

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: May 17, 2018 12:02 PM	Author: BARRAS
Dept./Agy.: Gaming Control Board	Analyst: Greg Albrecht
Subject: Land-Based Casino	

GAMING/CASINO REF +\$25,000,000 GF RV See Note Page 1 of 2
 Provides with respect to the casino operating contract

Proposed law authorizes the La Gaming Control Board to enter a 20-year renewal term (and a 10-year renewal option) with the operator of the land-based casino (current term expires 2024). The casino operator is required to (a) make \$350M of capital investments, (b) beginning August 1, 2018 directly pay Orleans Parish \$6M per year for casino support services, adjusted for inflation every two years beginning in 2023 (provisions regarding State involvement are deleted), (c) pay the State \$3.4M per year beginning August 1, 2018, adjusted for inflation every two years beginning in 2023, and (d) pay \$40M within ten days of JLCB approval of an amended operating contract and city approval of an amended lease, to be disbursed: 6.25% (\$2.5M) to the Community Water Enrichment Fund, 6.25% (\$2.5M) to the Other Improvements Fund, 62.5% (\$25M) to the state general fund, and 25% (\$10M) to the city of New Orleans. If the casino lease is sold prior to the end of the term, another \$40M payment is required, with the same allocation. Beginning in FY22, \$20M per year shall be paid to the state general fund. 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.	\$25,000,000	\$0	\$0	\$20,000,000	\$20,000,000	\$65,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$12,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$40,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$16,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$40,000,000
Annual Total	\$53,000,000	\$13,000,000	\$13,000,000	\$33,000,000	\$33,000,000	\$145,000,000

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 \$60M or 21.5% of gross gaming revenue earned by the casino), upon approval of an amended operating contract and lease, a payment of \$40M is to be paid and allocated as: 6.25% (\$2.5M) to the Community Water Enrichment Fund, 6.25% (\$2.5M) to the Other Improvements Fund, 62.5% (\$25M) to the state general fund, and 25% (\$10M) to the city of New Orleans. The city of New Orleans will be paid \$6M per year directly by the operator for support services. This support to the city had been provided from the state casino receipts in lesser amounts and intermittently. The bill also requires annual payments of \$3.4M to the state beginning in FY19, and additional annual payments of \$20M to the state general fund beginning in FY22.

In addition, the bill effectively redirects state casino receipts from the Casino Support Services Fund (eliminated by this bill) to the SELF Fund. The state would no longer have a support services contract obligation, as much as \$3.6M when paid by the state, came from the minimum compensation payments to the state. The bill directs the first \$3.6M of compensation above \$60M minimum received by the state to the La Early Childhood Education Fund. This allocation will presumably be financed in part with the additional \$3.4M payments required by the bill. These dedication effects are shown in the table above as a \$7M gain to State dedicated revenues (the SELF Fund), although \$3.6M of this amount is being redirected from another state dedicated fund being eliminated by this bill (the Casino Support Services Fund), combined with the dedication of the additional required \$3.4M payment over the \$60 million minimum compensation amount allocated to the La Early Childhood Education Fund. For FY19, an additional \$5M is dedicated from the \$40M required payment, as described above, for a total dedication of \$12M. After that, only the \$7M per year dedication amount, described above, is depicted.

Any amounts received from the taxation of gaming activity over these minimum amounts of \$63.6 million are allocated to Orleans Parish to support infrastructure projects (30%), to the state general fund (67.5%), and the Compulsive and Problem Gaming Fund (2.5%). No presumption is made as to the magnitude and timing of additional gaming activity receipts beyond the required minimum amounts.

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}

John D. Carpenter
Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

Continued Explanation of the Bill

The bill also requires an additional annual payment of \$3.4M beginning August 1, 2018, adjusted for inflation every two years beginning in 2023. The casino will continue to pay the State minimum compensation of the greater of 21.5% of gross gaming revenue earned by the casino, or \$60 million per year.

If the minimum compensation paid in the previous casino fiscal year is less than \$60M, the amount received is allocated to the Support Education in Louisiana First Fund (SELF Fund), as per current law. If the minimum compensation paid in the previous casino fiscal year is more than \$60M, the first \$3.6M in excess is allocated to the La Early Childhood Fund. Minimum compensation in excess of these amounts are allocated to Orleans Parish to support infrastructure projects (30%), the state general fund (67.5%), and the Compulsive and Problem Gaming Fund (2.5%) for gambling addition treatment rehabilitation centers.

Modifications to the offering of lodging by the casino operator are authorized, as well as compliance with all Disadvantaged Business Enterprises requirements.

Continued Revenue Explanation

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

If the casino lease is sold prior to the end of the term, another \$40M payment is required, with the same allocation as the \$40M payment required when the new term is implemented. The timing of a sale of the casino lease is speculative and is not considered in the tables above.

The bill does not change the current minimum compensation payments to the State of the greater of 21.5% 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 payments are dedicated to the Compulsive and Problem Gaming Fund. No casino support services contract has been submitted to the JLCB for approval of a state funded allocation to the city of New Orleans.

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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