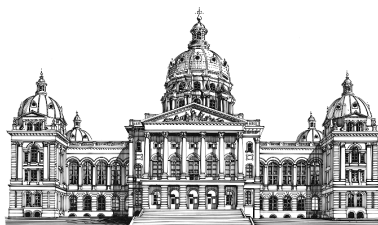


Iowa Legislative Fiscal Bureau



Dennis Prouty
(515) 281-5279
FAX 281-8451

State Capitol
Des Moines, IA 50319
January 15, 1997

Update on Riverboat, Pari-Mutuel, and Slot Machine Operations

(Updated January 1997)

ISSUE

Update on riverboat, pari-mutuel, and slot machine operations in Iowa.

AFFECTED AGENCIES

Department of Inspections and Appeals
Department of Public Safety

CODE AUTHORITY

Chapters 99D and 99F, Code of Iowa

BACKGROUND

History of Gambling in Iowa

- 1983 - SF 92 authorized pari-mutuel gambling (dog and horse racing)
- 1989 - SF 220 authorized simulcasting at pari-mutuel racetracks
- 1989 - SF 124 authorized riverboat gambling
- 1994 - HF 2179 authorized slot machines at pari-mutuel racetracks
- 1994 - HF 2179 removed the \$5 bet limit and the \$200 daily loss limit, and allowed facilities to operate 24-hours a day

Regulation of Gambling in Iowa

The Iowa Racing and Gaming Commission administers pari-mutuel wagering laws, riverboat gambling laws, and agency rules to assure the integrity of racetrack and riverboat gambling operations. The five Commission members are appointed by the Governor and confirmed by the Senate.

- The Racing and Gaming Commission within the Department of Inspections and Appeals and the Division of Criminal Investigation of the Department of Public Safety are responsible for regulation of gambling operations. Licensing assistants and gaming representatives perform regulatory functions for the Racing and Gaming Commission.

Revenue Flow

Riverboat and racetrack owners pay a wagering tax on gambling revenue. The wagering tax is distributed to:

- The city in which the riverboat or racetrack is located
- The county in which the riverboat or racetrack is located
- The Gamblers Assistance Fund
- The State General Fund

Refer to **Attachment A** for detailed information on how the wagering tax is calculated and distributed for the various types of gambling.

House File 2421 (Transportation and Capitals Appropriations Act), passed during the 1996 Legislative Session, placed a cap on gambling revenues to the General Fund at \$60.0 million per year beginning in FY 1997 and made retroactive for FY 1996. All revenues in excess of \$60.0 million go to the Rebuild Iowa Infrastructure Fund.

Revenues and Expenses - A Historical Perspective

Figure 1 shows that the wagering tax revenue generated by gambling enterprises other than the Lottery totaled \$106.8 million in FY 1996. This is an increase of \$59.8 million (127.2%) compared to FY 1995.

Figure 1

Wagering Tax Revenue

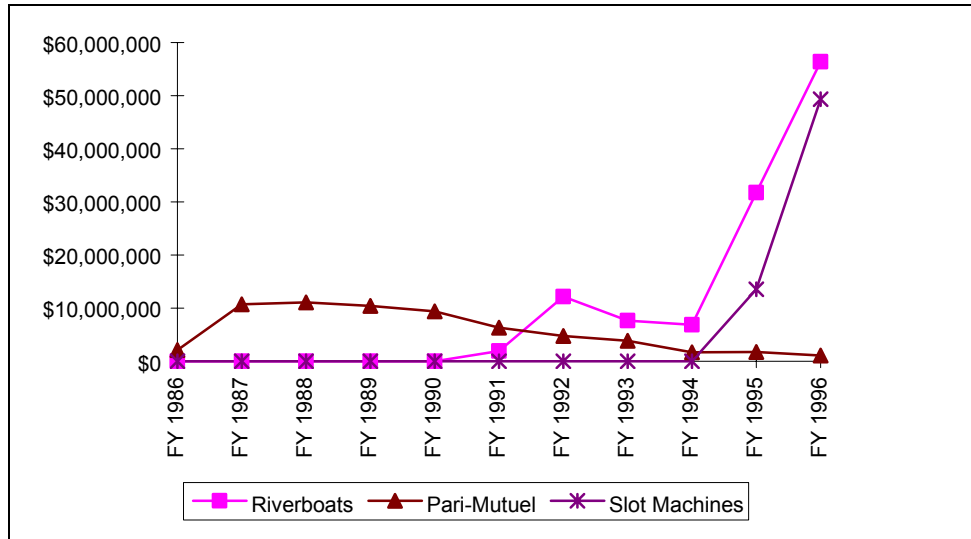
	Pari-Mutuel	Riverboats	Slot Machines	Total
FY 1986	\$ 2,105,033	NA	NA	\$ 2,105,033
FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$ 1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$ 13,539,467	46,992,303
FY 1996	1,078,259	56,373,341	49,328,414	106,780,014
	<u>\$ 63,100,509</u>	<u>\$ 116,665,243</u>	<u>\$ 62,867,881</u>	<u>\$ 242,633,633</u>

Figure 2 shows a sharp increase in FY 1996 wagering tax revenue from riverboat and slot machine gambling and a general decline since FY 1989 in wagering tax revenue from pari-mutuel gambling. Wagering tax revenue from riverboats has increased \$54.4 million

(2,823.4%) since it began in FY 1991, while revenue from pari-mutuel wagering has decreased \$10.0 million (90.28%) from a high of \$11.1 million in FY 1988 to the current level of \$1.1 million in FY 1996. Revenue from slot machines contributed \$49.3 million during FY 1996, an increase of \$35.8 million (264.3%) compared to FY 1995.

Figure 2

Wagering Tax Revenue by Gambling Type



The increase in wagering tax revenue from riverboat gambling can be attributed to changes made during the 1994 Legislative Session, including the elimination of the maximum \$5 bet and \$200 loss limits. Also eliminated were restrictions on cruise schedules and operating hours, making the accessibility of riverboat gambling comparable to that of land-based casinos. In addition, nine riverboats operated during some portion of FY 1996, compared to seven boats operating during FY 1995 and three during FY 1994.

Expenses incurred by the Division of Criminal Investigation (DCI) and the Racing and Gaming Commission (RGC) partially offset the wagering tax revenues to the State. Figure 3 shows that regulation expenses totaled \$6.6 million for FY 1996, an increase of \$1.6 million (31.2%) compared to FY 1995. The increase is due to the operation of two additional riverboats during a portion of FY 1996 and the addition of slot machines at Dubuque Greyhound Park. Regulation expenses are equal to approximately 6.2% of wagering tax revenues generated from riverboat, pari-mutuel, and slot machine operations.

Figure 3

State Gambling Regulation Expenditures

	Riverboats		Pari-Mutuel and Slots		Total	
	DCI	RGC	DCI	RGC	DCI	RGC
FY 1990	\$ 751,149	\$ 0	\$ 252,604	\$ 0	\$ 1,003,753	\$ 0
FY 1991	1,283,203	1,922,053	288,897	1,878,605	1,572,100	3,800,658
FY 1992	1,274,315	540,891	248,719	1,713,476	1,523,034	2,254,367
FY 1993	1,082,133	605,926	293,158	1,692,845	1,375,291	2,298,771
FY 1994	1,157,436	602,509	306,540	1,739,818	1,463,976	2,342,327
FY 1995	2,228,737	656,828	588,051	1,559,293	2,816,788	2,216,121
FY 1996	3,160,017	1,042,272	545,151	1,856,678	3,705,168	2,898,950
Total	\$10,936,990	\$ 5,370,479	\$2,523,120	\$10,440,715	\$13,460,110	\$15,811,194

Expenses incurred by the Racing and Gaming Commission for regulation of riverboat gambling operations are charged to riverboat owners, and thus are revenue-neutral. The Commission does not separate the regulation expenditures by pari-mutuel and slot machine operations.

CURRENT SITUATION**Riverboats and Racetracks Currently in Operation**

Name	Location	Operations
President	Davenport	711 slot machines 45 table games
Mississippi Belle II	Clinton	460 slot machines 23 table games
Diamond Jo	Dubuque	569 slot machines 28 table games
Catfish Bend	Southeast Iowa	302 slot machines 24 table games
Miss Marquette	Marquette	665 slot machines 31 table games
Belle of Sioux City	Sioux City	443 slot machines 28 table games
Lady Luck	Bettendorf	806 slot machines 43 table games
Ameristar Casino	Council Bluffs	1,012 slot machines 41 table games
Kanesville Queen	Council Bluffs	879 slot machines 51 table games

Name	Location	Operations
Bluffs Run	Council Bluffs	Dog Racing Simulcasting 1,207 Slot Machines
Prairie Meadows	Altoona	Horse Racing Simulcasting 1,101 Slot Machines
Dubuque Greyhound Park	Dubuque	Dog Racing Simulcasting 547 Slot Machines

Revenues

Wagering tax receipts from riverboat gambling in FY 1996 were \$56.4 million. This is an increase of \$24.7 million (77.7%) compared to FY 1995. Refer to **Attachment B** for information on individual riverboats.

Wagering tax receipts from pari-mutuel gambling in FY 1996 were \$1.1 million. This is a decrease of \$651,000 (37.7%) compared to FY 1995. The Waterloo Greyhound Park closed on July 13, 1996. Refer to **Attachment C** for information on individual racetracks.

Wagering tax receipts from slot machines at Bluffs Run, Prairie Meadows, and Dubuque Greyhound Park totaled \$49.3 million during FY 1996. This is an increase of \$35.8 million (264.3%) compared to FY 1995. Slot machine operations began March 15, 1995, at Bluffs Run; April 1, 1995, at Prairie Meadows; and November 22, 1995, at Dubuque Greyhound Park. Refer to **Attachment D** for detailed information.

BUDGET IMPACT

Given the cap placed on gambling revenue to the General Fund, the Revenue Estimating Conference has estimated FY 1997 General Fund revenues from riverboat, pari-mutuel, and slot machine operations to be \$60.0 million. The Racing and Gaming Commission estimates total FY 1997 revenues of \$66.6 million from riverboats, \$1.0 million from pari-mutuel facilities, and \$45.7 million from slot machines at race tracks. This is an increase of \$6.6 million (6.18%) compared to FY 1996 wagering tax revenues of \$106.8 million.

The Racing and Gaming Commission and the Division of Criminal Investigation have received appropriations for FY 1997 of \$3.0 million and \$3.7 million, respectively, for regulation of gaming operations. This is an increase of \$150,000 (2.3%) compared to FY 1996.

STAFF CONTACT: Paige Piper/Bach (Ext.14613) Deb Anderson (Ext. 16765)

Wagering Tax Calculation and Distribution

Pari-Mutuel Horse Racing - Section 99D.15(1), Code of Iowa

Calculation: 0.06 x gross wagered (paid within ten days after each horse race meeting)

Distribution: 0.005 x gross wagered - city
0.005 x gross wagered - county
remainder - State General Fund

Pari-Mutuel Dog Racing - Section 99D.15(3), Code of Iowa

Calculation: 0.06 x gross wagered (if gross wagered is \geq \$55.0 million)
0.05 x gross wagered (if gross wagered is \geq \$30.0 million, but $<$ \$55.0 million)
0.04 x gross wagered (if gross wagered is $<$ \$30.0 million)

Distribution: 0.005 x gross wagered - city
0.005 x gross wagered - county
remainder - State General Fund

Simulcasting - Section 99D.15(4), Code of Iowa

Calculation: 0.02 x gross wagered

Distribution: 0.005 x gross wagered - city
0.005 x gross wagered - county
remainder - State General Fund

Casino Games - Section 99F.11, Code of Iowa

Calculation: (0.05 x first \$1.0 million adjusted gross receipts)
+ (0.10 x next \$2.0 million adjusted gross receipts)
+ (0.20 x remaining adjusted gross receipts)*

Distribution: 0.005 x adjusted gross receipts - city
0.005 x adjusted gross receipts - county
0.003 x adjusted gross receipts - Gamblers Assistance Fund
remainder - State General Fund

*Beginning January 1, 1997, the rate on any amount of adjusted gross receipts over \$3.0 million from gambling games at racetrack enclosures will be 22.0% and will increase by 2.0% each succeeding calendar year until the rate is 36.0%.

Riverboat Gambling Statistics by Boat

	<u>Gross Slot Receipts</u>	<u>Gross Table Receipts</u>	<u>Total Gross Wagered</u>	<u>Adjusted Gross Receipts</u>	<u>City Tax</u>	<u>County Tax</u>	<u>Gamblers Assistance</u>	<u>General Fund Tax Receipts</u>	<u>Admissions</u>
President									
FY 1995	\$ 810,098,927	\$ 86,118,036	\$ 896,216,963	\$ 78,846,403	\$ 394,232	\$ 394,232	\$ 254,452	\$ 14,303,673	2,040,227
FY 1996	794,587,116	58,586,878	853,173,994	63,041,215	315,206	315,206	189,124	11,438,707	1,775,317
Difference	\$ -15,511,811	\$ -27,531,158	\$ -43,042,969	\$ -15,805,188	\$ -79,026	\$ -79,026	\$ -65,328	\$ -2,864,966	-264,910
Percent Change	-1.91%	-31.97%	-4.80%	-20.05%	-20.05%	-20.05%	-25.67%	-20.03%	-12.98%
Mississippi Belle II									
FY 1995	\$ 250,057,873	\$ 19,011,465	\$ 269,069,337	\$ 24,126,101	\$ 120,631	\$ 120,631	\$ 75,784	\$ 4,131,994	630,374
FY 1996	346,925,460	19,992,388	366,917,848	28,922,941	144,615	144,615	86,769	5,058,590	705,529
Difference	\$ 96,867,587	\$ 980,923	\$ 97,848,511	\$ 4,796,840	\$ 23,984	\$ 23,984	\$ 10,985	\$ 926,596	75,155
Percent Change	38.74%	5.16%	36.37%	19.88%	19.88%	19.88%	14.50%	22.42%	11.92%
Sioux City Sue (closed December 1994)									
FY 1995	\$ 39,218,541	\$ 7,561,343	\$ 46,779,884	\$ 5,942,197	\$ 29,702	\$ 29,702	\$ 19,934	\$ 758,751	214,003
FY 1996	0	0	0	0	0	0	0	0	0
Difference	\$ -39,218,541	\$ -7,561,343	\$ -46,779,884	\$ -5,942,197	\$ -29,702	\$ -29,702	\$ -19,934	\$ -758,751	-214,003
Percent Change	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%
Diamond Jo									
FY 1995	\$ 238,234,478	\$ 29,110,873	\$ 267,345,351	\$ 25,457,275	\$ 127,292	\$ 127,292	\$ 80,857	\$ 4,357,241	728,353
FY 1996	412,662,485	40,621,358	453,283,843	38,477,880	192,389	192,389	115,434	6,845,882	1,079,272
Difference	\$ 174,428,007	\$ 11,510,485	\$ 185,938,492	\$ 13,020,605	\$ 65,097	\$ 65,097	\$ 34,577	\$ 2,488,641	350,919
Percent Change	73.22%	39.54%	69.55%	51.15%	51.14%	51.14%	42.76%	57.12%	48.18%
Catfish Bend									
FY 1995	\$ 78,813,511	\$ 14,300,387	\$ 93,113,898	\$ 11,105,080	\$ 55,530	\$ 55,530	\$ 33,318	\$ 1,709,443	332,698
FY 1996	179,766,002	21,773,278	201,539,280	20,753,811	103,769	103,769	62,261	3,530,964	514,420
Difference	\$ 100,952,491	\$ 7,472,891	\$ 108,425,382	\$ 9,648,731	\$ 48,239	\$ 48,239	\$ 28,943	\$ 1,821,522	181,722
Percent Change	128.09%	52.26%	116.44%	86.89%	86.87%	86.87%	86.87%	106.56%	54.62%

Riverboat Gambling Statistics by Boat

Miss Marquette

FY 1995	\$ 149,635,223	\$ 18,819,087	\$ 168,454,310	\$ 18,877,541	\$ 94,388	\$ 94,388	\$ 56,633	\$ 3,134,516	491,509
FY 1996	259,528,433	27,734,257	287,262,690	28,859,427	144,297	144,297	86,578	5,046,712	737,908
Difference	\$ 109,893,210	\$ 8,915,170	\$ 118,808,380	\$ 9,981,886	\$ 49,909	\$ 49,909	\$ 29,945	\$ 1,912,196	246,399
Percent Change	73.44%	47.37%	70.53%	52.88%	52.88%	52.88%	52.88%	61.00%	50.13%

Belle of Sioux City

FY 1995	\$ 81,122,567	\$ 17,025,964	\$ 98,148,531	\$ 12,002,224	\$ 60,011	\$ 60,011	\$ 36,007	\$ 1,871,385	434,015
FY 1996	143,941,596	29,352,094	173,293,690	20,384,240	101,921	101,921	61,153	3,429,840	759,143
Difference	\$ 62,819,029	\$ 12,326,130	\$ 75,145,159	\$ 8,382,016	\$ 41,910	\$ 41,910	\$ 25,146	\$ 1,558,455	325,128
Percent Change	77.44%	72.40%	76.56%	69.84%	69.84%	69.84%	69.84%	83.28%	74.91%

Lady Luck

FY 1995	\$ 99,439,323	\$ 11,106,994	\$ 110,546,317	\$ 10,007,027	\$ 50,035	\$ 50,035	\$ 30,021	\$ 1,456,083	325,239
FY 1996	681,620,740	51,203,741	732,824,481	55,727,825	278,639	278,639	167,183	10,071,103	1,443,113
Difference	\$ 582,181,417	\$ 40,096,747	\$ 622,278,164	\$ 45,720,798	\$ 228,604	\$ 228,604	\$ 137,162	\$ 8,615,020	1,117,874
Percent Change	585.46%	361.00%	562.91%	456.89%	456.89%	456.89%	456.89%	591.66%	343.71%

Ameristar Casino (opened January 19, 1996)

FY 1996	\$ 297,680,232	\$ 51,146,934	\$ 348,827,166	\$ 30,845,846	\$ 154,229	\$ 154,229	\$ 92,538	\$ 5,418,174	1,033,551
---------	----------------	---------------	----------------	---------------	------------	------------	-----------	--------------	-----------

Kanesville Queen (opened January 1, 1996)

FY 1996	\$ 326,774,516	\$ 56,401,685	\$ 383,176,201	\$ 31,461,869	\$ 157,309	\$ 157,309	\$ 94,386	\$ 5,533,369	909,922
---------	----------------	---------------	----------------	---------------	------------	------------	-----------	--------------	---------

Total All Boats

FY 1995	\$ 1,746,620,442	\$ 203,054,149	\$ 1,949,674,591	\$ 186,363,848	\$ 931,821	\$ 931,821	\$ 587,005	\$ 31,723,085	5,196,418
FY 1996	3,443,486,580	356,812,613	3,800,299,193	318,475,054	1,592,374	1,592,374	955,426	56,373,341	8,958,175
Difference	\$ 1,696,866,138	\$ 153,758,464	\$ 1,850,624,602	\$ 132,111,206	\$ 660,553	\$ 660,553	\$ 368,421	\$ 24,650,256	3,761,757
Percent Change	97.15%	75.72%	94.92%	70.89%	70.89%	70.89%	62.76%	77.70%	72.39%

Racetrack Statistics by Track*

	<u>Number of Performances</u>	<u>Pari-Mutuel Wagered</u>	<u>Simulcasting Wagered</u>	<u>Total Gross Wagered</u>	<u>City Tax</u>	<u>County Tax</u>	<u>General Fund Tax Receipts</u>	<u>Attendance</u>
Bluffs Run								
FY 1995	1,218	\$ 34,455,244	\$ 8,937,202	\$ 43,392,446	\$ 216,962	\$ 216,962	\$ 1,467,582	1,681,792
FY 1996	1,750	24,208,495	13,449,267	37,657,762	188,289	188,289	860,748	4,282,759
Difference	532	\$ -10,246,749	4,512,065	\$ -5,734,684	\$ -28,673	\$ -28,673	\$ -606,834	2,600,967
Percent Change	43.68%	-29.74%	50.49%	-13.22%	-13.22%	-13.22%	-41.35%	154.65%
Prairie Meadows								
FY 1995	1,504	\$ 4,662,076	\$ 32,385,946	\$ 37,048,022	\$ 0	\$ 0	\$ 0	1,048,313
FY 1996	1,894	4,946,271	25,805,859	30,752,130	0	0	0	3,250,763
Difference	390	\$ 284,195	\$ -6,580,087	\$ -6,295,892	\$ 0	\$ 0	\$ 0	2,202,450
Percent Change	25.93%	6.10%	-20.32%	-16.99%	0.00%	0.00%	0.00%	210.09%
Dubuque Greyhound Park								
FY 1995	761	\$ 4,391,919	\$ 6,940,378	\$ 11,332,297	\$ 56,662	\$ 56,662	\$ 201,161	98,138
FY 1996	900	3,365,181	6,135,675	9,500,856	47,505	47,505	162,312	444,775
Difference	139	\$ -1,026,738	\$ -804,703	\$ -1,831,441	\$ -9,157	\$ -9,157	\$ -38,849	346,637
Percent Change	18.27%	-23.38%	-11.59%	-16.16%	-16.16%	-16.16%	-19.31%	353.21%
Waterloo Greyhound Park (closed July 13, 1996)								
FY 1995	562	\$ 0	\$ 6,100,843	\$ 6,100,843	\$ 30,504	\$ 30,504	\$ 61,008	42,196
FY 1996	441	0	5,519,899	5,519,899	27,600	27,600	55,199	38,458
Difference	-121	\$ 0	\$ -580,944	\$ -580,944	\$ -2,904	\$ -2,904	\$ -5,809	-3,738
Percent Change	-21.53%	0.00%	-9.52%	-9.52%	-9.52%	-9.52%	-9.52%	-8.86%
Total All Tracks								
FY 1995	4,045	\$ 43,509,239	\$ 54,364,369	\$ 97,873,608	\$ 304,128	\$ 304,128	\$ 1,729,751	2,870,439
FY 1996	4,985	32,519,947	50,910,700	83,430,647	263,394	263,394	1,078,259	8,016,755
Difference	940	\$ -10,989,292	-3,453,669	\$ -14,442,961	\$ -40,734	\$ -40,734	\$ -651,492	5,146,316
Percent Change	23.24%	-25.26%	-6.35%	-14.76%	-13.39%	-13.39%	-37.66%	179.29%

* These figures are reflected in the fiscal year during which the racing season ended. Racing seasons may cross fiscal years, but revenues to the General Fund are not realized until the end of the racing season.

Slot Machine Statistics by Track

	<u>Gross Receipts</u>	<u>Adjusted Gross Receipts</u>	<u>City Tax</u>	<u>County Tax</u>	<u>Gamblers Assistance</u>	<u>General Fund Tax Receipts</u>	<u>Admissions</u>
<i>Prairie Meadows</i>							
FY 1995	\$ 369,479,658	\$ 31,841,995	\$ 159,210	\$ 159,210	\$ 95,526	\$ 5,569,205	882,558
FY 1996	1,578,620,882	118,004,333	590,022	590,022	354,013	21,716,810	3,250,763
Difference	\$ 1,209,141,224	\$ 86,162,338	\$ 430,812	\$ 430,812	\$ 258,487	\$ 16,147,605	2,368,205
Percent Change	327.26%	270.59%	270.59%	270.59%	270.59%	289.94%	268.33%
<i>Bluffs Run</i>							
FY 1995	\$ 691,464,035	\$ 44,494,708	\$ 222,474	\$ 222,474	\$ 133,484	\$ 7,970,262	1,430,451
FY 1996	2,315,027,666	142,377,394	711,887	711,887	427,132	25,900,878	4,282,759
Difference	\$ 1,623,563,631	\$ 97,882,686	\$ 489,413	\$ 489,413	\$ 293,648	\$ 17,930,616	2,852,308
Percent Change	234.80%	219.99%	219.99%	219.99%	219.99%	224.97%	199.40%
<i>Dubuque Greyhound Park</i>							
FY 1996	\$ 172,019,872	\$ 11,365,916	\$ 56,830	\$ 56,830	\$ 34,098	\$ 1,710,726	444,775
<i>Total All Slots</i>							
FY 1995	\$ 1,060,943,693	\$ 76,336,703	\$ 381,684	\$ 381,684	\$ 229,010	\$ 13,539,467	2,313,009
FY 1996	4,065,668,420	271,747,643	1,358,739	1,358,739	815,243	49,328,414	7,978,297
Difference	\$ 3,004,724,727	\$ 195,410,940	\$ 977,055	\$ 977,055	\$ 586,233	\$ 35,788,947	5,665,288
Percent Change	283.21%	255.99%	255.99%	255.99%	255.99%	264.33%	244.93%