

MINNESOTA • REVENUE

Gambling Tax State Run Casino

May 13, 2003

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue

Analysis of S.F. 966 (Pappas)/H.F. 1020(Haas), Delete All Amendment

	Revenue Gain or (Loss)			
	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
		(000's)		
20% of Net Revenue from Gaming Machines	\$9,100	\$34,574	\$50,808	\$50,808
Appropriations to:				
Dept. of Children Families and Learning	(\$136)	(\$519)	(\$762)	(\$762)
Dept. of Human Services	(\$182)	(\$691)	(\$1,016)	(\$1,016)
Dept. of Trade and Economic Development	(\$137)	(\$519)	(\$762)	(\$762)
Housing Finance Agency	(\$137)	(\$519)	(\$762)	(\$762)
Dept. of Economic Security	(\$91)	(\$346)	(\$508)	(\$508)
City and County	(\$227)	(\$864)	(\$1,271)	(\$1,271)
Transfer to General Fund	<u>(\$8,190)</u>	<u>(\$31,116)</u>	<u>(\$45,727)</u>	<u>(\$45,727)</u>
Gaming Facilities Proceeds Fund Net Impact	\$0	\$0	\$0	\$0
Transfer from Gaming Facilities Proceeds Fund	\$8,190	\$31,116	\$45,727	\$45,727
Transfer from MN State Lottery	<u>\$819</u>	<u>\$3,112</u>	<u>\$4,573</u>	<u>\$4,573</u>
General Fund Net Impact	\$9,009	\$34,228	\$50,300	\$50,300
Environmental Trust Fund	<u>\$546</u>	<u>\$2,074</u>	<u>\$3,048</u>	<u>\$3,048</u>
Total – All Funds	\$9,555	\$36,302	\$53,348	\$53,348

Effective the day following final enactment of the bill.

EXPLANATION OF THE BILL

Current Law: There is no authority for a state run casino in the metropolitan area.

Proposed Law: The proposed law would allow the Minnesota State Lottery to place gaming machines in a casino in the metropolitan area that is owned or leased by one or more Minnesota tribal governments that enter into a location contract with the State Lottery. The contract would have no legal effect on the existing tribal-state gaming compact. In lieu of sales tax, 20 percent of the adjusted gross revenue (amounts wagered less prizes paid out) would be deposited in a newly created gaming facilities proceeds fund. The following are annually appropriated from the amounts deposited into the fund:

- 1.5% to the Department of Children Families and Learning,
- 2.0% to the Department of Human Services,
- 1.5% to the Department of Trade and Economic Development,
- 1.5% to the Housing Finance Agency,
- 1.0% to the Department of Economic Security,
- 2.5% to the city and county where the casino would be located, and
- 90.0% transferred to the general fund.

Sixty-five percent of the adjusted gross revenue would be paid to the tribal governments. Fifteen percent of the adjusted gross revenue would be retained by the Minnesota State Lottery for the cost of operations.

While the gaming machines would be operated and controlled by the State Lottery, the tribal governments would be responsible for non-gaming-machine expenses. In addition, with the ongoing approval of the State Lottery, the tribal governments could operate a card club at the casino.

The law requires that best efforts be made to have 55 percent of casino employees at all levels be minorities and American Indians, and that 55 percent of vendor businesses supplying goods and services to the casino be owned by minorities and American Indians. Also the law requires that good faith efforts be made to contract with businesses owned by minorities and American Indians for the construction and repair of the facility.

REVENUE ANALYSIS DETAIL

- The estimates are based on information in the fiscal note prepared by the Minnesota State Lottery. Critical to their analysis was information from Jason N. Ader in the Bear Stearns 2002-03 North American Gaming Almanac which lists daily levels of gaming machine net income by state (mostly for year 2001). Though the range of net income per machine from this list of thirteen states was from a high of \$442 to a low of \$90, it was felt that using the median net income of \$232 was appropriate.

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REVENUE ANALYSIS DETAIL (Continued)

- It was assumed that January 1, 2004, would be the starting date for a temporary facility housing 1,000 machines. Since there would be a smaller number of available machines, the daily net income per machine was assumed to be \$250.
- It was assumed that a permanent facility housing 3,000 machines would start operating by January 1, 2005. The daily net income per machine was assumed to be \$232.
- The state receives 60% of the unused proceeds that are earmarked for the Minnesota State Lottery for operational expenses. Since the lottery estimates operational expense at 12% of adjusted gross revenue, the unused portion is 15% less 12% or 3%. Therefore an additional 1.8% (60% of 3%) of adjusted gross revenue would be deposited in the general fund.
- Forty percent of the unused proceeds that are earmarked for the Minnesota State Lottery for operational expenses go to the Environmental Trust Fund. Therefore the fund receives 1.2% (40% of 3%) of adjusted gross revenue.

Number of Entities Affected: One entity, the Minnesota State Lottery.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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