MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (No. 03-02)

Subject

Initiative Petition for a constitutional amendment from Missourians for Economic Opportunity regarding gambling on floating facilities on the White River in Rockaway Beach, Missouri. (Received June 10, 2003)

Date

June 30, 2003

Description

The initiative petition amends Article III of the Missouri Constitution by adding one new section, 39(g), to permit floating gambling facilities on the White River in Rockaway Beach, Missouri.

Games and contests of skill and games and contest of chance are authorized to be conducted on floating facilities on the White River within the city limits of Rockaway Beach, Missouri which will include artificial spaces that contain water and that are within 1000 feet of the closest edge of the main channel of such river. The floating facilities will be licensed and regulated consistent with all other floating facilities in the State of Missouri.

All state revenues derived from the conduct of all gaming activities on the floating facilities authorized under Section 39(g) will not be included within the definition of "total state revenues" in section 17 of article X of the Missouri Constitution and will stand appropriated without legislative action to the State Board of Education, Department of Elementary and Secondary Education (DESE). The monies derived will be expended and used annually by the DESE solely as follows:

- Fifty percent of the moneys so derived in the current year will be used to fund uniform salary supplement grants to all high quality teachers employed in priority schools.
- The remaining moneys so derived in the current year will be distributed to all priority school districts on a per pupil distribution basis for the purpose of capital improvements to education facilities in such priority school districts.

Assumptions

Currently, Article III, Section 39(e) of the Missouri Constitution authorizes riverboat gambling on only the Missouri and Mississippi Rivers. This includes artificial spaces that contain water and that are within 1000 feet of the closest edge of the main channel of

either of those rivers. The initiative petition would amend the constitution to include the White River in Rockaway Beach, Missouri as an additional place for gambling on floating facilities. In addition, Article III, Section 39(g) would define how the state revenues derived from the facility on the White River in Rockaway Beach, Missouri would be expended.

The State Gaming Commission (commission) indicated that any floating facility in Rockaway Beach, Missouri will be licensed and regulated by the commission consistent with all other floating facilities in the state, and the facility will pay the existing gaming tax of 20% of gross receipts and the existing $2 admission fee. In addition, §313.812.10 RSMo requires that no license shall be issued to a floating facility unless the qualified voters of the local government approve of such activities in an election.

Commission officials conducted a preliminary market study regarding a hypothetical casino in Rockaway Beach, Missouri. The market study consisted of estimating the potential gaming population that resides in the region, the number of annual visits per gamer, and the average expenditure per visit. The gaming population was estimated by multiplying the adult population by the estimated propensity to gamble (the percentage of the population that will visit a casino during a year). The propensity estimates were based on figures from prior market studies conducted by The Innovation Group, formerly Urban Systems, Inc. The estimates for the number of annual visits were based on the relationship between drive time and gaming visits found in other Missouri markets. The average expenditure per visit estimates (Win Per Patron) were also based on current figures found in other similar markets in Missouri. The commission also considered the effect of tourism due to the close proximity to Branson, Missouri. Because this is new territory for the commission, there was no historical data available. Therefore, estimates were used with an emphasis towards conservatism. Due to the uncertainties involved with an estimate of this type, the commission used a range of +/- 10% for the analysis.

The 20% gaming tax and $2 admission fee are divided between the state and local governments. Ninety percent of the gaming tax goes to the state and ten percent goes to the local entity (§313.822.1 RSMo). One dollar of the admission fee goes to the state and one dollar goes to the local entity (§313.835 RSMo, §313.820.1 RSMo). The range for gaming tax and admission fees include the following.

	Lower	Baseline	Upper
Gaming gross receipts ($ thousands)	$ 184,639	205,154	225,669
Gaming tax rate	20%	20%	20%
Gaming tax revenue ($ thousands)	$ 36,928	41,031	45,134
10% local share ($ thousands)	$ 3,693	4,103	4,513
90% state share ($ thousands)	$ 33,235	36,928	40,621

	Lower	Baseline	Upper
Number of patrons (thousands)	3,026	3,362	3,698
Admissions per patron[1]	2.15	2.15	2.15
Admissions (thousands)	6,505	7,228	7,951
Admission fee	$ 2	2	2
Admission fee revenue ($ thousands)	$ 13,010	14,456	15,902
$1 local share ($ thousands)	$ 6,505	7,228	7,951
$1 state share ($ thousands)	$ 6,505	7,228	7,951

Additional revenue to the state would include, depending on the size of the casino:

• Application fees	(one-time)	$50,000	to	300,000
• License fees	(on-going)	61,000	to	80,000
• License fees	(one-time)	90,000	to	121,000
Total additional state revenue		$201,000		$501,000

Based on the information from the State Gaming commission, the total direct gaming revenue will be:

	Low	High
($ millions)		
State share of 20% gaming tax	$ 33.2	$ 40.6
State share of $2 admission fee	6.5	7.9
Additional state revenue	.2	.5
Total state revenue	$ 39.9	$ 49.0
Local share of 20% gaming tax	$ 3.7	$ 4.5
Local share of $2 admission fee	6.5	7.9
Total local revenue	$ 10.2	$ 12.4

The commission also estimated the additional cost to the state required to regulate a new casino. These costs are passed on to the casino and are considered private entity costs. Thus the net effect to the state is zero because the revenue will offset the original cost. One time costs will vary depending on the actual number of highway patrol officers assigned to the casino (cars, radios, guns, protective vests, Kobetron machine, etc).

Officials of the Department of Elementary and Secondary Education assume the new distribution of money to priority school districts will require additional programming to make the distribution possible. Costs associated with this additional programming would not likely be significant. The criteria for a priority school district is defined in §160.720 RSMo. Currently, no priority schools have been identified. The department plans to

[1] The 2.15 admissions per patron assumes a patron stays at the gambling facility an average of 4.3 hours. The facility pays the $2 admission fee for each two-hour stay per patron.

identify the first group of priority schools in December 2004 based on 2003 and 2004 MAP data.

Officials of the Department of Revenue assume there would be no additional administrative impact and they were unable to determine any impact on state taxes deferring to the State Gaming Commission. Officials of the Department of Economic Department assume, "no fiscal impact". Officials of the Department of Natural Resources assume, "no direct fiscal impact". Officials of the Department of Conservation assume, "no significant fiscal impact".

The State Auditor's Office is required to annually review local property tax rates of taxing authorities in the state. The primary objective of the review is to determine whether local governing boards have levied taxes in accordance with state law, and in particular, to determine whether local rates have been adjusted to ensure that property reassessments are revenue neutral. Reassessments of existing property are not intended to increase tax revenue but to equitably reallocate the existing tax burden based on the relative value of property owned by taxpayers.

Due to a number of uncertainties, the property tax rate and revenue cannot be estimated at this time. The State Auditor's Office has no authority to determine or review individual property tax assessments and therefore cannot estimate the changes in assessed valuation for this project.

Public comments and other input

The State Auditor’s Office contacted or obtained information from the Gaming Commission, the Department of Elementary and Secondary Education, the Department of Revenue, the Department of Economic Development, the Department of Natural Resources, and the Department of Conservation. Douglas S. Stone of Polsinelli, Shalton, and Welte representing the Missourians for Economic Opportunity, Inc. submitted comments and data as a proponent of the initiative petition.

Fiscal Note Summary

This constitutional amendment will generate annual direct gaming revenue ranging from $39.9 to $49.0 million for the state and $10.2 to $12.4 million for the local government, subject to local voter approval and licensing by the State Gaming Commission. The amount of indirect revenue or expense, if any, is unknown.