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FISCAL IMPACT STATEMENT

LS 6803

BILL NUMBER: HB 1285

NOTE PREPARED: Feb 3, 2009

BILL AMENDED: Feb 2, 2009

SUBJECT: Various Gaming Matters.

FIRST AUTHOR: Rep. Van Haften

FIRST SPONSOR: Sen. Becker

BILL STATUS: As Passed House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Social Security Number Submission:* The bill specifies that the Gaming Commission may require an individual to submit the individual's Social Security number in the course of an investigation.

Gaming Facility Trusteeships: The bill requires licensed owners, operating agents, permit holders, and applicants to submit a proposed power of attorney to the Gaming Commission. It provides that the power of attorney must designate a trustee to operate the principal's riverboat or slot machine facility on behalf of the principal if certain events occur. It provides that the Gaming Commission must approve the trustee and the powers delegated to the trustee in the power of attorney. It also specifies the conditions under which the trustee may conduct gambling operations on a riverboat or at a racetrack.

Supplier's Licenses: The bill consolidates licensing requirements for riverboat and slot machine facility suppliers and increases the suppliers' initial license fees and annual renewal fees from \$5,000 to \$7,500.

Gaming Integrity Fund: The bill transfers duties concerning the Gaming Integrity Fund from the Gaming Commission to the Horse Racing Commission.

Donations to School and Community Foundations: The bill provides that a unit that receives County Slot Machine Wagering Fee revenue shall establish a fund, separate from the unit's General Fund, into which the revenue shall be deposited. The bill provides that County Slot Machine Wagering Fee Revenue (as well as riverboat gaming revenue, under current law), may be donated to a public school endowment corporation or a charitable nonprofit community foundation under certain conditions.

Effective Date: Upon Passage; July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: *Gaming Facility Trusteeships* - The bill allows the Indiana Gaming Commission (IGC) to appoint a trustee to take over the operation of a riverboat casino or racetrack slot machine facility if: (1) the owner's license or permit, or operating agent's contract, is revoked or not renewed by the IGC; or (2) other specified circumstances arise where the owner is unable or unwilling to operate the casino or slot machine facility. In addition to operating the riverboat casino or racetrack slot machine facility, the bill authorizes the trustee operate any hotel, restaurant, golf course, or other amenity related to the casino or slot machine facility. The bill also allows the trustee to sell the casino or slot machine facility and amenities if a sale is not completed by the owner within 180 days of the time the IGC adopts a resolution appointing the trustee to operate the casino or slot machine facility. The revenue implications of these provisions are as follows.

(1) The possibility that a trustee would be needed to take over the operation of a riverboat casino or racetrack slot machine facility in the future is unknown. However, the bill could prevent an operational stoppage and interruption of revenue from taxes on the riverboat casinos or racetrack slot machine facilities if revocation or nonrenewal actually arises and, under current statute, a trustee can't be established to operate the casino or slot machine facility.

(2) The bill allows the IGC to impose civil penalties on riverboat casino owners, operating agents, and owners of racetrack slot machine facilities who fail to submit an approved power of attorney with an approved trustee within the deadlines specified in the bill. The amount of civil penalties that could potentially be imposed by the IGC under these provisions of the bill is indeterminable.

Supplier's Licenses - The bill makes two changes relating to the licensing of suppliers of gaming equipment to riverboat casinos and racetrack slot machine facilities. The revenue implications of these two changes are as follows:

(1) The bill consolidates the licensing of suppliers to the riverboat casinos and racetrack slot machine facilities beginning in FY 2010. This change would not result in a loss of fee revenue relative to the current IGC practice for licensing suppliers for the two types of gaming facilities. Current statute provides for separate licensing of the casino and slot machine facility suppliers with separate license fees of \$5,000. However, the IGC has been allowing licensed suppliers for the casinos to be suppliers to the slot machine facilities without paying the additional \$5,000 license fee. The bill simply eliminates the separate supplier's license for slot machine facilities after June 30, 2009. The bill then provides that the casino supplier's license satisfies the requirements to be a licensed supplier to the racetrack slot machine facilities.

(2) The bill increases the initial and annual renewal fees for a supplier's license from \$5,000 to \$7,500 beginning in FY 2010. The IGC issued or renewed 27 supplier licenses during FY 2008 with fee revenue totaling \$135,000. The increased supplier's license fee would generate \$67,500 in additional fee revenue from 27 suppliers.

Gaming Integrity Fund - The bill transfers administration of the Gaming Integrity Fund from the IGC to the Indiana Horse Racing Commission (IHRC). The Gaming Integrity Fund is a nonreverting fund containing revenue from the Gaming Integrity Fee and from a portion of the racetrack owners' required set aside of 15% of slot machine revenue. The Gaming Integrity Fee is a \$250,000 annual fee paid by each racetrack for

operation of its slot machine facility. In addition to this fee, the first \$250,000 annually from the 15% slot revenue set aside is distributed to the Fund. As of November 30, 2008, FY 2008 revenue distributed to the Fund totaled \$750,000.

Money in the Gaming Integrity Fund may be used to: (1) pay the cost of analyzing equine specimens; (2) pay dues to the Drug Testing Standards and Practices Committee of the Association of Racing Commissioners International; and (3) provide grants for research for the advancement of equine drug testing.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Gaming Facility Trusteeships - See Explanation of State Revenues.*

(Revised) *Donations to School and Community Foundations* - The bill allows Madison County, Shelby County, and cities and towns in each county to donate revenue from the County Slot Machine Wagering Fee to a charitable nonprofit community foundation or a public school endowment corporation. The bill also allows a school corporation that receives revenue from the fee under a revenue-sharing agreement with one of the counties, or a city or town, to donate that revenue to a charitable nonprofit community foundation. Current statute provides the same authorization to local units receiving revenue from the Riverboat Admissions Tax or the Riverboat Wagering Tax. The extent that such donations would occur as a result of the bill are unknown.

The bill also requires a local unit that receives County Slot Machine Wagering Fee revenue or receives money under a revenue sharing agreement with another local unit that receives County Slot Machine Wagering Fee revenue to establish a separate fund in which the fee revenue is to be deposited. The bill provides that the money in this separate fund may be used for any legal or corporate purpose of the local unit.

(Revised) *Background Information:* The County Slot Machine Wagering Fee is equal to 3% of the adjusted gross receipts (AGR) generated by the slot machine facilities at Hoosier Park and Indiana Downs. AGR is the total wagering receipts generated by the slot machines minus the amount paid out in winnings to gamblers. Madison County receives the fee revenue generated at Hoosier Park, and Shelby County receives the fee revenue generated at Indiana Downs. The fee revenue is divided on a per capita basis between the county receiving the revenue and cities and towns within that county.

It is estimated that the fee could generate about \$5.8 M in FY 2010 and \$6.0 M in FY 2011 for Madison County; and about \$4.8 M in FY 2010 and \$4.9 M in FY 2011 for Shelby County. These estimates are based on the Revenue Technical Committee's December 11, 2008, forecast for revenue from the State Slot Machine Wagering Tax. During the first seven months of FY 2009, distributions of fee revenues have totaled about \$3.3 M to Madison County and about \$2.8 M to Shelby County.

State Agencies Affected: IGC; IHRC.

Local Agencies Affected: Madison County; Shelby County; Cities, towns, and school corporations in each county.

Information Sources: Kendra Nigg, IGC, 317-233-0046; *Revenue Technical Committee Forecast*, December 11, 2008; January 31, 2009, *Revenue Trial Balance*, State Auditor's Data.

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