

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7121

BILL NUMBER: HB 1251

DATE PREPARED: Jan 7, 2000

BILL AMENDED:

SUBJECT: Riverboat gaming.

FISCAL ANALYST: Brian Tabor

PHONE NUMBER: 233-9456

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill expands the definition of a "riverboat" to include permanently moored barges as well as self-propelled excursion boats. It provides that a riverboat owner may conduct gambling games while the riverboat is docked and allows the continuous ingress and egress of passengers for the purpose of gambling. It increases the Riverboat Admissions Tax from \$3 to \$4 and changes the basis for imposing the tax from the number of persons admitted to the number of persons on board at the time a passenger count is recorded.

The bill also establishes the Property Tax Relief Account within the state General Fund. It provides that the Account consists of appropriations to the Account and a part of the Riverboat Admissions Tax. It provides that if the number of patrons counted on board a riverboat during a quarter exceeds the number of the riverboat's admissions for the corresponding quarter of the state fiscal year beginning July 1, 1999, and ending June 30, 2000, the Department shall deposit the Admissions Tax attributable to the number of patrons that exceeded the number of admissions for the corresponding quarter of the state fiscal year beginning July 1, 1999, and ending June 30, 2000, into the Property Tax Relief Account. It also provides that except for the daily initial passenger count, passenger counts must be recorded every two hours.

The bill makes it a Class A misdemeanor for a person to knowingly or intentionally aid, induce, or cause a person less than 21 years of age and who is not an employee of the riverboat to enter or attempt to enter the riverboat. It also makes it a Class C misdemeanor for a person who is less than 21 years of age and who is not an employee of the riverboat to knowingly or intentionally enter or attempt to enter a riverboat.

Effective Date: May 1, 2000; July 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: This bill allows gaming to be conducted on a riverboat while a boat is

docked and permits continuous ingress and egress of riverboat patrons. Under current law, riverboats are required to cruise (although the administrative rules of the Indiana Gaming Commission permit the riverboat to remain docked due to bad weather and other circumstances).

This proposal may increase revenue from the riverboat-related gaming taxes: the Riverboat Admission Tax and the Riverboat Wagering Tax. Dockside gaming began in Illinois on June 26, 1999, and casino revenue and admissions have increased significantly since this change. During the period of July 1999 (the first full month of dockside gaming) to November 1999, total adjusted gross receipts of all riverboats in Illinois grew by about 25.2% compared with July through November of the previous year. Comparing the same time period for Indiana, adjusted gross receipts increased by 12.3% (based on the amount of Wagering Tax revenue). Indiana’s growth rate includes the addition of the Caesar’s operation in Harrison County which opened in late November 1998.

Total admissions to riverboats in Illinois also increased from July-November in 1999 in comparison to the same period in 1998 by 28.5%. The comparable growth rate for Indiana was only 9.3%. The exact impact of dockside gaming on state revenues cannot be determined at this time, however, more information regarding the two gaming taxes is provided below. This analysis may be updated as more precise estimates of the bill’s impact become available.

Riverboat Wagering Tax: This bill may increase revenue from the Riverboat Wagering Tax by an indeterminable amount. The Wagering Tax is assessed at a rate of 20% of each riverboat’s adjusted gross receipts. After administrative expenses of the Indiana Gaming Commission are paid, three-quarters of the Wagering Tax revenue is distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. One quarter of the remaining revenue is distributed to the city or county in which the riverboat is docked. In FY 1999, Riverboat Wagering Tax revenue totaled \$291 M and approximately \$213.7 M was distributed to the LGSA. An additional \$71.2 M was distributed to units serving as home docks as shown in Table A below.

TABLE A: FY 1999 Riverboat Wagering Tax Distributions to Local Units

LOCAL UNIT	DISTRIBUTION
East Chicago	\$8,870,612
Evansville	5,168,341
Gary	12,810,914
Hammond	11,083,582
Harrison County	4,003,642
Lawrenceburg	14,314,769
Michigan City	7,414,146
Rising Sun	7,562,041

Riverboat Admission Tax: This bill changes the basis of the Admission Tax by eliminating references to riverboat excursions and assessing the tax based on passenger counts. It allows a reporting period beginning at 6 a.m. each day and concluding at 5:59 a.m. the following day. The tax would be assessed based on each patron who is on board a riverboat during a passenger count. An initial passenger count would be recorded one hour after the reporting period begins, or if the IGC does not allow riverboats to operate at 6:00 a.m., one hour after the casino is open to the public. Subsequent passenger counts would be taken every two hours. A procedure for taking passenger counts would be approved by Indiana Gaming Commission (IGC).

Based on the experience of Illinois, dockside gaming could increase the number of admissions by an

indeterminable amount beginning May 1, 2000.

This bill also changes the Admission Tax to \$4 for each patron on board during a passenger count after July 1, 2000. Under current law, the tax is \$3 for each paid or unpaid admission to a riverboat gaming excursion and is paid by a person or organization that holds an owner's license for riverboat gambling operations. Given this 33% tax increase, this provision could have an offsetting effect of reducing admissions if the costs of this increase are passed along to riverboat patrons through higher admission prices or other charges. The net effect, however, is indeterminable.

This bill establishes the Property Tax Relief Account within the state General Fund. Money in the account would be used to provide property tax relief and would consist of appropriations to the account and deposits from the Riverboat Admission Tax revenue. The account is to be administered by the State Budget Agency and funds in the account will not revert at the end of a fiscal year. No appropriation is made from this account.

The bill provides that of each \$1.00 increase in the Admission Tax, \$0.15 shall be distributed to the Division of Mental Health for community health addiction services and other services. The remaining \$0.85 would be deposited in the newly created Property Tax Relief Account.

For each \$3 tax, the Treasurer of State currently makes quarterly distributions as outlined below:

- \$1.00 to the city in which the boat is docked*;
- \$1.00 to the county in which the boat is docked;
- \$0.10 to the county convention and visitor bureau or promotion fund;
- \$0.15 to the State Fair Commission;
- \$0.10 to the Division of Mental Health; and
- \$0.65 to the Indiana Horse Racing Commission.

\$3.00 TOTAL

*In counties along the Ohio River in which the riverboat is not docked in the largest city in the county, this \$1.00 is distributed to the county (\$2.00 total distribution for the county).

Under this bill, distributions would be made as follows:

- \$1.00 to the city in which the boat is docked*;
- \$1.00 to the county in which the boat is docked;
- \$0.10 to the county convention and visitor bureau or promotion fund;
- \$0.15 to the State Fair Commission;
- \$0.25 to the Division of Mental Health;
- \$0.65 to the Indiana Horse Racing Commission; and
- \$0.85 to the Property Tax Relief Account;

\$4.00 TOTAL

Table B (shown below) illustrates the actual distributions made in FY 1999 to state and local units from Admission Tax revenue:

Table B: FY 1999 Riverboat Admission Tax Distributions

RECIPIENT ENTITY	AMOUNT DISTRIBUTED
Dearborn County	\$7,007,546
Dearborn County & Visitor's Bureau	700,748
Lawrenceburg (Argosy)	7,007,546
Harrison County (Caesar's)	3,096,046
Harrison County Convention Visitor's Bureau	154,801
Lake County	17,749,421
Lake County Convention & Visitor's Bureau	1,774,927
East Chicago (Harrah's)	4,772,027
Hammond (Empress)	5,775,837
Gary (Majestic Star, Trump)	7,201,557
LaPorte County	3,586,227
LaPorte County Convention & Visitor's Bureau	358,620
Michigan City (Blue Chip)	3,586,227
Ohio County	3,677,644
Ohio County Convention & Visitor's Bureau	367,761
Rising Sun (Grand Victoria)	3,677,644
Vanderburgh County	2,021,299
Vanderburgh County Convention & Visitor's Bureau	202,128
Evansville (Aztar)	2,021,299
Indiana Horse Racing Commission	23,126,770
Mental Health, Division of	3,558,984
State Fair Commission	5,338,530

Note: 50% of the total Admission Tax distributions to Ohio County and the city of Rising Sun are shared with Ripley County, Switzerland County, and fourteen municipalities within Dearborn, Ripley, and Switzerland Counties.

In FY 1999, the Admission Tax generated over \$110.7 M in revenue. Based on the same number of admissions, the \$4.00 tax would have generated an additional \$36.9 M. If the revenue had been distributed as provided for in this bill, the Division of Mental Health would have received an additional \$5.5 M and the Property Tax Relief Account would have received about \$31.4 M. However, these estimates do not account for the negative effects of the tax increase on total admissions.

This bill also requires the Department of State Revenue to determine the number of admissions to each riverboat in each quarter of FY 2000. Beginning in FY 2001, if the number of admissions for a given quarter exceeds the number in the corresponding quarter of FY 2000, the tax revenue attributable to the excess admissions would be deposited in the Property Tax Relief Account. This would have the effect of freezing the amount of revenue distributed to other state and local entities at FY 2000 levels while distributions to the Property Tax Relief Account could continue to grow if admissions increase.

Penalties: Under this bill, a person knowingly or intentionally aiding, inducing, or causing a person less than 21 years of age to enter or attempt to enter a riverboat would commit a Class A misdemeanor. In addition, a person who is less than 21 years of age and knowingly or intentionally enters or attempts to enter a riverboat would commit a Class C misdemeanor.

If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000 while the maximum fine for a Class C misdemeanor is \$500. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalties:* A Class A misdemeanor is punishable by up to one year in jail while a Class C misdemeanor is punishable by up to 60 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Riverboat gaming taxes:* Dockside gaming may increase the number of admissions and the amounts wagered on Indiana's riverboat casinos. Such increases would result in a greater amount of revenue from the Wagering Tax being distributed to local units where riverboats are docked. Revenue from the Admission Tax may increase in the last two months of FY 2000, however, beginning in FY 2001, the incremental amount of revenue would be diverted to the Property Tax Relief Account.

Penalties: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed, and if collected would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Department of Revenue; Budget Agency; Treasurer.

Local Agencies Affected: Units where riverboats are located, trial courts, local law enforcement agencies.

Information Sources: Auditor of State; Illinois Gaming Board, (312) 814-4703.