

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



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

Date: April 26, 2018 6:24 PM	Author: BARRAS
Dept./Agy.: Gaming Control Board	Analyst: Greg Albrecht
Subject: Land-Based Casino	

GAMING/CASINO RE INCREASE SD 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 into thirty-year renewal contracts with the operator of the land-based casino (current term expires 2024, first thirty-year renewal term extends to 2054). This renewal shall require the casino operator to (a) make \$350 million of capital investments, (b) beginning August 1, 2018 require the operator to directly pay Orleans Parish the amount of \$3.6 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), and (c) pay the State \$3.4 million per year beginning August 1, 2018, with an inflation adjustment every two years beginning August 1, 2023. 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. Amounts paid up to \$60 million per year are allocated to the Support Education in Louisiana First Fund (SELF Fund). The first \$3.6 million over \$60 million is allocated to the La Early Childhood Fund, with any remaining balance split 30%/70% for Orleans Parish to support infrastructure projects, and the Community Water Enrichment and Other Improvements Fund (modified by this bill) for infrastructure and other projects grants for local governments through the office of community development.

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.	\$0	\$0	\$0	\$0	\$0	\$0
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The direct effect of this bill on the State is to redirect \$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 next \$3.6 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 with the additional \$3.4 million payment required by this bill [R.S. 241.1.B(2)(a)]. Any amounts received over the total payments of \$63.6 million are directed to be split 30%/70% infrastructure project support in Orleans Parish and the Community Water Enrichment and Other Improvements Fund to support grants to local governments for infrastructure and other projects.

This direct effect is shown in the table above as a \$3.6 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). Also depicted in the table as state dedicated funding is the \$3.4 million payment over the \$60 million minimum amount to be allocated to the La Early Childhood Education Fund. Total state dedicated funding (both redirected and newly funded) in the table above is \$7 million

Amounts received in excess of this \$63.4 million (\$60 million minimum payment plus extra \$3.4 million payment) would be allocated as 30% to Orleans Parish in support of capital infrastructure, and 70% to the Community Water Enrichment and Other Improvements Fund in support of grants to local governments for infrastructure and other projects through the office of community development.

The City of New Orleans will also continue to receive \$3.6 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}

John D. Carpenter
Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

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.

In addition, the bill appears to dedicate all casino gaming receipts above the \$60 million minimum payment to the La Early Childhood Education Fund, and to Orleans Parish and other local governments for infrastructure and other projects, not just the additional \$3.4 million payment required by the bill. Thus, any and all growth in gaming receipts that might be generated by the upgraded casino facilities (estimated by the operator at \$10.986 million per year, once development is completed in 2021) will be newly dedicated.

The bill does not change the current gaming tax 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 expects to receive that amount 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 typically \$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. The allocation to the Support Services Fund would otherwise flow to the Support Education in Louisiana First Fund (SELF Fund). The remaining balance of payments is dedicated to the SELF Fund, for continuing support of a salary increase granted to K-12 teachers and higher education faculty in FY02.

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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