fiscal year. Additionally, the number of students participating in this program has not increased over the past two years and there is no increase anticipated for FY 2002.

This program, like all state grants and scholarships is subject to appropriations.

**Oversight** assumes full funding of the Bright Flight Scholarship program increase for FY 2002 since the proposal would become effective before the start of the school year. Oversight also assumes the additional revenues from gaming proceeds will be fully devoted to additional scholarship awards.

Officials from the **Department of Elementary and Secondary Education** assume this proposal limits the transfer from the Gaming Proceeds for Education Fund to the State School Moneys Fund, to the level of the FY01 transfer that will be approximately \$180,000,000. It also limits the transfer to the School District Bond Fund to the level of the FY01 transfer, that will be approximately \$7,000,000. Any additional moneys in the Gaming Proceeds for Education Fund are to be transferred to the Missouri College Guarantee Fund to provide scholarships to Missourians to attend a Missouri college or university.

The cost to the state will be the amount of additional money in the Gaming Proceeds for Education Fund that could have been used to help keep the state foundation formula fully funded. The amount of the additional money in the fund is unknown by DESE.

**Oversight** assumes that an unknown amount of additional General Revenue funding will be required to replace the transfers from the Gaming Proceeds for Education Fund to the State School Moneys Fund and the School District Bond Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Potential additional transfers to:</u>			
State School Moneys Fund	(Unknown)	(Unknown)	(Unknown)
School District Bond Fund	(Unknown)	(Unknown)	(Unknown)
<u>Cost - Department of Higher Education</u>			
Increased Bright flight Scholarships	(\$7,695,000)	(\$7,695,000)	(\$7,695,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$7,695,000 to Unknown)</u></b>	<b><u>(\$7,695,000 to Unknown)</u></b>	<b><u>(\$7,695,000 to Unknown)</u></b>
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<u>Income</u>			
Gaming Tax	\$74,555,000	\$89,465,000	\$89,465,000
	to	to	to
	\$130,073,000	\$156,088,000	\$156,088,000
<u>Transfer to</u>			
Missouri	(\$74,555,000)	(\$89,465,000)	(\$89,465,000)
College	to	to	to
Guarantee Fund	(\$130,073,000)	(\$156,088,000)	(\$156,088,000)
<b>ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GAMING COMMISSION FUND</b>			
<u>Income</u>			
Admission Fees	\$4,079,000	\$4,895,000	\$4,895,000
<b>ESTIMATED NET EFFECT ON GAMING COMMISSION FUND</b>	<b><u>\$4,079,000</u></b>	<b><u>\$4,895,000</u></b>	<b><u>\$4,895,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>MISSOURI COLLEGE GUARANTEE FUND</b>			
<u>Revenue</u>			
Transfers from Gaming Proceeds for Education Fund	\$74,555,000 to \$130,073,000	\$89,465,000 to \$156,088,000	\$89,465,000 \$156,088,000
<b>ESTIMATED NET EFFECT ON MISSOURI COLLEGE GUARANTEE FUND</b>	<b><u>\$74,555,000</u></b> <b>to</b> <b><u>\$130,073,000</u></b>	<b><u>\$89,465,000</u></b> <b>to</b> <b><u>\$156,088,000</u></b>	<b><u>\$89,465,000</u></b> <b>to</b> <b><u>\$156,088,000</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>LOCAL FUNDS</b>			
<u>Income</u>			
Gaming Tax	\$8,284,000 to \$14,453,000	\$9,941,000 to \$17,343,000	\$9,941,000 to \$17,343,000
Admission Fees	<u>\$4,079,000</u>	<u>\$4,895,000</u>	<u>\$4,895,000</u>
<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>	<b><u>\$12,363,000 to</u></b> <b><u>\$18,532,000</u></b>	<b><u>\$14,836,000 to</u></b> <b><u>\$22,238,000</u></b>	<b><u>\$14,836,000 to</u></b> <b><u>\$22,238,000</u></b>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This legislation would eliminate the gambling boat loss limitation on January 1, 2001, and provides that any increased state gambling boat proceeds deposited in the gaming proceeds for education fund shall be transferred as follows. For fiscal year 2002 and each fiscal year thereafter all funds transferred from the gaming proceeds for education fund in excess of the sum of the amount transferred to the school district bond fund for fiscal year 2001 plus the amount transferred to the state school moneys fund for fiscal year 2001, shall be transferred to the Missouri College Guarantee Fund. Qualifying students shall be given scholarships to attend a Missouri college or university of their choice.

This bill would also increase the Academic Scholarship ("Bright Flight") award by \$1,000 to \$3,000.

DESCRIPTION - continued

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  
Department of Higher Education  
Department of Elementary and Secondary Education



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Director  
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