LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6201 | **NOTE PREPARED:** Nov 15, 2010
BILL NUMBER: SB 41 | **BILL AMENDED:**

SUBJECT: Gary Riverboats.

FIRST AUTHOR: Sen. Rogers | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill permits a licensed owner who operates a riverboat in Gary to submit to the Gaming Commission a plan for the construction of an inland casino. It provides that not more than one riverboat gambling operation may be relocated. It also makes conforming changes and removes obsolete provisions concerning the original riverboat licensing process.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Riverboat Admission Tax Replacement:* The relocation of one Gary riverboat casino to a land-based facility in Gary would likely result in a shift of business to the land-based casino from casinos in East Chicago and Michigan City and the remaining Gary riverboat casino docked on Lake Michigan. This shift would reduce the admission tax collected from these casinos and distributed to East Chicago, Michigan City, Gary, other local units, the State Fair Commission, and the Division of Mental Health. The reduction in admission tax distributions to these entities would increase annual payments made from the state General Fund to offset shortages in admission tax distributions. The magnitude of these payments is indeterminable but could be significant.

Under current statute, local units, the Division of Mental Health, and the State Fair Commission, which receive admission tax revenue, are annually guaranteed to receive an amount of revenue equal to the distribution amount received in FY 2002. If the distribution received in a fiscal year is less than the FY 2002 distribution amount, the local unit or state agency receives a payment equal to the shortage from the state General Fund by September 15th of the following fiscal year.

Indiana Gaming Commission (IGC): The provisions of the bill dealing with relocation of one of the Gary riverboat casinos to an inland casino location within Gary will result in additional administrative responsibilities for the IGC. The fiscal impact that might arise from this new responsibility is indeterminable. However, any additional expenses would be paid from riverboat wagering tax revenue annually appropriated to the IGC for administrative purposes. (Note: Current statute provides that sufficient funds are annually appropriated to the IGC from riverboat wagering tax revenue deposited in the State Gaming Fund to administer the riverboat gambling laws.) In FY 2010, this distribution totaled about $1.8M. The 2009-2011 biennial budget bill appropriates $3.5 M annually in FY 2010 and FY 2011 from the State Gaming Fund to the IGC for administrative purposes.

Explanation of State Revenues: *Summary:* The bill allows the owner of a riverboat casino in Gary to construct an inland casino within the city limits of Gary upon approval of an inland casino plan by IGC. The bill allows only one riverboat casino operation in Gary to be relocated to an inland casino location, with one riverboat casino operation remaining docked on Lake Michigan.

The potential state fiscal impact of one of the Gary riverboat casinos relocating to a land-based operation within Gary is indeterminable. The fiscal impact would depend on various factors such as ownership, facility attributes, market factors, and the likely shift of business to the land-based casino from casinos in East Chicago and Michigan City, and from the remaining Gary riverboat casino docked on Lake Michigan.

Background Information: The bill requires the inland casino plan to include the proposed design of the inland casino and any related facilities and amenities. The bill requires that the IGC evaluate the inland casino plan based on the following criteria:

(1) The proposed facilities of the casino and any related facilities and amenities.
(2) The highest prospective total revenue to be collected by the state from the conduct of gambling at the casino.
(3) The good faith affirmative action plan of the licensed owner to recruit, train, and upgrade minorities in all employment classifications.
(4) The financial ability of the licensed owner to purchase and maintain adequate liability and casualty insurance.
(5) If the applicant has adequate capitalization to provide and maintain a casino for the duration of the license.
(6) The extent to which the applicant exceeds or meets other standards adopted by the commission.

Upon evaluating the plan, the IGC must approve the plan if it determines that the plan: (1) promotes economic development within the city of Gary; and (2) satisfies the requirements in the bill for an inland casino.

Explanation of Local Expenditures:

Explanation of Local Revenues: The potential local fiscal impact of one of the Gary riverboat casinos relocating to a land-based facility within Gary is indeterminable. The relocation would likely result in a shift of business to the land-based casino from casinos in East Chicago and Michigan City and from the remaining Gary riverboat casino on Lake Michigan. This shift in business would reduce the admission tax and wagering tax generated at these riverboat casinos.

The reduction in admission tax at these three riverboat casinos would not affect revenue to local units because the annual distributions are guaranteed by the state to equal the FY 2002 distribution level that a local unit received. So, any reduction would be paid by the state. (See *Explanation of State Expenditures* for further discussion.)

However, reductions in wagering tax collections at these three riverboat casinos could lead to reductions in wagering tax revenue distributed to East Chicago, Michigan City, and Gary (from the remaining riverboat casino on Lake Michigan). Currently, East Chicago, Michigan City, and Gary receive 25% of the wagering tax collected from their riverboat casinos up to a maximum of what each city received from that riverboat in FY 2002. There is no state guarantee for wagering tax distributions. If the wagering tax reductions are sufficiently large, the 25% share to these cities could decline to levels below the FY 2002 cap levels.

State Agencies Affected: Indiana Gaming Commission.

Local Agencies Affected: East Chicago, Michigan City, Gary.

Information Sources:

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