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OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6057**

**BILL NUMBER:** HB 1015

**NOTE PREPARED:** May 1, 2019

**BILL AMENDED:** Apr 24, 2019

**SUBJECT:** Various Gaming Matters.

**FIRST AUTHOR:** Rep. Huston

**FIRST SPONSOR:** Sen. Messmer

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill does the following:

*Sports Wagering:* The bill authorizes sports wagering at riverboats, racinos, a Vigo County casino, and satellite facilities. It provides for the administration and conduct of sports wagering. It imposes initial and annual fees on a licensed owner, operating agent, vendor, or permit holder conducting sports wagering. It imposes initial and annual licensing fees on vendors conducting sports wagering. It specifies that a vendor contracting with a certificate holder has the same authority to conduct sports wagering as the certificate holder. It provides that the Indiana Gaming Commission (IGC) may issue a temporary certificate of authority or a temporary license to conduct business under certain circumstances. It requires the IGC to deposit vendor license application fees in the Sports Wagering Fund. It requires the IGC to deposit sports wagering service provider license application fees in the Sports Wagering Fund.

It sets forth duties for the IGC concerning: (1) sports wagering; and (2) granting certain gambling licenses. It requires the IGC to adopt administrative rules. It specifies that the IGC may act upon information received from a sports governing body in considering requests to prohibit wagering on particular events or to prohibit making wagers of a particular type. It establishes a sports wagering service provider license. It provides that certain items must be acquired from a person that holds a supplier's license or a sports wagering service provider license. It provides that certain services must be obtained from a person holding a sports wagering service provider license. It specifies that required background checks apply to employees engaged in activities related to sports wagering. It specifies permissible sports wagering wagers. It prohibits wagering on e-sports. It provides the process for withholding delinquent child support from sports wagering winnings.

It imposes a sports wagering tax of 9.5% on adjusted gross receipts received from sports wagering. It requires

3.33% of the tax revenue received to be deposited in the Addiction Services Fund.

*Gary Riverboat Relocation to Gary Inland Casino:* The bill provides that the Gary riverboat may transfer to an inland location if the licensed owner: (1) submits a request to relocate; and (2) pays a \$20 M fee. It caps the maximum number of gambling games that may be offered at a Gary casino. It requires the licensed owner of the relocated Gary casino to pay an additional fee of \$20 M if: (1) gaming operations are relocated; and (2) the licensed owner sells or transfers the owner's interest in the owner's license within five years of relocation. It requires the licensed owner of the relocated Gary casino to: (1) offer each employee at the riverboat a similar position at the inland casino; and (2) consider hiring and training individuals laid off from the riverboat in East Chicago before considering other applicants. It provides that wagering taxes for the Gary relocated casino continue to be imposed as if two riverboats were in operation for four years. It provides that East Chicago, Hammond, and Michigan City may receive supplemental payments from wagering tax distributions that would otherwise be paid to Gary if certain conditions are met.

*Vigo County Casino:* The bill provides that if a request to relocate the Gary riverboat is submitted, the IGC shall accept applications and proposals to award an owner's license to operate an inland casino in Vigo County. It requires a license fee for the owner's license to operate in Vigo County in the amount of \$5 M. It requires the fee for the Vigo County casino license to be deposited in the state General Fund. It requires a licensed owner conducting gaming operations in Vigo County to make certain payments to the City of Evansville.

*Casino Licenses:* The bill provides that a person may not have an ownership interest in more than six of any combination of: (1) riverboat licenses; and (2) gambling game licenses.

*Riverboat and Racino Wagering Tax Rate:* The bill reduces the graduated wagering tax on gambling games at racinos and the wagering tax on gambling games at riverboats.

*Free Play Deductions:* The bill provides that beginning with state fiscal years after June 30, 2021, a licensed owner or racino may not deduct more than \$9 M from adjusted gross receipts from wagering on gambling games.

*West Baden Fund:* The bill distributes wagering tax revenue from a riverboat located in a historic hotel district to the West Baden Springs Historic Hotel Preservation and Maintenance Fund beginning in 2021.

*Table Games at Racinos:* The bill provides that the IGC shall approve wagering on table games at a racino beginning January 1, 2020.

It makes technical corrections and other changes to conform with recent changes to the riverboat law.

**Effective Date:** July 1, 2019.

**Explanation of State Expenditures:** *Indiana Gaming Commission (IGC):* The bill does the following as it relates to the IGC:

- (1) The bill allows one of the Gary riverboats to move anywhere inland within the City of Gary.
- (2) The bill provides that the Gary riverboat licensee must relinquish the owner's license for the licensed owner's second riverboat before relocating one riverboat operation to an inland location within Gary.
- (3) It provides guidelines for the IGC to accept applications for awarding a license to operate a Vigo County

casino. It provides that the process could begin when the Gary licensee submits a request to relocate to an inland location.

(4) It requires the IGC to evaluate the Vigo County casino applications and provides factors to be considered in the evaluation process. It sets the license fee at \$5 M and establishes other guidelines.

(5) It requires the IGC to authorize live table gaming at each racino beginning January 1, 2020.

(6) It specifies powers and duties of the IGC related to the approval and administration of sports wagering in Indiana.

The IGC's responsibilities related to riverboat relocation, table games approval at the racinos, sports wagering certificate approval, testing devices, preparing reports, and adopting rules would lead to additional costs for the IGC. The IGC is also required to provide information related to the fiscal impact from sports wagering in its annual report submitted to the Governor. The bill imposes fees on sports wagering certificate holders, vendors, and sports wagering service providers. The fees would be deposited in the Sports Wagering Fund created in the bill. It also allows the IGC to get assistance from the State Police Department and reimburse the State Police Department for its cost.

Any additional expenses not covered by the fees in the bill 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 and the Gaming Investigation Fund to administer the riverboat gambling laws.) HEA 1001-2017 appropriated \$3.5 M annually in FY 2018 and FY 2019 to the IGC for administrative purposes.

*Riverboat Licenses:* Current law restricts the maximum number of owner's licenses that may be issued to a riverboat owner to two. Increasing this limit to up to six gaming facilities, including racinos, will allow a gaming company to own more than two riverboats in Indiana. There is currently a gaming company that owns two Indiana racinos and two riverboats in Indiana.

**Explanation of State Revenues: Summary:** The provisions in the bill related to the relocation of the riverboats, table games at racinos, the free play deduction, and sports wagering will impact the state General Fund and dedicated funds. The analysis assumes that the current license owner of the Gary riverboats will pay the \$20 M transfer fee to relocate one gaming facility to an inland location within the City of Gary and relinquish the second license. It assumes that the Gary inland casino will start operating in FY 2021. Although the special election requirement and the approval process could result in Vigo County casino opening in the second half of FY 2021 or FY 2022, this analysis assumes that the casino will start operating in the beginning of FY 2021. The overall impact of the provisions are outlined in the following table.

<b>Provision</b>	<b>Fund</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Gary Inland Casino- License Fee	State General Fund	\$4.0 M	\$4.0 M	\$4.0 M
Vigo County Casino - Lic Fee	State General Fund	\$5.0 M	\$0	\$0
Vigo County Casino	State General Fund	\$0	\$6.3 M	\$5.3 M
Vigo County Casino	Breed Funds	\$0	(\$1.0 M)	(\$1.0 M)
Wagering Tax Rate Change	State General Fund	\$0	\$0	(\$18.0 M)
Table Games at Racinos	State General Fund	\$6.4 M	\$12.6 M	\$0
Table Games at Racinos	Other Dedicated Funds	(\$0.2 M)	(\$0.4 M)	\$0
Table Games at Racinos	Breed Funds / IHRC	\$2.1 M	\$4.2 M	\$0
Sports Wagering Fees	Sports Wagering Fund	\$1.6 M	\$0.8 M	\$0.8 M
Sports Wagering Tax	State General Fund	\$8.6 M	\$11.5 M	\$11.5 M
Sports Wagering Tax	Addiction Services Fund	\$0.3 M	\$0.4 M	\$0.4 M
Free Play Deduction	State General Fund	\$0	\$0	(\$6.1 M)
Free Play Deduction	Breed Funds	\$0	\$0	(\$0.2 M)
Free Play Deduction	Other Dedicated Funds	\$0	\$0	(\$0.1 M)
French Lick Tax Distribution	State General Fund	\$0	\$0	(\$3.3 M)
French Lick Tax Distribution	West Baden Fund	\$0	\$0	\$3.3 M
<b>TOTAL</b>	<b>All State Funds</b>	<b>\$27.8 M</b>	<b>\$38.4 M</b>	<b>(\$3.4 M)</b>

*Gary Riverboat Relocation to Gary Inland Casino:* The bill allows the IGC to approve a licensed owner operating riverboats in Gary to relocate one of the owner's gaming operations to an inland location within the city limits of Gary. It requires the license owner to pay a \$20 M relocation fee to the IGC. The fee must be paid in five equal installments of \$4 M each. It also requires the license holder to pay an additional \$20 M if the licensee sells its license within 5 years of the approval of the relocation by the IGC.

The full potential state fiscal impact from this relocation on riverboat taxes 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, Hammond, and Michigan City. However, the fiscal impact on gaming taxes deposited in state funds from any shift from other Indiana riverboats to the Gary inland casino will be minimal to the extent that taxes collected from the competing riverboats will continue to be collected from the Gary inland casino and distributed to the state funds. The fiscal impact on state funds will be limited to the difference in effective tax rates imposed by the competing riverboats and the Gary inland casino. It is assumed that the inland casino will begin operations in FY 2021.

A portion of the supplemental wagering tax is also deposited in state General Fund and dedicated funds. However, there will be no impact on state revenues from supplemental wagering tax unless the Gary inland

casino results in net gains in gaming activity for Indiana riverboats.

*Gary Riverboat Graduated Rate Impact:* The bill provides that a separate graduated tax rate will continue to be applied to the Gary casino for the fiscal years before FY 2026. Starting with FY 2026, the impact of the graduated tax rate imposed on the combined AGR of the Gary riverboat will result in a substantial increase in riverboat wagering tax from the Gary casino. The combining of AGR and its impact on supplemental wagering tax collection beginning FY 2026 will depend on the license that will be used to operate the inland casino. Currently, Majestic Star I and Majestic Star II riverboats in Gary pay supplemental wagering tax at the rates of 3.0% and 3.5% respectively. Assuming that the licensee will operate under the license that pays the lower rate, it is estimated that there will result in reduction in supplemental wagering tax revenue generated from the Gary casino. Any impact is estimated to be less than \$0.5 M annually. The net impact of combining the AGR will result in additional tax revenue generated from the Gary casino.

*Vigo County Casino:* The bill requires the IGC to implement an approval process for awarding the license to an applicant to operate a casino from an inland location in Vigo County. It provides the guidelines for the IGC to evaluate the applications. It imposes a license fee and requires the license fee to be deposited in the state General Fund. The license fee is set at \$5 M.

If approved, the Vigo County casino operator will pay riverboat wagering tax and supplemental wagering tax currently imposed under riverboat tax laws. Under the riverboat wagering tax structure a graduated rate of 10% to 40% of AGR will apply to the Vigo County casino. The wagering tax will be distributed similar to the wagering tax distributions from other riverboats in the state. The bill imposes a 2.9% supplemental wagering tax rate on the Vigo County casino. It specifies a separate distribution and use of the revenue generated under the supplemental wagering tax at the Vigo County Casino.

A portion of AGR at Vigo County will be displaced from other Indiana riverboats and racinos. This will result in a loss of riverboat wagering tax, supplemental wagering tax, racino wagering tax, racino set-aside AGR to horse racing, and county gambling game wagering fees. Due to the graduated tax rate structure, the AGR displaced from another Indiana gaming facility will be taxed at a lower tax rate and generate comparatively lower levels of revenues at the Vigo County casino. However, the casino will also generate substantial new gaming activity and gaming displaced from Illinois gaming facilities. It is estimated that the amount of riverboat taxes collected at the Vigo County casino will offset the loss at other casinos, and there will be an overall positive impact on state revenue. The analysis assumes that the supplemental wagering tax base year calculations will not apply to the distributions of revenues from the Vigo County casino. The midpoint of the net impact is shown as the fiscal impact for FY 2021 and years thereafter.

It is estimated that 800,000 to 1.1 million patrons will annually visit the Vigo County casino and generate between \$85 M to \$105 M in AGR annually. The estimate is based on various factors including regional population, regional per capita income, accessibility to the potential location, available gaming options, and gaming market trends in Indiana and Illinois. Displacement of AGR at competing riverboat casinos and racinos would reduce revenue from riverboat and racino taxes. It is estimated that about half of the AGR at the Vigo County casino would be displaced from competing gaming locations. It is estimated that a substantial portion of the displaced AGR will impact the central Indiana racinos, French Lick casino, and Tropicana casino at Evansville. The AGR estimates also takes into account the gaming revenue model adopted by the Revenue Technical Forecast Committee. The analysis assumes that the casino will begin operations on July 1, 2020. However, the referendum requirements and auction process could result in the casino operations beginning in the second half of FY 2021 or FY 2022.

Provision	Fund	FY 2020	FY 2021	FY 2022
Gary Inland Casino - Relocation Fee	State General Fund	\$4.0 M	\$4.0 M	\$4.0 M
Vigo Co Casino - Lic Fee	State General Fund	\$5.0 M	\$0	\$0
Vigo County Casino	State General Fund	\$0	\$6.3 M	\$5.3 M
Vigo County Casino	Breed Funds	\$0	(\$1.0 M)	(\$1.0 M)
<b>TOTAL</b>	<b>All State Funds</b>	<b>\$ 9.0 M</b>	<b>\$9.3 M</b>	<b>\$8.3 M</b>

*Change in Riverboat and Racino Wagering Tax:* The bill makes changes to the riverboat and racino graduated tax rate structure. This would result in a loss of riverboat and racino wagering tax. The rate change is applicable beginning July 1, 2021. The fiscal impact will begin in FY 2022.

Tax Type	Fund	FY 2022
Racino Wagering Tax	State General Fund	(\$3.9 M)
Riverboat Wagering Tax	State General Fund	(\$14.1 M)
<b>TOTAL</b>		<b>(\$18.0 M)</b>

*Impact from Table Games on Wagering Tax:* The bill authorizes racinos to install table games starting January 1, 2020. This will accelerate the timing of table game operations at the racinos. Since the bill expedites the authority of the IGC to grant permission to conduct table games at the racinos from the last quarter of FY 2021 to January 1, 2020, the potential fiscal impact of the proposal would begin in the second half of FY 2020. There is no impact in FY 2022 and years thereafter.

Tax Type	Fund	FY 2020	FY 2021
Racino Wagering Tax	State General Fund	\$12.0 M	\$23.9 M
Riverboat Wagering Tax	State General Fund	(\$5.6 M)	(\$11.3 M)
<b>TOTAL</b>		<b>\$6.4 M</b>	<b>\$12.6 M</b>

The estimates are based on the share of the total AGR at Indiana riverboat casinos generated by table games. It is estimated that live table game operations at the racinos would displace: (1) gambling on virtual table games currently operated by the racinos; and (2) gambling on table games at competing riverboat casinos. This estimate is based on the gaming revenue model adopted by the Revenue Technical Forecast Committee.

*Impact from Table Games on Supplemental Wagering Tax:* Table games at racinos could potentially result in reducing the Supplemental Wagering Tax paid by the Indiana riverboats. This would result in the loss of Supplemental Wagering Tax revenue distributed to the state General Fund, State Fair Commission, and Division of Mental Health. The total reduction in revenue distributed to state funds is estimated to be \$0.2 M in FY 2020 and \$0.4 in FY 2021. There is no impact in FY 2022 and years thereafter.

*Impact from Table Games on Breed Funds:* The racinos are also required to pay between 10% to 12% of

their annual AGR to the following purposes:(1) the state Breed Development Funds; (2) private horsemen's associations; and (3) horse racing purses. Although the live table games are estimated to add significant additional AGR, it would decrease the AGR from virtual table games and slot machines. This would result in a net increase in revenue to the state Breed Development Funds. The net impact on the Breed Development Funds is summarized in the following table. The impact is estimated to occur in the last six months of FY 2020 and for full year in FY 2021. There is no impact from the bill in FY 2022 and years thereafter.

<b>Fund/Agency Type</b>	<b>FY 2020</b>	<b>FY 2021</b>
Thoroughbred Breed Fund	\$0.9 M	\$1.8 M
Standardbred Breed Fund	\$1.1 M	\$2.2 M
Quarter Horse Breed Fund	\$0.1 M	\$0.2 M
<b>TOTAL</b>	<b>\$2.1 M</b>	<b>\$4.2 M</b>

*Sports Wagering Fund:* The bill establishes the nonreverting Sports Wagering Fund. The IGC shall administer the fund. The fund consists of: (1) An initial fee of \$100,000 paid by an applicant for a certificate of authority for each riverboat, racino, and off-track betting facility; (2) Annual administrative fees of \$50,000 paid by each certificate holder annually starting the second year; (3) An initial nonrefundable fee of \$100,000 paid by an applicant for a vendor’s license; (4) Annual administrative fees of \$50,000 paid by each vendor annually starting the second year; (5) An initial nonrefundable fee of \$10,000 paid by an applicant for a sports wagering service provider. It also allows the IGC to use the money to pay for the cost of investigation of an applicant for a vendor’s license. It is estimated that (1) and (2) will generate about \$1.6 M in FY 2020 and \$800,000 annually in years thereafter. This could be higher to the extent that the Vigo County casino starts operating in FY 2021. The revenue generated from vendor and service provider licenses will depend on the number of vendors and service providers that are approved by the IGC to operate in Indiana.

*Sports Wagering Tax:* The bill imposes a wagering tax of 9.5% on the adjusted gross receipts (AGR) received from sports wagering. It is estimated that the tax would generate between \$3.4 M to \$20.3 M annually. Since sports wagering is allowed starting September 1, 2019, the fiscal impact in FY 2020 will be limited to only the portion of the year in which the sports wagering is conducted. The revenue will be deposited in the state General Fund. Of that revenue, 3.33% will be transferred to the Addiction Services Fund.

The lower bound estimate is based on estimates of U.S. sports wagering derived based on the share of Nevada gaming receipts attributable to sports wagering. The sports wagering estimate for Indiana is a portion of the U.S. estimate based on Indiana’s current share of U.S. gaming activity. The upper bound estimate is based on estimates of U.S. total legal and illegal sports wagering, with a share of the U.S. estimate allocated to Indiana based on Indiana’s share of U.S. personal income. There are six other states that started sports wagering operations in 2018. To the extent that the information is available, the level of sports wagering in those states have also been considered in estimating the impact of sports wagering in Indiana. The midpoint of the estimate is shown in the summary table.

The sports wagering provisions in the bill could potentially divert the existing wagers from table games and slot machines to sports wagering. It could also result in bringing new patrons to the casinos. In addition to sports wagering, these patrons could potentially wager on other casino games. This analysis assumes that

legalization of sports wagering would not have any net impact on other casino games.

Provision	Funds	FY 2020	FY 2021	FY 2022
Sports Wagering Tax	General Fund	\$8.6 M	\$11.5 M	\$11.5 M
Sports Wagering Tax	Addictive Services Fund	\$0.3 M	\$0.4 M	\$0.4 M
Sports Wagering License Fee	Sports Wagering Fund	\$1.6 M	\$0.8 M	\$0.8 M
<b>TOTAL</b>	<b>State Funds</b>	<b>\$10.5</b>	<b>\$12.7 M</b>	<b>\$12.7 M</b>

*Promotional Free Play Deduction for Riverboat Casinos and Racinos:* The bill increases the AGR deduction for promotional free play provided to patrons by riverboat casinos and racinos. The deduction is currently capped at \$7 M annually per casino or racino. The bill increases the cap to \$9 M annually starting FY 2022. Current law allows the deduction to be assigned which allows all gaming facilities to use the full deduction up to the cap. It is assumed that each of the casinos and racinos will claim the additional \$2 M in AGR deduction annually beginning FY 2022. The additional deduction will reduce the taxable base for the riverboat wagering tax, the riverboat supplemental wagering tax, the racino slot machine wagering tax, the county slot machine wagering tax, and the required set aside of racino AGR for horsemen and other purposes. Some of the revenue loss from the promotional free play deduction could be offset if the additional deduction induces additional promotional spending by the casinos and racinos, which in turn increases the aggregate amount of spending by gamblers in the state. The fiscal impact in the future will be lower to the extent that the licensee of the Gary riverboats will be able to claim only one free play deduction starting FY 2026. The estimated annual impact on state funds beginning FY 2022 is summarized in the table below.

Provision	Funds	FY 2022
Riverboat Wagering Tax	General Fund	(\$4.9 M)
Riverboat Supplemental Wagering Tax	General Fund	(\$0.2 M)
Racino Wagering Tax	General Fund	(\$1.0 M)
Riverboat Supplemental Wagering Tax	Dedicated Funds	(\$0.1 M)
Racino Set-Aside AGR	Breed Funds	(0.2 M)
<b>TOTAL</b>	<b>State Funds</b>	<b>(\$6.4 M)</b>

*Distributions of French Lick Casino Tax Revenue:* The bill changes the distribution of wagering tax revenue received from the French Lick casino. It requires that 33.6% of the General Fund share of the distribution under current law be deposited in the West Baden Springs Historic Hotel Preservation and Maintenance Fund. This would result in a loss of about \$3.3 M in revenue to the state General Fund. The West Baden Fund will receive an additional \$3.3 M annually starting in FY 2022. The bill provides that the distribution would occur until the balance in the fund exceeds \$25 M or until the casino generates at least \$100 M in AGR in each fiscal year. It provides that if the balance in the fund exceeds the \$25 M threshold or if the casino has reached the fiscal year AGR threshold of \$100 M, then the revenue will be paid to the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues: Summary:** The provisions in the bill related to relocation of the riverboats, table games at racinos, free play deduction, and sports wagering will impact local units. The overall impact of the estimated provisions are outlined in the following table.

Provision	Fund	FY 2020	FY 2021	FY 2022
Gary Inland Casino *	Other Local Units	\$0	(**)	(**)
Vigo County Casino	Dock City/Vigo County	\$0	\$6.5 M	\$6.2 M
Vigo County Casino	Vigo Co. School Corp.	\$0	\$0.4 M	\$0.4 M
Vigo County Casino	West Central 2025	\$0	\$0.4 M	\$0.4 M
Vigo County Casino	Other Local Units with Riverboat	\$0	(\$0.6 M)	(\$0.6 M)
Vigo County Casino	Madison/Shelby County	\$0	(\$0.6 M)	(\$0.6 M)
Wagering Tax Rate Change	Local Units with Riverboats	\$0	\$0	(\$3.2 M)
Revenue Sharing	Vigo County Local Units	\$0	(\$0.6 M)	(0.6 M)
Revenue Sharing	Non-Riverboat Counties	\$0	\$0.6 M	\$0.6 M
Table Games at Racinos	Local Units with Riverboats	(\$1.2 M)	(\$2.4 M)	\$0
Table Games at Racinos	Madison/Shelby County	\$0.6 M	\$1.1 M	\$0
Free Play Deduction	Local Units with Riverboats / Racinos	\$0	\$0	(\$1.6 M)
<b>TOTAL</b>	<b>All Local Units</b>	<b>(\$0.6 M)</b>	<b>\$4.8 M</b>	<b>\$1.0 M</b>
* Gary inland casino's impact on local units with competing riverboats is indeterminable. The bill provides for hold-harmless provisions to offset the losses to the other units.				

*Gary Riverboat Relocation to Gary Inland Casino:* The relocation of one of the Gary riverboat casinos to a land-based facility in Gary would likely result in a shift of the business to the land-based facility. It would likely result in a shift of some business to the land-based casino from riverboats in East Chicago, Hammond, and Michigan City. Most of the shift will occur from the riverboat in East Chicago. These shifts would reduce the riverboat wagering tax and supplemental wagering tax collected from these riverboats.

Reductions in riverboat wagering tax collections at East Chicago, Hammond, and Michigan City riverboats could lead to reductions in wagering tax revenue distributed to East Chicago, Hammond, and Michigan City. Currently, East Chicago, Hammond, and Michigan City receive 25% of the wagering tax collected from their riverboat casinos up to a maximum of what each city received from riverboat wagering tax in FY 2002. If the wagering tax reductions are sufficiently large, the 25% share to these cities could decline to levels below the FY 2002 cap. Any impact on Michigan City is estimated to be minimal to none. Hammond will not have any wagering tax revenue impact due to the cap. If the changes in the bill increase the total adjusted gross receipts from the Gary casino, then it could lead to additional wagering tax revenues for Gary.

The bill provides a distribution formula to guarantee that the city of East Chicago, Hammond, and Michigan City would receive wagering tax revenue distributions up to the FY 2019 level. The guarantee applies for the first full four years after the relocation of a Gary riverboat to an inland location. The guarantee applies to the riverboat wagering tax for all three entities. The local riverboat wagering tax distributions are capped up to the FY 2002 level, and business at the Hammond casino will have to substantially decrease before the revenue received by the city will fall below the cap. The cap will likely offset the revenue loss impact to East Chicago and Michigan City. The precise revenue loss offset received by these local units is indeterminable.

Any shift in business from the competing riverboats to the Gary inland casino would also reduce the supplemental wagering tax distributed to East Chicago, Hammond, and Michigan City. Any impact from the supplemental wagering tax on these cities with competing riverboats is estimated to be minimal to none. Any shift would also result in an increase in supplemental wagering tax revenues distributed to the city of Gary.

*Gary Riverboat Graduated Rate Impact:* The bill provides that a separate graduated tax rate will continue to be applied to the Gary riverboat for the fiscal years before FY 2026. Starting with FY 2026, the impact of the graduated tax rate imposed on the combined AGR of the Gary riverboat will have a net positive impact on the revenue received by the City of Gary.

*Vigo County Casino:* The bill will impose state and local taxes on the Vigo County casino similar to other riverboats in Indiana. The city of Terre Haute, Vigo County, Vigo County School Corporation, and West Central 2025 will receive distributions from the riverboat supplemental wagering tax. Vigo County or Terre Haute will also receive riverboat wagering tax. The bill will also result in a loss of supplemental wagering tax, wagering tax, and county gambling games fees for some local units with riverboats or racinos. The midpoint of the net impact is shown as the fiscal impact for FY 2021 and years thereafter. However the referendum requirements and auction process could result in the casino operations beginning in the second half of FY 2021 or FY 2022.

*Payment to City of Evansville:* The potential Vigo County casino licensee would pay three annual payments to the city of Evansville. The bill specifies the amounts. Assuming that these gaming operations begin in FY 2021, Evansville would receive \$1.2 M in FY 2021, \$0.9 M in FY 2022, and \$0.6 M in FY 2023.

*Local Development Agreement with Vigo County:* The bill requires the licensed owner of the gaming operation in Vigo County to enter into a development agreement with Vigo County. This could result in local units in Vigo County receiving additional distributions of revenue from the casino. The amount of money received under the provision will depend on the agreement. Based on past local development agreements in Indiana, it could be a share of revenue generated at the new casino or a fixed amount agreed upon by both parties.

*Change in Riverboat Wagering Tax Rate:* The bill makes changes to the riverboat graduated tax rate structure. This would result in loss of riverboat tax distributed to local units. The rate change is applicable beginning July 1, 2021. The estimated revenue loss of about \$3.2 M annually will begin in FY 2022.

*Wagering Tax Sharing with Non-Riverboat Counties:* Current law provides a revenue sharing distribution to all non-riverboat counties. A total of \$33 M in riverboat wagering tax is distributed to 84 counties annually. Vigo County receives about \$640,000 annually. If Vigo County has a riverboat starting FY 2021, it will not receive this distribution. The amount distributed to Vigo County will be distributed to the remaining 83 non-riverboat counties in the same proportion that they receive the revenue sharing distributions under current law.

*Impact from Table Games on Riverboat Wagering Tax:* The table games at racinos would result in decreased wagering tax collections from the riverboats. This could reduce wagering tax revenues distributed to certain local units. The estimated total revenue loss from these provisions on local units receiving wagering tax revenue is about \$0.8 M in FY 2020 and \$1.6 M in FY 2021.

*Impact from Table Games on Supplemental Wagering Tax:* There would be an impact on the amount received by the local units that receive revenues from the supplemental wagering tax. The total reduction in revenue distributed to local units is estimated to be \$0.4 M in FY 2020 and \$0.8 M in FY 2021.

*Impact from Table Games on County Gambling Games Wagering Fee:* The increase in net AGR from table games at the racinos would result in an increase in the 3% gambling game wagering fee. The county fee is currently 3% of AGR generated at the racinos during the fiscal year, up to a maximum of \$8 M in annual tax liability. This would result in additional revenue for Madison County and Shelby County. The total estimated impact is \$0.6 M in FY 2020 and \$1.1 M in FY 2021.

*Promotional Free Play Deduction for Riverboat Casinos and Racinos:* The deduction reduces the taxable base for the riverboat wagering tax, riverboat supplemental wagering tax, and the 3% county slot machine wagering tax. The total estimated annual revenue loss to local units with riverboats would be about \$1.5 M. The total revenue loss to Madison and Shelby County from the reduction in county gambling game wagering fees is about \$0.1 M. The fiscal impact would begin in FY 2022.

**State Agencies Affected:** Indiana Gaming Commission; Indiana Horse Racing Commission, Department of State Revenue, State Fair Commission, Division of Mental Health.

**Local Agencies Affected:** Local units receiving riverboat wagering tax or racino wagering tax.

**Information Sources:** State Revenue Forecast, April 17, 2019; Gaming Revenue Information (2017), Nevada Gaming Control Board; <http://www.gaming.nv.gov/index.aspx?page=149>  
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