

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 544** HLS 19RS 822  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |                               |
|---|-------------------------------|
| <b>Date:</b> June 1, 2019 1:59 PM       | <b>Author:</b> BARRAS         |
| <b>Dept./Agy.:</b> Gaming Control Board | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Land-Based Casino       |                               |

GAMING/CASINO EN SEE FISC NOTE SD RV See Note Page 1 of 2  
 Provides with respect to the land-based casino operating contract

Present law: The land-based casino makes monthly remittances to the state which annually total the greater of \$60M or 21.5% of casino gross gaming revenue. Those remittances are allocated to the Compulsive and Problem Gaming Fund (\$500,000), the Casino Support Services Fund (\$1.8M), the next \$60M to the Support Education in Louisiana First Fund (SELF), followed by the balance of the support services contract (typically another \$1.8M), then any balance of remittances to SELF.

Proposed law authorizes a 30-year renewal term to July, 2054 with the operator of the land-based casino (current term expires 2024). The operator is required to (a) make \$325M of capital investments prior to July 15, 2024, (b) beginning August 1, 2019 directly pay Orleans Parish \$6M per year for casino support services, adjusted for inflation every two years beginning August 1, 2024 (provisions for State involvement with local support services are deleted), (c) beginning in state FY23 increase the minimum compensation payment to the state to \$65M per year, Continued on Page 2

| EXPENDITURES        | 2019-20    | 2020-21    | 2021-22    | 2022-23    | 2023-24    | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Agy. Self-Gen.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Ded./Other          | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Federal Funds       | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Local Funds         | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| <b>Annual Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>    |

  

| REVENUES            | 2019-20             | 2020-21             | 2021-22             | 2022-23             | 2023-24             | 5 -YEAR TOTAL        |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| State Gen. Fd.      | \$17,500,000        | \$14,000,000        | \$7,000,000         | \$7,000,000         | \$0                 | <b>\$45,500,000</b>  |
| Agy. Self-Gen.      | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | <b>\$0</b>           |
| Ded./Other          | \$3,400,000         | \$3,400,000         | \$3,400,000         | \$11,400,000        | \$11,400,000        | <b>\$33,000,000</b>  |
| Federal Funds       | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | <b>\$0</b>           |
| Local Funds         | \$13,500,000        | \$12,000,000        | \$9,000,000         | \$9,000,000         | \$6,000,000         | <b>\$49,500,000</b>  |
| <b>Annual Total</b> | <b>\$34,400,000</b> | <b>\$29,400,000</b> | <b>\$19,400,000</b> | <b>\$27,400,000</b> | <b>\$17,400,000</b> | <b>\$128,000,000</b> |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Under proposed law, the city of New Orleans will be paid \$6M per year directly by the operator for support services beginning with FY20, while the State would no longer have a support services contract obligation. This effectively increases the remittances dedicated to the SELF Fund (a minimum of \$1.8M and typically up to \$3.6M per year) and reduces by a like amount the remittances that would have been dedicated to the Support Services Fund (eliminated by this bill). This results in no change to dedications in the table above.

Under proposed law, the bill dedicates the first \$3.6M of minimum compensation payments over \$60M through FY22 and over \$65M from FY23, to the Louisiana Early Childhood Education Fund, with the balance of any excess dedicated to Orleans Parish to support capital infrastructure projects (30%) and to the Community Water Enrichment and Other Improvement Fund (70%). The minimum compensation payments to the state will be increased to \$65M per year beginning with state FY23, and included in the dedications line of the table above as per the bill's allocations.

Under proposed law, beginning in state FY20, an additional \$3.4M per year fixed payment will be remitted to the State for support of the LA Cancer Research Center, and beginning FY23 an additional \$3M per year fixed payments will be remitted to the State Board, of which \$500,000 is allocated to the Compulsive Gaming Fund. These payments are included in the dedications line of the table above.

Under proposed law, upon approval and execution of an amended operating contract and lease, a payment of \$25M is to be paid to the State (70%, \$17.5M) and the City (30%, \$7.5M). These approvals would presumably be made during FY20. The payment to the State may be subject to a non-recurring determination by the REC, and is included as general funds in the table above. The payment to the City is included as local funds in the table above.

Under proposed law, if a call option to the leasehold interest in the casino is exercised prior to October 1, 2020, a payment of \$40M is to be made in three annual installments. The first installment of \$20M to be made within 10 days after exercise of the option if the JLCB has approved the operating contract and the City has approved the property lease, a second \$10M on the first anniversary, and a third \$10M on the second anniversary (allocated 70% to the State, \$14M, \$7M, \$7M, and 30% to the City, \$6M, \$3M, \$3M). If not exercised by October 1, 2020, these payments begin within 10 days after October 1, 2020, and on the first and second anniversary dates. Payments would presumably occur during FY21, FY22, and FY23. The payments to the State occurring over three years may be designated as recurring by the REC, and are included as general funds in the table above. The installment payments to the City are included as local funds in the table above.

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|--|----------------------------|--|
| <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

Continue proposed law provisions:

(c) beginning in state FY20 pay the State an additional \$3.4M per year to provide funding to the LA Cancer Research Center of the LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center, adjusted for inflation every two years beginning in 2025, (e) beginning in state FY23 pay the State/Gaming Control Board an additional \$3M per year of which \$500,000 is allocated to the Compulsive and Problem Gaming Fund, (f) make a single payment of \$25M (70% to the State, 30% to New Orleans) within ten days of JLCB and New Orleans approval of the new operating contract, (g) make a single payment of \$40M (70% to the State, 30% to New Orleans) in three annual installments (\$20M, \$10M, \$10M), with the payment dates depending on the exercise, or not, of a call option to the leasehold interest of the casino by October 1, 2020.

Through FY22, if the minimum compensation payment to the state is \$60M or less, the existing allocation of the entirety of these payments to the SELF is retained. Through FY22, if the minimum payment is greater than \$60M, the first \$3.6M in excess of \$60M is allocated to the Louisiana Early Childhood Education Fund, any balance of such excess is allocated to Orleans Parish to support capital infrastructure projects (30%) and to the Community Water Enrichment and Other Improvement Fund (70%). From FY23, when the minimum payment increases to \$65M per year, these same allocations are retained. The current law allocation of \$500,000 of casino remittances to the Compulsive and Problem Gaming Fund is in current law, which is not not affected by proposed law, and is to continue to be allocated before other allocations are made.

Modifications to the offering of food and lodging by the casino operator are authorized through agreements with the Louisiana Restaurant Association and the Greater New Orleans Hotel and Lodging Association.

Continued Revenue Explanation

No presumption is made as to gaming activity remittances beyond the required minimum compensation amounts.

The bill provides for an inflation adjustment every two years applied to the annual \$6M direct payment to Orleans Parish and the annual \$3.4M additional payment to the State Gaming Control Board (but not the annual \$3M additional payment to the State Board). Consequently, values for these figures will be no more than 2% higher in FY25, repeating every two years thereafter. These relatively minor inflation adjustments have not been factored into the out-years of the table above.

Currently, the minimum compensation payments to the State are the greater of 21.5% of gross gaming revenue earned by the casino, or \$60M per year (a sliding scale of higher tax rates based on higher gross gaming revenue currently exists but has not been triggered and is not expected to be triggered). The State received the \$60M minimum in FY17 and \$63.8M in FY18. The current official forecast anticipates receiving \$60M per year over the current forecast horizon (FY19 - FY23). The bill increases the minimum compensation to the State to \$65M per year with state FY23. Under current law, \$500,000 of these payments are dedicated to the Compulsive and Problem Gaming Fund, and the bill does not change this allocation. No casino support services contract for FY20 has yet 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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