

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 348** SLS 10RS 676
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 30, 2010	11:22 AM	Author: MARIONNEAUX
Dept./Agy.:		Analyst: Travis McIlwain
Subject: Prohibits smoking in bars and gaming establishments		

ENVIRONMENTAL CONTROL EG SEE FISC NOTE GF RV See Note Page 1 of 2
 Removes certain exemptions to the general prohibition of smoking in public places. (8/15/10)

Proposed law repeals R.S. 40:1300.256(B)(5) and (8), which provides for exemptions to the Louisiana Smoke Free Air Act at bars and certain casino establishments.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill does not directly change tax rates or taxable spending bases. There are research studies that find smoking bans are associated with material governmental revenue reductions and there are studies that show little or no influence of smoking bans. Thus, the potential revenue impact of this measure cannot be estimated with a reasonable degree of certainty. To the extent that these measures discourage patrons from frequenting gaming and bar establishments, state and local revenues from gaming and bar sales could be reduced. However, to the extent decisions to frequent such establishments are not based upon no-smoking policies or the facilities are able to provide adequate accommodations for smokers, there could be little impact upon state & local revenues. In addition, reduced spending by smokers in these particular establishments is likely to be shifted to spending in other types of establishments and/or spending by non-smokers may increase in these establishments. A sample of findings is presented below.

A study by the Federal Reserve Bank of St. Louis titled "The Revenue Performance of Casinos after a Smoking Ban: The Case of Illinois," controlling for numerous factors influencing spending in casinos and attempting to isolate the effect of a smoking ban on spending in casinos, reported a decline in casino revenue of more than 20%. During the Iowa 2008 Legislative Session, House File 2212 (House Bill), which provided for a smoking ban in casinos, had an attached fiscal note that indicated a potential 10% reduction in state revenue on the basis of the experience in Illinois and Delaware after their smoking bans were implemented. However, it should be noted that there were extenuating circumstances in Illinois relative to casino access, which may have influenced these results (economy, harsh weather, casino fire in March 2009).

In addition, other states have implemented non-smoking policies with varying results. According to a study conducted by Iowans for Equal Rights submitted to the Iowa Administrative Rules Review Committee, which compares three states that have not applied a smoking ban to casinos (Iowa, Indiana, Michigan) and three states that have previously passed smoking bans that includes casinos (Illinois, Colorado and Washington), such bans could negatively impact state gaming revenues. According to this study, the month-to-month change in gross revenues from 2007 to 2008 was a 25% and 17.3% decrease in Colorado and Illinois, while Iowa and Missouri increased revenue by 4% and 6.1%. (Continued on page 2)

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost

6.8(F) >= \$100,000 Annual SGF Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

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

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CONTINUED EXPLANATION from page one:

On the other hand, according to a 2005 study published in the journal *Tobacco Control* by the University of California's Center for Tobacco Control, a linear regression model, attempting to control for numerous factors influencing spending in casinos and attempting to isolate the effect of a smoking ban on spending in casinos, was utilized and found that the smoke-free requirement in Delaware was not associated with an effect on total revenue or average revenue per machine, in partial contradiction to the basis of the Iowa fiscal note.

According to a 2006 study by Dr. Chris Pritsos of the University of Nevada-Reno, approximately 4 out of 5 casino patrons in Las Vegas, Reno, and Lake Tahoe are nonsmokers, or 20% are smokers. This finding is reflective of the current national percentage of the population that smokes; according to the American Cancer Society, approximately 21% of all individuals smoke in the United States. At the extreme, if a smoking ban dissuades all smoking patrons from frequenting gaming establishments, and since 20% of all gaming patrons smoke, major state gaming revenues could be affected (20% of 2009 actual collections from riverboat gaming, the land-based casino, video poker, and slot machine gaming amounted to \$146 million). However, this simple result assumes the decision to frequent such establishments is based strictly upon the ability to smoke in them and not other factors. Facilities are likely to provide as much accommodation for their smoking customer base as possible. Smokers may still frequent these facilities or frequent for less time, and more nonsmokers may frequent, as well. Also, to some extent spending and the consequent tax receipts may be shifted from these establishments to other establishments. Thus, an impact of this magnitude seems unlikely.

The bill also removes the no-smoking exemption from bars in general. As with gaming establishments, the revenue impact of a smoking prohibition in these businesses is also uncertain for the same basic reasons: the decision to frequent such establishments is not likely to be primarily determined by smoking policies, establishments will accommodate their smoking customer base as much as possible, smokers may still frequent, and non-smokers may frequent more often.

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