

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 553** HLS 18RS 685
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2018 8:57 PM	Author: BARRAS
Dept./Agy.: Gaming Control Board	Analyst: Greg Albrecht
Subject: Land-Based Casino	

GAMING/CASINO RE2 +\$30,000,000 GF RV See Note Page 1 of 2
 Provides with respect to the casino operating contract

Proposed law, with JLCB approval, authorizes the La Gaming Control Board to enter one 20-year renewal term with one 10-year renewal option with the operator of the land-based casino (current term expires 2024). The casino operator is required to (a) make \$350 million of capital investments, (b) beginning August 1, 2018 directly pay Orleans Parish the amount of \$6 million per year associated with the Casino Support Services Contract, with an inflation adjustment every two years beginning August 1, 2023 (provisions regarding State involvement are deleted), (c) pay the State \$3.4 million per year beginning August 1, 2018, with an inflation adjustment every two years beginning August 1, 2023, and (d) pay \$40 million (\$30 million to the State, \$10 million to the city) within ten days of JLCB approval of the amended operating contract and city approval of the amended lease). Modifications to the offering of lodging by the casino operator are authorized, as well. The casino will continue to pay the State the greater of 18.5% of gross gaming revenue earned by the casino, or \$60 million per year, plus an additional \$40 million per year beginning FY20. Effective July 1, 2018. Continued on page 2

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$30,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$190,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$35,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$10,000,000	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$10,000,000
Annual Total	\$47,000,000					\$47,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

In addition to the current law minimum compensation provisions (greater of \$60 million or 18.5% of gross gaming revenue earned by the casino), the bill requires a \$40 million per year payment. In FY19 the payment is allocated to the state (75%, \$30 million, presumably to the state general fund) and the city of New Orleans (25%, \$10 million). In FY20 and beyond, this additional payment is directed entirely to the state general fund.

The bill also redirects \$3.6 million per year of casino receipts from the Casino Support Services Fund (eliminated by this bill) to the SELF Fund (the state no longer has the Support Services Contract obligation which was paid from the \$60 million minimum compensation payment to the state). The first \$3.6 million of minimum compensation above \$60 million received by the state is directed to the La Early Childhood Education Fund (R.S. 17:407.30). This allocation will presumably be financed in part with the additional \$3.4 million payment required by this bill (R.S. 27:241.1.B(2)(a)). Any amounts received over minimum compensation payments of \$63.6 million are directed to be split 30%/70% infrastructure project support in Orleans Parish and the state general fund.

These dedication effects are shown in the table above as a \$7 million gain to State dedicated revenues (the SELF Fund), although this \$3.6 million is being redirected from another state dedicated fund being eliminated by this bill (the Casino Support Services Fund), combined with the new dedication of the \$3.4 million payment over the \$60 million minimum compensation amount to be allocated to the La Early Childhood Education Fund.

Amounts received in excess of this \$63.4 million minimum compensation (\$60 million plus extra \$3.4 million payment) would be allocated to Orleans Parish in support of capital infrastructure (30%), and to the state general fund (70%).

The City of New Orleans will receive \$6 million per year for the support services contract directly from the casino operator rather than from the State through the dedication of state receipts from the casino operator and subject to annual approval of the JLCB.

Continued on page 2

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

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Continued Explanation of the Bill

If the minimum compensation paid in the previous casino fiscal year is less than \$60 million, the amount received is allocated to the Support Education in Louisiana First Fund (SELF Fund). If the minimum compensation paid in the previous casino fiscal year is more than \$60 million, the first \$3.6 million in excess is allocated to the La Early Childhood Fund, with any remaining excess received split between Orleans Parish to support infrastructure projects (30%), and the state general fund (70%).

Continued Revenue Explanation

The bill provides for an inflation adjustment every two years applied to the \$3.6 million direct payment to Orleans Parish and the \$3.4 million additional payment to the State. Consequently, values for these figures will be no more than 2% higher in FY21, then no more than 2% higher again in FY23, repeating every two years thereafter. These relatively minor inflation adjustments have not been factored into the out-years of the table above.

The bill also provides for a \$40 million payment to the state (75%) and the city of New Orleans (25%), if prior to the end of the term of the casino operating contract, the operator sells the casino lease.

The bill does not change the current minimum compensation payments to the State of the greater of 18.5% of gross gaming revenue earned by the casino, or \$60 million per year. The State received the \$60 million minimum in FY17 and will likely receive about \$63 million in FY18. The current official forecast anticipates receiving \$60 million per year over the official forecast horizon (FY19 - FY22). Under current law, \$500,000 of these payment are dedicated to the Compulsive and Problem Gaming Fund, and \$1.8 million to \$3.6 million has been dedicated to the Casino Support Services Fund to pay the city of New Orleans as part of the casino support services contract.

Senate Dual Referral Rules


13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


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