



State Fiscal Note for Bill Number: 2020-H-7095

Date of State Budget Office Approval:

Date Requested: Friday, February 7, 2020

Date Due: Monday, February 17, 2020

<i>Impact on Expenditures</i>	<i>Impact on Revenues</i>
FY 2020 n/a	FY 2020 n/a
FY 2021 n/a	FY 2021 See below
FY 2022 n/a	FY 2022 See below

Explanation by State Budget Office:

This bill would amend Rhode Island General Laws (RIGL) Chapter 42-61.3 entitled “Casino Gaming” by increasing the minimum legal age at which an individual may “play a casino game and/or make a wager, or attempt to play a casino game and/or make a wager” in RIGL Section 42-61.3-2 titled “Casino gaming crimes” from 18 to 21 years of age. In addition, the bill would impose penalties on any individual less than 21 years of age but older than 17 years of age who plays a casino game and/or makes a wager or attempts to play a casino game and/or make a wager, with the penalties ranging from a written warning with mandatory counseling for problem gaming for a first violation to a \$500 fine and mandatory counseling for problem gaming for a third offense or more. For an individual less than 18 years of age who violates the prohibition on casino gaming and/or wagering, the newly instituted penalties include counseling for problem gaming and/or a referral to Family Court for adjudication.

Under current law, an individual only needs to be at least 18 years of age to play a casino game and/or make a wager or attempt to play a casino game and/or make a wager. There are no penalties under current law for those persons under 18 years of age who play a casino game and/or make a wager or attempt to play a casino game and/or make a wager.

Comments on Sources of Funds:

The transfer of the state’s share of the net profits from casino gaming and/or wagering are general revenues.

Summary of Facts and Assumptions:

The effective date of the bill is upon passage, but the assumed implementation date is July 1, 2020.

The Department of Revenue, Office of Revenue Analysis (ORA) accessed a Statista panel survey of 4,180 Americans aged 18 to 64 that asked whether they had used slot machines in a casino in the past 12 months and whether they had played blackjack, poker, roulette, etc. in a casino in the past 12 months. The survey was conducted from September 24 to October 24, 2018 and administered online. ORA used these two questions to model the impact of the bill on video lottery terminal net terminal income and traditional table games gross gaming revenue at the state’s two casinos, Twin River Casino Hotel and Tiverton Casino Hotel. ORA was unable to find any data on the age cohorts that place sports wagers in casinos, so the impact of the bill on the state’s onsite and remote sports books is not captured in this fiscal note. Thus, the revenue impacts provided here should be considered the minimum amount of revenue that would be lost from passage of the bill.

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According to the Statista survey, 21.93% of respondents aged 18 to 29 years stated that they had used slot machines in a casino in the previous 12 months while 46% of the same age cohort indicated that they had played blackjack, poker, roulette, etc. in a casino in the same period. ORA assumed that these percentages applied to the U.S. population of those 18 to 64 years old. Using data from the US Census Bureau on population estimates by single year of age, ORA determined that the US population in 2018 between the ages of 18 and 29 totaled 54,018,658. ORA multiplied this total population by the percentages above to estimate that 11,846,292 Americans between 18 and 29 years of age used slot machines in a casino in 2018 (i.e. $54,018,658 * 0.2193$) and that 24,848,583 Americans between 18 and 29 years of age played table games (i.e. blackjack, poker, roulette, etc.) in a casino in 2018 (i.e. $54,018,658 * 0.46$). ORA then used the same Census Bureau data on population by single year of age to determine that there are 12,857,145 Americans aged 18 to 20 years. ORA took the ratio of the total number of Americans aged 18 to 20 years to the total number of Americans aged 18 to 29 years and applied this percentage to the number of Americans aged 18 to 29 years that used slot machines and/or played table games in a casino to estimate the total number of Americans aged 18 to 20 years that used slot machines in a casino as 2,819,572 (i.e. $(12,857,145 / 54,018,658) * 11,846,292$) and the total number of Americans that played table games in a casino as 5,914,287 (i.e. $(12,857,145 / 54,018,658) * 24,848,583$).

Once these U.S. totals were determined, ORA used the U.S. Census Bureau data on population by single year of age for Rhode Island to estimate the number of Rhode Islanders aged 18 to 20 years that used slot machines or played table games in a casino in 2018. ORA determined that 51,624 Rhode Islanders were aged 18 to 20 years in 2018 and took the ratio of Rhode Islanders aged 18 to 20 years to total Americans aged 18 to 20 years and multiplied it by the number of Americans aged 18 to 20 years that used slot machines and/or played table games in a casino to derive an estimate of Rhode Islanders aged 18 to 20 years that used slot machines in a casino of 11,242 (i.e. $(51,624 / 12,857,145) * 2,819,572$) and that played table games in a casino of 23,581 (i.e. $(51,624 / 12,857,145) * 5,914,287$).

ORA then used the fiscal year date for 2018 on video lottery terminal net terminal income (NTI) and table games gross gaming revenue (GGR) to estimate the per capita amounts for Rhode Islanders. ORA used the U.S. Census Bureau's data on Rhode Island population by single year of age to determine that, in 2018, there were 824,250 Rhode Islanders between the ages of 18 and 84. ORA then divided FY 2018 NTI of \$481,372,522 by this population cohort to yield NTI per capita for Rhode Islanders aged 18 to 84 years of \$584.01 (i.e. $\$481,372,522 / 824,250$). Similarly, ORA divided FY 2018 GGR of \$145,831,111 by this population cohort to yield GGR per capita for Rhode Islanders aged 18 to 84 years of \$176.93 (i.e. $\$145,831,111 / 824,250$).

ORA then grew these per capita figures sequentially by the growth rates in NTI and GGR for the periods FY 2019 through FY 2022. FY 2019 were actual figures, FY 2020 and FY 2021 used the estimates adopted at the November 2019 Revenue Estimating Conference, and FY 2022 was derived from the Department of Administration, Office of Management and Budget's out-year forecast contained in

the Governor's FY 2021 Recommended Budget. For NTI, the calculated growth rates were as follows: FY 2019, 8.5967% (i.e. \$522,754,625 / \$481,372,522); FY 2020, -5.4049% (i.e. \$494,500,000 / \$522,754,625); FY 2021, 3.0940% (i.e. \$509,800,000 / \$494,500,000), and FY 2022, -0.5100% (i.e. \$507,200,000 / \$509,800,000). The sequential application of these growth rates yielded NTI per capita for FY 2021 of \$618.50 and for FY 2022 of \$615.35. For GGR, the calculated growth rates were as follows: FY 2019, 12.0704% (i.e. \$163,433,857 / \$145,831,111); FY 2020, -17.0917% (i.e. \$135,500,000 / \$163,433,857); FY 2021, 2.6568% (\$139,100,000 / \$135,500,000); and FY 2022, 1.5097% (i.e. \$141,200,000 / \$139,100,000). The sequential application of these growth rates yielded GGR per capita for FY 2021 of \$168.76 and for FY 2022 of \$171.31.

To determine the total amount of NTI and GGR that would be lost if Rhode Islanders aged 18 to 20 years were no longer allowed to play a casino game, ORA multiplied the FY 2021 and FY 2022 per capita figures for NTI and GGR by the estimated number of Rhode Islanders aged 18 to 20 years that use slot machines or play table games. For NTI, this results in a loss of \$6,953,196 in FY 2021 (i.e. \$618.50 * 11,242) and \$6,917,734 in FY 2022 (i.e. \$615.35 * 11,242). For GGR, the equivalent estimates are \$3,979,517 in FY 2021 (i.e. \$168.76 * 23,581) and \$4,039,596 in FY 2022 (i.e., \$171.31 * 23,581). ORA estimated the state's share of NTI for FY 2021 at 60.8612% and for FY 2022 at 60.8537% and the state's share of GGR at 15.5% for both FY 2021 and FY 2022. Thus, passage of the bill would reduce the lottery transfer to the general fund by \$4,848,627 in FY 2021 (i.e. \$6,953,196 * 0.608612 + \$3,979,517 * 0.155) and \$4,835,834 (i.e. \$6,917,734 * 0.608537 + \$4,039,596 * 0.155).

The Governor's FY 2020 Recommended Budget projects a closing surplus of \$24,842,778 in FY 2020 and \$892,259 in FY 2021. Passage of this bill would have no impact on the FY 2020 closing surplus, but it would put the Governor's FY 2021 Recommended Budget out of balance and increase the projected deficit for FY 2022

Summary of Fiscal Impact:

FY 2020: Not applicable due to the assumed implementation date of July 1, 2020.

FY 2021: A general revenue decrease of \$4,848,627 in the lottery transfer is forecast comprised of a loss of \$4,231,802 in video lottery terminal net terminal income and a loss of \$616,825 in table game gross gaming revenue. This projected revenue decrease is a minimum revenue loss as the impact of the bill on sports wagering is not accounted for in this estimate.

FY 2022: A general revenue decrease of \$4,835,834 in the lottery transfer is forecast comprised of a loss of \$4,209,697 in video lottery terminal net terminal income and a loss of \$626,137 in table game gross gaming revenue. This projected revenue decrease is a minimum revenue loss as the impact of the bill on sports wagering is not accounted for in this estimate

Budget Office Signature:



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