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FISCAL IMPACT STATEMENT

LS 6491

BILL NUMBER: HB 1161

NOTE PREPARED: Dec 29, 2023

BILL AMENDED:

SUBJECT: Gaming Revenue Distribution.

FIRST AUTHOR: Rep. Pressel

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill establishes the Gaming Revenue Fund (fund). It provides that tax revenue collected after June 30, 2024, from the imposition of the Wagering Tax, the Supplemental Wagering Tax, the graduated Slot Machine Wagering Tax, the County Gambling Game Wagering Fee, the Sports Wagering Tax, and taxes and fees imposed on pari-mutuel wagering, except for tax revenue collected from an operating agent, is deposited in the fund. It provides that the State Comptroller administers the fund. It provides for distribution of the money in the fund. It makes corresponding changes. It makes an appropriation. It reconciles conflicting statutes.

Effective Date: July 1, 2024.

Explanation of State Expenditures: *State Comptroller:* The State Comptroller will have to make changes in the distribution schedule for certain gaming taxes and fees. The State Comptroller would be able to accomplish the adoption of these distribution changes within the normal course of business.

Hold Harmless Distributions: Current law allows up to \$48 M to be distributed as supplemental (hold harmless) distributions to state and local entities that receive supplemental wagering tax revenues. Since the bill removes the hold harmless distribution, it will decrease state General Fund expenditures by \$48 M starting in FY 2025. It is assumed that the provisions in the bill stopping these distributions will apply starting in FY 2025. The hold harmless distributions are made from the Riverboat Wagering Tax money deposited in the state General Fund. *(The \$48 M reduction in expenditure is also shown in the fiscal impact table in Explanation of State Revenues.)*

Explanation of State Revenues: *Summary* - The bill changes the distributions of certain gaming taxes. The

provisions in the bill will not affect any revenues generated from these state or local taxes. The following taxes are impacted by the bill:

- (1) Pari-mutuel Wagering Tax
- (2) Pari-mutuel Satellite Facility Tax
- (3) Pari-mutuel Simulcast Fees
- (4) Racetrack Fees
- (5) Riverboat Supplemental Wagering Tax
- (6) Riverboat Wagering Tax
- (7) Racino Wagering Tax
- (8) County Slot Machine Wagering Fees
- (9) Sports Wagering Tax

It removes the distributions under current law for these gaming taxes. It requires that the revenues from these gaming taxes be deposited in the Gaming Revenue Fund established by the bill. It provides for a distribution schedule from the Gaming Revenue Fund. It requires that the money deposited in the fund be distributed as follows:

- (1) 67% to the State General Fund.
- (2) 2.15% to the General Assembly for appropriations.
- (3) 5.85% divided between each county based on the county's population.
- (4) 25% divided between each host unit. It defines host unit as local units with casinos.

It excludes the revenue received from the French Lick casino and distributions of those revenues from any changes under the bill.

Under current law, it is estimated that in FY 2025, state funds and entities and the horse racing industry will receive \$502.1 M in gaming revenues, of which \$48 M will be distributed as hold harmless distributions to state and local units. About \$5.1 M of the hold harmless distribution is to state agencies. The net revenue remaining with state funds and entities is estimated to be \$459.2 M. The distribution changes in the bill will result in state funds and entities, including the horse racing industry, receiving \$451.5 M, or about \$7.7 M less than under current law.

The state General Fund will have a net negative impact of about \$8.2 M. The bill also transfers about \$14 M annually to an account to be used for appropriations made by the General Assembly. In total, entities and funds other than the General Fund may receive about \$0.5 M in additional revenue. The net loss to all state funds and entities is about \$7.7 M. An equal amount will be the net gain to local units.

The following table shows the impact on state funds and entities receiving gaming taxes in FY 2025. The impact will continue in future years.

Impact of Change in Distributions - FY 2025 (\$ Millions)			
State Funds and Agencies	Under Current Law	Under the Bill	Difference
State General Fund	493.66	437.5	(56.16)
General Assembly	0.00	14.04	14.04
Addiction Services Fund	1.29	0.00	(1.29)
IHRC Operating Fund	2.98	0.00	(2.98)
Livestock Ind. Promotion and Development Fund	0.09	0.00	(0.09)
Mental Health Fund	1.55	0.00	(1.55)
State Fair Commission	2.42	0.00	(2.42)
Veterinary School Research Account	0.15	0.00	(0.15)
Revenue Distributions	\$502.14	\$451.54	(\$50.6)
Hold Harmless Dist. to State Fair	3.06	0.00	(3.06)
Hold Harmless Dist. to Mental Health Fund	2.04	0.00	(2.04)
Hold Harmless Dist. from State General Fund	(48.00)	0.00	48.00
State Funds and Agencies Total	\$459.24	\$451.54	(\$7.7)

Additional Information - The bill changes the distributions of the following gaming taxes and fees.

Pari-Mutuel Wagering Tax: The tax is paid on pari-mutuel wagers made on live and simulcast races. It is paid by racetrack permit holders and licensees of satellite facilities. The rate equals 2% of the total amount wagered on live races and simulcasts conducted at a permit holder's racetrack and 2.5% of the total amount wagered on simulcasts at satellite facilities. The first \$150,000 is deposited in the Veterinary School Research Account with the remainder deposited in the Indiana Horse Racing Commission (IHRC) Operating Fund. The revenue from the tax is estimated to be about \$1.2 M in FY 2025.

Pari-Mutuel Satellite Facility Tax: The tax is paid on pari-mutuel wagers made at a satellite facility by an entity that is licensed to operate the satellite facility. The rate is equal to 0.5% of the total amount wagered. Fifty percent of the revenue is deposited in the Livestock Industry Promotion and Development Fund with the remaining distributed to the State Fair Commission. The tax is estimated to generate about \$0.2 M in FY 2025.

Racetrack Fees: The bill moves the fees paid by racetracks and deposited in the Indiana Horse Racing Commission Operating Fund to the Gaming Revenue Fund created in the bill.

Riverboat Supplemental Wagering Tax: Riverboats, except the French Lick casino, pay the Supplemental Wagering Tax. The tax is based on a calculated rate not to exceed 3.5% of the AGR. The revenue is distributed to the state General Fund, dedicated funds, and local units. The tax is estimated to generate \$46.6 M in FY 2025. Additionally, when the Vigo County casino is operational, it could generate about \$2.9 M to be distributed to local units in Vigo County.

Supplemental Wagering Tax Hold Harmless Distributions: The recipients of the Supplemental Wagering Tax are also provided with a supplemental distribution to make up for any loss below the FY 2002 distributions. The supplemental hold harmless distribution is capped at \$48 M. The bill removes the Supplemental

Wagering Tax distribution and removes the hold harmless distributions. This will remove distributions from the state General Fund. It will also reduce revenues for the State Fair Commission and the Mental Health Fund. [These impacts are reflected in the table showing the impact from changing the distributions.]

Riverboat Wagering Tax: All riverboats pay this tax, which is based on a graduated tax rate applied to the AGR. After the IGC receives the cost of administration, the first \$33 M is set aside for revenue sharing distributed on a per capita basis to local units in counties that do not contain a riverboat casino. After the revenue sharing set aside, 25% of the remainder up to the FY 2002 distribution level is distributed to the local units with riverboats. The remaining Riverboat Wagering Tax revenue is distributed to the state General Fund. The tax is estimated to generate about \$416.1 M in FY 2025.

Slot Machine Wagering Tax: Racinos pay this tax, which is based on a graduated tax rate applied to 88% of the AGR. The revenue is distributed to the state General Fund. The tax is estimated to generate about \$138.1 M in FY 2025.

Sports Wagering Tax: All riverboats and racinos are allowed to conduct sports wagering. A tax rate of 9.5% is applied to the AGR received from sports wagering. The revenue is deposited in the state General Fund. Of that revenue, 3.33% is transferred to the Addiction Services Fund. The tax is estimated to generate about \$38.8 M in FY 2025.

Payment to Northwest Indiana Regional Development Authority (RDA): Current law requires the Treasurer of State to distribute up to \$3.5 M annually in Riverboat Admissions Tax and supplemental hold harmless payments, which Lake County, Hammond, Gary, and East Chicago each would otherwise receive, to the RDA. The bill removes this provision but requires that these units would each distribute \$3.5 M annually to the RDA. The bill does not remove the provision in current law that provides that if there is still a shortfall on the \$3.5 M amount annually owed by each unit, the unit may pay the amount due to the RDA from any source other than property tax revenues. It is estimated that the bill will not have a fiscal impact on the RDA.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary* - The bill removes direct distribution of certain gaming taxes to local units. It deposits these gaming taxes into the Gaming Revenue Fund and distributes a portion of the collections to the local units. The total fiscal impact from these changes to local units is shown in the following table.

Impact of Change in Distributions - FY 2025 (\$ Millions)			
Local Units Receiving the Distributions	Under Current Law	Under The Bill	<i>Difference</i>
Revenue Sharing with Non-Riverboat Counties	\$32.40	\$32.44	\$0.04
Revenue Sharing with Riverboat Counties	0.00	5.76	5.76
Local Units with Riverboats & Racinos	118.44	163.25	44.81
Total Local Revenues	\$150.84	\$201.45	\$50.61
Hold Harmless Dist. to Local Units with Riverboats	\$42.89	0.00	(42.89)
Total Local Distributions Received	\$193.73	\$201.45	\$7.72

Additional Information - Local distributions from the following taxes are impacted under the bill:

Supplemental Wagering Tax: The following local units receive distributions from the Supplemental Wagering Tax: (1) dock city, (2) dock county, and (3) county convention and visitors' bureau.

Supplemental Wagering Tax Hold Harmless Distributions: Local units that receive Supplemental Wagering Tax also receive a hold harmless distribution capped at a level under current law. The bill removes the Supplemental Wagering Tax and the hold harmless distributions. This will remove distributions from the state General Fund to the local units receiving this distribution.

Riverboat Wagering Tax: Local units receive the following distributions from the Riverboat Wagering Tax: (1) non-riverboat counties receive revenue sharing, and (2) host counties receive 25% of the revenues remaining after the IGC cost of administration and revenue sharing amount.

County Slot Machine Wagering Fees: Racinos pay a fee equal to 3% of AGR, up to \$8 M annually to the county where they are located. The fee is estimated to generate about \$13 M in FY 2025.

Hold Harmless from Gary Casino Relocation: Current law provides a Riverboat Wagering Tax distribution to offset the reduction in Wagering Tax distributions to the cities of East Chicago, Hammond, and Michigan City after the Gary riverboat relocates to an inland facility. The hold harmless distribution applies for the first full four years after the relocation of a Gary riverboat. The bill removes the hold harmless distribution to these units. This could result in a decrease in revenue to the cities of East Chicago and Michigan City and an increase to the city of Gary. Any fiscal impact will only occur in FY 2025.

Pari-Mutuel Simulcast Fees: The fee is imposed at a graduated rate and distributed to the county where the racetrack is located.

Distributions to Local Units: The bill provides a distribution method for host units and county convention and visitor's bureaus. It defines the host unit as the dock city, county of the dock city, the county that is designated as home dock of the riverboat, and counties with a racino. It provides that the host unit would receive a distribution equal to the average distributions over the preceding five years. If the total available amount from the Gaming Revenue Fund is less than the required distribution, then the distributions will be reduced proportionately. It provides a method to distribute the excess available revenues. It is estimated that local recipients other than local units receiving revenue generated at the Vigo County casino will receive additional revenue starting in FY 2025. It does not provide an alternate method of calculation for Vigo County units. Under current law, Vigo County units are estimated to receive revenue generated from the casino opening in 2024. These anticipated revenues do not have historical distributions to use in the five year average method provided in the bill.

State Agencies Affected: State Comptroller; Department of State Revenue; Indiana Gaming Commission; Indiana Horse Racing Commission; Mental Health Division; State Fair Commission; Indiana Economic Development Corporation.

Local Agencies Affected: All local units.

Information Sources: Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2023. Indiana Horse Racing Commission, Annual Report, https://www.in.gov/hrc/files/2020_IHRC_Annual_Report_1_6_22.pdf. Indiana Gaming Commission, Annual

Report, <https://www.in.gov/igc/publications/annual-reports/>.

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