

**NOTE:** As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 03/14/03 HB 854/aHAFC

SHORT TITLE: Additional Fees for Certain Gaming Machines SB \_\_\_\_\_

ANALYST: Gonzales

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$200.0		See Narrative	Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	Significant See Narrative		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
Gaming Control Board (GCB)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment essentially strikes the original bill in its entirety and appropriates \$200.0 from the general fund to the Gaming Control Board for the purpose of purchasing software and hardware to upgrade the gaming machine central system.

This amendment also makes the appropriation contingent upon House Bill 486, racetrack gaming operator hour increase, of the first session of the forty-sixth legislature becoming law. House Bill 486 would allow racetrack casinos to increase the hours of operations at their casinos from 12 hours to 16 hours per day, not to exceed 100 hour per week. The 100 hours per week cap

could be exceeded for holidays.

Significant Issues

Analysts have projected House Bill 486 would generate an additional \$4.2 million in recurring revenue to the general fund.

**FISCAL IMPLICATIONS**

The appropriation of \$200.0 is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY04 shall revert to the general fund.

In testimony before various Legislative, Racing Commission and Gaming Control Board meetings, racetrack casino operators have argued the current central monitoring system with the Gaming Control Board does not allow them to purchase and install the latest and most desirable gaming machines. The GCB, working with the central monitoring system contractor, has proposed an enhancement to the current system which would expand the potential game offerings for racetrack and nonprofit gaming operator licensees. This enhancement in turn would presumably generate recurring additional revenue to the general fund.

The engineering cost for the enhancement mentioned above, as indicated by the GCB, is estimated to be between \$450.0 and \$550.0. This amount is a one-time expense although there would be annual maintenance and upgrades to the system. This bill would help address funding for this enhancement. The difference between the appropriation contained in this bill and expenditures would need to come from the GCB's annual budget or picked up in the following year's direct appropriation to the GCB as provided in this bill. After the initial expenses, annual maintenance and potential upgrades to the system are not expected to be significantly more than what the GCB is now spending on maintenance of the current central monitoring system.

Synopsis of Original Bill

House Bill 854 would impose an additional annual fee of \$150 for each separate gaming machine located at a racetrack and appropriate the funds to the Gaming Control Board for software updates to integrate new gaming machines into the gaming machine central system.

**FISCAL IMPLICATIONS**

The bill would result in an annual renewal fee of \$175 for gaming machine licenses (\$25 current renewal fee and \$150 additional fee). Based on the 1,815 licensed gaming machines currently at racetrack gaming operator venues, the amount appropriated to the Gaming Control Board would be approximately \$277.3 annually.

The bill provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions. Earmarking reduces the ability of the legislature to establish spending priorities.

**OTHER SUBSTANTIVE ISSUES**

According to the GCB, the bill could be interpreted at least two ways. Under one interpretation,

the GCB could use the appropriation to offset costs incurred by licensed manufacturers to engineer specific types of games to communicate with the central system. Under another interpretation, the GCB could use the appropriation to enhance the central system by adding a translation module to accept data from most gaming machines. These interpretations could raise the issue of how to equitably distribute the funds among manufacturers as well as how to contract for the engineering services.

JMG/njw/ljs