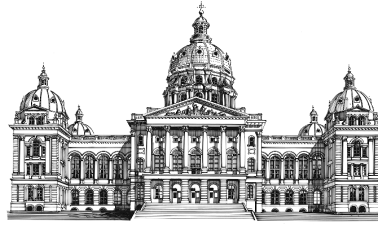

Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
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Expanded Gambling

ISSUE

A review of expanded gambling authorized in HF 2179 during the 1994 Legislative Session and implementation to date.

AFFECTED AGENCIES

Racing and Gaming Commission (RGC) of the Department of Inspections and Appeals (DIA)
Division of Criminal Investigation (DCI) of the Department of Public Safety (DPS)

CODE AUTHORITY

Chapters 99D & 99F, Code of Iowa

BACKGROUND

House File 2179 (Expanded Gambling) passed during the 1994 Legislative Session authorized 2 major changes in gambling activities in Iowa subject to local voter referendum:

- Permits unlimited wagering at riverboat casinos. Prior to passage of HF 2179, riverboat casino wagers were limited to \$5.00 per bet and \$200 loss per excursion, per person.
- Permits slot machines to be installed at pari-mutuel racetracks.

House File 2179 also contained several other key provisions including:

- Reduces the number of live racing days required at Prairie Meadows from 90 to 60.
- Prohibits overlapping of racing seasons at Dubuque and Waterloo.
- Allows 24-hour accessibility to riverboat gambling and slot machines.
- Raises the legal gambling age from 18 to 21.

CURRENT SITUATION

Since HF 2179 was signed on March 31, 1994, all appropriate local referendums have been held. Information regarding each of these referendums is as follows:

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DATE	LOCATION	FACILITY TYPE	RESULT
May 10	Clayton County	riverboat casino	passed
May 10	Clinton County	riverboat casino	passed
May 17	Black Hawk County	pari-mutuel track	failed
May 17	Des Moines County	riverboat casino	passed
May 17	Dubuque County	riverboat casino	passed
May 17	Dubuque County	pari-mutuel track	passed
May 17	Lee County	riverboat casino	passed
May 17	Polk County	pari-mutuel track	passed
May 17	Pottawattamie County	riverboat casino	passed
May 17	Pottawattamie County	pari-mutuel track	passed
May 17	Scott County	riverboat casino	passed
May 17	Woodbury County	riverboat casino	passed

The Attorney General has issued an informal opinion stating that it would be possible for Black Hawk County to hold another referendum if requested by the licensee. However, no referendum has been scheduled. The Waterloo racetrack is currently in bankruptcy and will likely close if a subsequent referendum is not held and approved. The Waterloo Cattle Congress is also in jeopardy of closing because assets of the Congress were pledged as security for loans made to the racetrack.

All 4 of Iowa's riverboats are currently operating under unlimited wagering.

Each of the pari-mutuel racetracks provided the following information regarding potential start-up dates and costs of slot machines:

Track	Consultant	Number of Slot Machines Anticipated	Estimated Cost To Install Slots	Projected State Date
Dubuque Greyhound Park*	GDREC to provide per contract	400-500	\$2.0-\$2.5 million	Fall 1994
Bluffs Run	hiring in process	N/A	N/A	N/A
Prairie Meadows**	Deloitte & Touche	750-1,000	\$3.8-\$7.5 million	12/94 or 1/95

*GDREC is the Greater Dubuque River Entertainment Corporation

**Estimated cost for Prairie Meadows does not include necessary remodeling costs.

Iowa currently has 4 pari-mutuel racetracks and 4 riverboat casinos in operation. These include dog tracks located at Dubuque, Waterloo, and Council Bluffs; a horse track at Altoona; and riverboats located at Clinton, Davenport, Dubuque, and Sioux City.

The RGC has approved a license for a fifth boat which is expected to begin operations out of southeast Iowa in September 1994. In addition, a license is expected to be approved for a sixth boat to operate out of Marquette with an estimated start date during the fourth quarter of FY 1995. Larger boats are expected to replace the current boats operating at Clinton and Sioux City.

ALTERNATIVES

The Legislature may wish to clarify if subsequent referendums should be allowed for gambling changes, if a referendum fails. As previously stated, the Attorney General has informally determined that subsequent referendums are not prohibited by the Code of Iowa.

BUDGET IMPACT

- **Revenue:** The revenue estimated in the fiscal note for HF 2179 was \$17.0 million for FY 1995. This was based on \$15.0 million from slot machine revenues at the 4 racetracks and \$2.0 million from unlimited wagering at the riverboats. However, the estimate should be revised given the outcome of the Black Hawk County referendum and because the tracks will not have slot machines operational until the last half of FY 1995. The revised revenue estimate under these conditions is \$8.5 million. According to HF 2179, of gambling revenue in excess of \$11.1 million, 50.0% is to be deposited in the General Fund and 50.0% in the Cash Reserve Fund. However, the first \$299,369 of new gambling revenue is to be paid to the DPS for pari-mutuel enforcement.
- **Expenditures:** Senate File 2330 (Capitals and Standings Appropriations Bill) made the following appropriations for regulatory and enforcement expenses related to expanded gambling:
 - \$177,879 and 5.0 FTE positions to the DCI for enforcement needs at the pari-mutuel racetracks.
 - \$129,486 and 5.0 FTE positions to the DCI for riverboat gambling enforcement needs.
 - \$165,517 and 4.7 FTE positions to the RGC for regulation of both riverboats and pari-mutuel racetracks.

The amounts appropriated in SF 2330 are intended to fund only a portion of the FY 1995 costs. The DCI appropriations are sufficient to fund 7 months of FY 1995. The RGC appropriation is sufficient to fund 50% of the amount requested for 8 months of FY 1995. Supplemental needs for FY 1995 will be approximately \$220,000 for the DCI and \$207,000 for the RGC. However, the supplemental funding needs will be determined by each department and submitted to the General Assembly by January 1995.

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