

## FISCAL TOPICS

Fiscal Services Division

February 1, 2019



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## FY 2018 State Gaming Revenues

**Background.** State gaming revenues include State wagering taxes as well as various license and regulatory fees that are remitted to the State. This report does not include wagering taxes that are paid directly to cities and counties.

Revenue collections from Iowa's 19 gaming establishments totaled \$325.7 million in FY 2018, an increase of \$2.1 million (0.7%) compared to revenue collections in FY 2017.

**Wagering Taxes.** State wagering taxes are imposed on casino table games and slot machines and make up the vast majority of revenue remitted to the State from casinos. The overall growth in State wagering taxes was \$3.2 million (1.1%) in FY 2018 compared to the previous year.

**Other Revenue.** All other revenues remitted to the State by the gaming industry experienced a net decrease of \$1.1 million (4.6%). The decrease was due to a drop of \$4.0 million from revenue collected from the Initial License Fee (from \$5.0 million in FY 2017 to \$1.0 million in FY 2018). The Initial License Fee is a one-time fee charged to a facility that has been issued a license to operate in Iowa by the Racing and Gaming Commission. Iowa law allows the fee to be paid in equal installments over a five-year period. In FY 2017, Sioux City Entertainment, L.L.C. (Hard Rock Hotel and Casino), made its fifth and final annual payment of \$4.0 million of a \$20.0 million license fee. Wild Rose Jefferson, L.L.C. (Wild Rose Casino and Resort), made its fifth and final license fee payment of \$1.0 million of a \$5.0 million license fee in FY 2018.

**Table 1**

State Revenue from Iowa Casinos							
(Dollars in Millions)							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Dollar Change	Percent Change
Wagering Taxes	\$ 282.5	\$ 287.8	\$ 297.8	\$ 299.8	\$ 303.1	\$ 3.2	1.1%
Other Receipts							
Enforcement and Regulatory Fees	15.9	16.9	16.4	15.1	17.7	2.6	17.3%
Pari-mutuel Receipts	3.8	3.7	3.5	3.4	3.7	0.3	8.2%
Initial License Fees	6.0	5.0	5.0	5.0	1.0	-4.0	-80.0%
Other	0.4	0.5	0.4	0.3	0.3	0.0	-0.3%
Subtotal Other Receipts	26.1	26.1	25.3	23.8	22.7	-1.1	-4.6%
Total	\$ 308.6	\$ 313.9	\$ 323.1	\$ 323.6	\$ 325.7	\$ 2.1	0.7%

Note: Numbers may not equal totals due to rounding.

### More Information

Iowa Racing and Gaming Commission: [irgc.iowa.gov](http://irgc.iowa.gov)  
LSA Staff Contacts: Dave Reynolds (515.281.6934) [dave.reynolds@legis.iowa.gov](mailto:dave.reynolds@legis.iowa.gov)  
Christin Mechler (515.250.0458) [christin.mechler@legis.iowa.gov](mailto:christin.mechler@legis.iowa.gov)

**Revenue Distribution and Allocation.** The majority of the gaming revenues collected by the State are distributed to individual funds in a specified order in accordance with Iowa Code section [8.57\(5\)](#). These revenues include the wagering taxes collected on gambling games and horse and dog racing, as well as certain license fees. Of the total \$325.7 million in revenue collected in FY 2018, \$293.1 million was allocated according to Iowa Code section [8.57\(5\)](#).

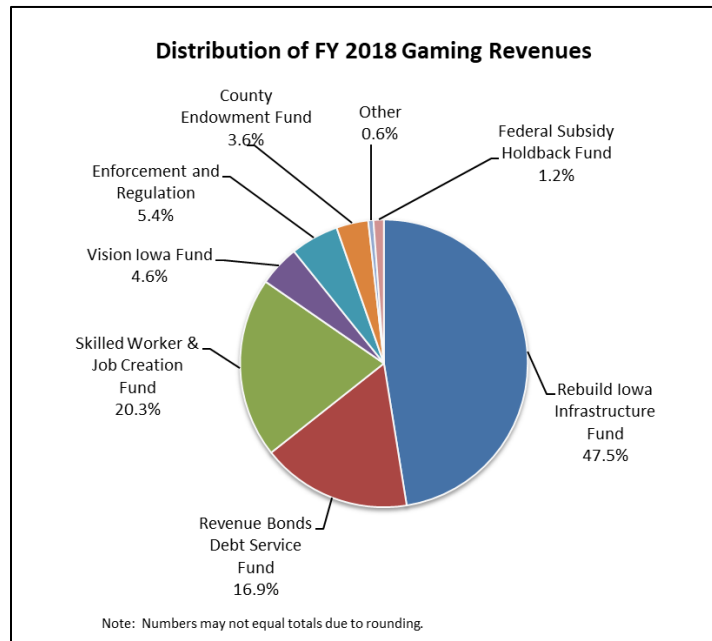
The General Assembly and Governor periodically alter this distribution of gaming revenue based on spending priorities as part of the annual budget process. **Table 2** shows the distribution of the \$293.1 million to the various funds and the order in which the funds are distributed according to statute. The remaining \$32.6 million collected in FY 2018 includes fees for enforcement and regulatory costs, the County Endowment Fund, and a tax for funding cultural grants and tourism. An explanation of the individual funds and accounts is provided at the end of this report.

**Table 2**

Distribution of State Gaming Revenue (Dollars in Millions)							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Dollar Change	Percent Change
<b>Distribution of Revenue in Accordance with Sec. 8.57(5)</b>							
Revenue Bonds Debt Service Fund	\$ 55.0	\$ 55.0	\$ 55.0	\$ 55.0	\$ 55.0	\$ 0.0	0.0%
Federal Subsidy Holdback Fund	3.8	3.8	3.8	3.8	3.8	0.0	0.0%
Vision Iowa Fund	15.0	15.0	15.0	15.0	15.0	0.0	0.0%
School Infrastructure Fund	5.0	0.0	0.0	0.0	0.0	0.0	-
Iowa Skilled Worker and Job Creation Fund	66.0	66.0	66.0	66.0	66.0	0.0	0.0%
Rebuild Iowa Infrastructure Fund	134.2	143.1	152.3	154.0	153.4	-0.6	-0.4%
Subtotal	<u>\$ 278.9</u>	<u>\$ 282.9</u>	<u>\$ 292.1</u>	<u>\$ 293.8</u>	<u>\$ 293.1</u>	<u>\$ -0.6</u>	<u>-0.2%</u>
<b>Other Revenues</b>							
Gaming Regulatory Revolving Fund	\$ 9.7	\$ 10.8	\$ 10.3	\$ 8.9	\$ 11.8	\$ 2.8	31.8%
Gaming Enforcement Revolving Fund	6.1	6.1	6.1	6.2	5.9	-0.2	-3.8%
County Endowment Fund	10.8	11.0	11.5	11.6	11.7	0.1	1.1%
Cultural Grants, Tourism, RIIF	1.6	1.6	1.7	1.7	1.7	0.0	0.8%
Rebuild Iowa Infrastructure Fund	1.1	1.1	1.2	1.2	1.2	0.0	1.4%
General Fund - Other	0.2	0.3	0.3	0.3	0.3	0.0	1.0%
Subtotal	<u>\$ 29.6</u>	<u>\$ 31.0</u>	<u>\$ 31.0</u>	<u>\$ 29.8</u>	<u>\$ 32.6</u>	<u>\$ 2.8</u>	<u>9.3%</u>
Total	<u>\$ 308.6</u>	<u>\$ 313.9</u>	<u>\$ 323.1</u>	<u>\$ 323.6</u>	<u>\$ 325.7</u>	<u>\$ 2.1</u>	<u>0.7%</u>

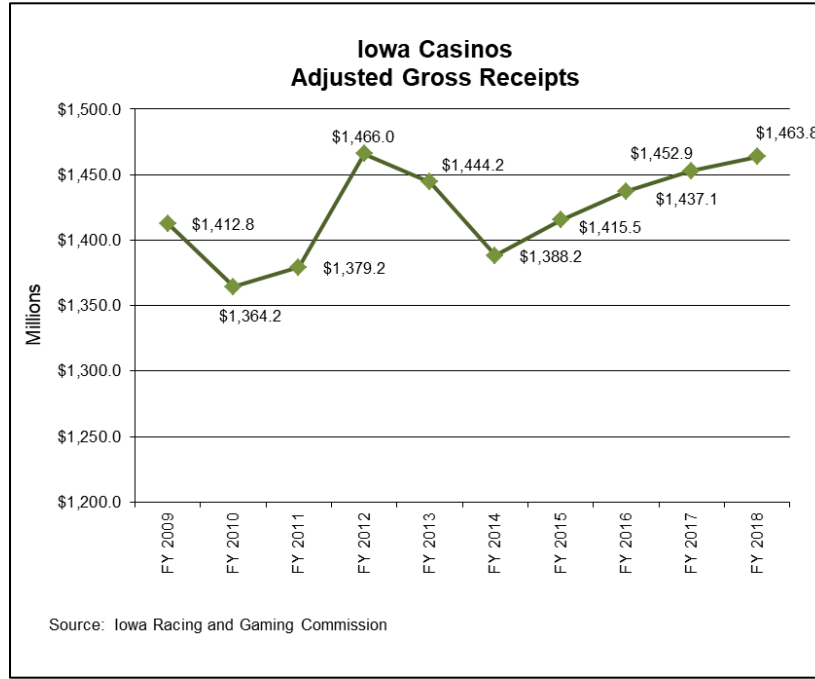
Note: Numbers may not equal totals due to rounding.

**Chart 1**



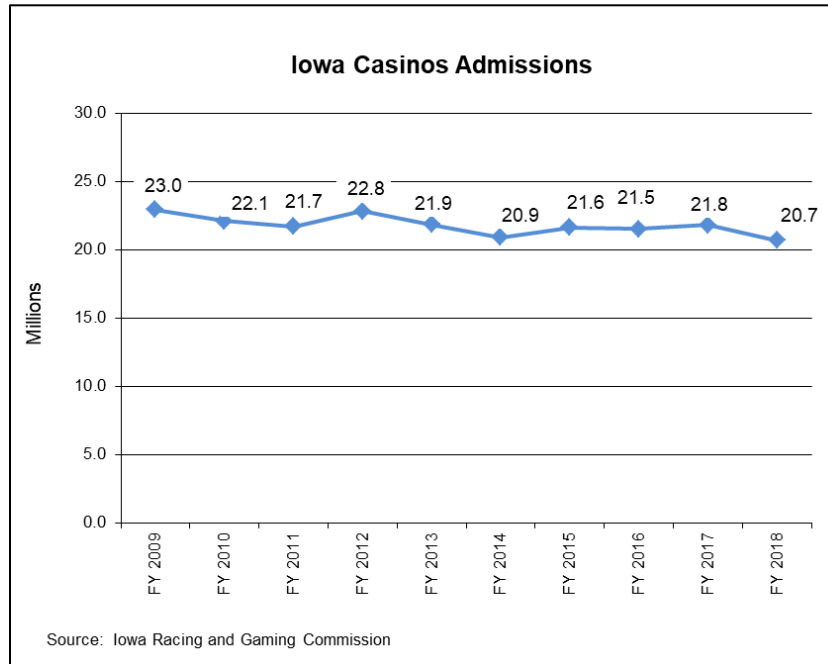
**Adjusted Gross Receipts (AGR).** Overall, adjusted gross receipts increased by \$10.9 million (0.8%) in FY 2018 compared to FY 2017. Adjusted gross receipts consist of the total amount wagered less the winnings paid and represent the amount subject to wagering tax. Adjusted gross receipts do not include promotional play receipts that exceed a cumulative total of \$25.82 million in a given fiscal year.

**Chart 2**



**Admissions.** Admissions to the gaming facilities for FY 2018 decreased 1.1 million (5.0%) compared to FY 2017. Admissions totaled 20.7 million in FY 2018 compared to 21.8 million in FY 2017. The FY 2018 admissions is the lowest level recorded over the last 10 years.

**Chart 3**



**Iowa Code Section 8.57(5) — Distribution of Revenue.**

- **Revenue Bonds Debt Service Fund.** \$55.0 million is allocated to pay the debt service on bonds that were issued in July 2009 to fund a variety of infrastructure and environmental projects, as well as the I-JOBS Program.
- **Federal Subsidy Holdback Fund.** \$3.8 million is allocated to a new Revenue Bonds Federal Subsidy Holdback Fund to ensure that the debt service is covered in the event the federal subsidy for the Build America Bonds (part of the 2009 revenue bond issuance) is not received. Once the Treasurer of State receives the federal subsidy, the \$3.8 million is transferred to the Rebuild Iowa Infrastructure Fund (RIIF).
- **Vision Iowa Fund.** \$15.0 million is allocated to pay the debt service on bonds issued for the Vision Iowa Program. The Program is used to assist communities in the development of major tourism facilities by providing grants, loans, forgivable loans, pledges, and guarantees.
- **School Infrastructure Fund.** \$5.0 million was allocated to pay the debt service on bonds issued for the School Infrastructure Program. This Program provided financial assistance to school districts for infrastructure projects. The last year of this allocation was FY 2014 as the School Infrastructure Bonds were defeased in November 2013.
- **Iowa Skilled Worker and Job Creation Fund.** \$66.0 million is allocated to the Skilled Worker and Job Creation Fund. The funds are appropriated annually by the General Assembly to fund a variety of job creation programs.
- **Rebuild Iowa Infrastructure Fund (RIIF).** The RIIF receives the revenue remaining after the above allocations have been made. The RIIF is used for funding a variety of vertical infrastructure and environment programs and projects.

**Other Revenue.**

- **Gaming Regulatory Revolving Fund.** The fees that are assessed to the casinos for the State's cost of regulation are deposited in this Fund. Regulation of the gaming industry is provided by the Iowa Racing and Gaming Commission (IRGC).
- **Gaming Enforcement Revolving Fund.** The fees that are assessed to the casinos for enforcement purposes are deposited in this Fund. Enforcement of Iowa gaming laws is provided by the Division of Criminal Investigation in the Department of Public Safety.
- **County Endowment Fund.** An amount equal to 0.8% of the adjusted gross receipts is allocated to this Fund. The funds are transferred equally to counties that do not have a licensed casino for funding charitable organizations.
- **Cultural Grants, Tourism, and RIIF.** The Iowa Code allocates an amount equal to 0.2% of the AGR for several purposes. Of the amount collected, the first \$520,000 is allocated to the Department of Cultural Affairs for cultural grants and operations. Of the amount remaining, one half is allocated to the Iowa Economic Development Authority for tourism marketing, and one half to the RIIF.
- **General Fund — Other Fees.** This includes annual license fees charged to manufacturers and distributors of gambling games and devices, and the annual license fees for casinos to operate gambling games.

969828