

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3987H.02I
Bill No.: HB 2502
Subject: Gambling; Entertainment, Sports and Amusements; Department of Public Safety;
Department of Revenue; Licenses - Miscellaneous; Fees; Crimes and Punishment
Type: Original
Date: February 18, 2022

Bill Summary: This proposal modifies provisions related to gaming.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
General Revenue Fund	(\$100,445)	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$100,445)	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Gaming Commission Fund (0286)	(\$40,701)	(\$1,024,860)	(\$1,037,954)	(\$1,143,127)
Sports Wagering Fund	\$0	\$260,000	\$260,000	\$390,000
Gaming Proceeds for Education Fund (0285)*	\$97,246,315	\$97,246,315	\$97,246,315	\$97,246,315
Compulsive Gamblers Fund (0249)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on Other State Funds	Could Exceed \$97,105,614	Could Exceed \$96,381,455	Could Exceed \$96,368,361	Could Exceed \$96,393,188

***Oversight** notes this legislation does not include provisions allowing for the deduction of winnings paid to wagerers from sports wagering AGR and therefore will reflect a Sports Betting AGR where winnings are not deducted from the gross receipts. Oversight notes not deducting winnings increases anticipated AGR tax revenue significantly.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Gaming Commission Fund – MGC	5 FTE	5 FTE	5 FTE	5 FTE
Gaming Commission Fund - MHP	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	7 FTE	7 FTE	7 FTE	7 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Local Government*	\$10,805,146	\$10,805,146	\$10,805,146	\$10,805,146

***Oversight** notes this legislation does not include provisions allowing for the deduction of winnings paid to wagerers from sports wagering AGR and therefore will reflect a Sports Betting AGR where winnings are not deducted from the gross receipts. Oversight notes not deducting winnings increases anticipated AGR tax revenue significantly.

FISCAL ANALYSIS

ASSUMPTION

§§ 313.800-572.015 - Sports wagering

Officials from the **Missouri Gaming Commission (MGC)** assume the following:

Section 313.1000.1(2)

MGC assumes this subdivision defines a “certificate holder” as an applicant who is issued a certificate of authority by the commission. Section 313.1000.1(3) defines a “certificate of authority” as a certificate issued by the commission to a licensed applicant to conduct sports wagering. The definition of a “licensed applicant” in section 313.1000.1(14) includes an excursion gambling boat. It also includes interactive sports wagering platform (ISWP) operators or designated sports district mobile licensees (collectively, hereinafter referred to as “platform operator”). The effect of those three definitions is to make the terms “licensed applicant” and “certificate holder” synonymous, which creates confusion and inconsistencies throughout the text of the bill. For example, it would require a platform operator to apply for both a certificate of authority in section 313.1006 and an interactive sports wagering platform license under section 313.1010.

Section 313.1006

MGC assumes this subsection states that a licensed applicant who wishes to offer sports wagering shall file an application and pay a filing fee. Then, under section 313.1006.2, the MGC SHALL issue a certificate of authority to a licensed applicant “upon receipt of the application and fee” set forth in section 313.1006.1. The definitions of “licensed applicant” and “certificate holder” both include ISWP operators and designated sports district mobile licensees, neither of which is an excursion gambling boat, and therefore not an existing commission licensee. The result of those two terms being synonymous would require the MGC to issue a license to a platform operator without having conducted a background investigation, which is inconsistent with section 313.1014. If the intent of the bill was that a certificate holder would be the excursion gambling boat then specifying that in the definition under section 313.1000.1(2) would clear up these issues and inconsistencies.

The definition of “adjusted gross revenue” (AGR) in section 313.1000.1(1) of this bill, not include a provision allowing for the deduction of winnings paid to wagerers from sports wagering AGR. MGC assumes that this omission was done in error. All MGC calculations assume that the bill intends for AGR to allow for the deduction of winnings paid to wagerers. The definition in section 313.1000.1(1) goes on to define AGR for sports wagering as the total of all cash and cash equivalents received by a sports wagering operator from sports wagering minus the total of actual costs paid for anything of value including merchandise or services distributed to patrons to incentivize sports wagering, voided or cancelled wagers, free play or promotional credits, federal excise taxes, and uncollectible sports wagering receivables. The AGR in section

313.800.1(1) (traditional casino gaming) deducts only the “winnings paid to wagerers.” Allowing these additional deductions for AGR in Section 313.1000.1(1) would have an impact on the taxes collected for proceeds to education. This amount is used to calculate the amount of wagering tax imposed by section 313.1021. MGC estimates up to \$2,928,759 to be the amount of “uncollectible sports wagering receivables,” \$366,095 as the amount of federal excise taxes, and \$14,409,495 as the amount of free play or promotional credits that would be deducted from the gross receipts. These additional deductions to AGR will result in a decrease of \$1,593,391 to the “Gaming Proceeds for Education Fund.” MGC is unable to determine the amount deducted for actual costs paid for anything of value including merchandise or services distributed to patrons to incentivize sports wagering.

Oversight assumes this legislation does not include provisions allowing for the deduction of winnings paid to wagerers from sports wagering AGR and therefore will reflect a Sports Betting AGR where winnings are not deducted from the gross receipts.

Section 313.1000.1(1)(b)

MGC assumes this subparagraph contemplates the amount of AGR on a gaming day to be a negative number. If that occurs, no sports wagering tax would be due for that gaming day. Instead, the negative AGR would be “carried over and calculated as a deduction on subsequent gaming days until the negative figure has been brought to a zero balance.” This is consistent with casino gaming.

Sections 313.1000.1(7) and (8)

MGC assumes these subdivisions define “designated sports district,” and “designated sports district mobile licensee.” This new type of licensee is an ISWP operator authorized to offer sports wagering only via the internet in Missouri and that is designated by an owner of a Missouri professional sports team that plays its home games within a designated sports district. This new type of licensee, and not the owner of the professional sports team designating the ISWP operator, submits an application for licensure. It is not clear whether minor league teams would be allowed to be “designated sports districts.”

Sections 313.1000.1(14)

MGC assumes this subdivision expands the definition of “licensed applicant” to include an ISWP operator and a designated sports district mobile licensee in addition to an excursion gambling boat, and (15) allows an excursion gambling boat or a designated sports district to be considered a “licensed facility.”

Section 313.1000.1(16)

MGC assumes this subdivision defines a “licensed supplier” as a person holding a supplier’s license issued by the commission. This definition is in addition to the definition of “sports wagering supplier” in section 313.1000.1(25).

Section 313.1000.1(24)

MGC assumes this subdivision defines a “sports wagering operator” as “a licensed facility that is an excursion gambling boat or an ISWP operator offering sports wagering on behalf of a licensed facility.”

Section 313.1000.1(25)

MGC assumes this subdivision adds a definition for “sports wagering supplier,” which is separate from a supplier licensed under section 313.807 and in addition to the definition of “licensed supplier” in section 313.1000.1(16).

Section 313.1000.1(26)

MGC assumes this subdivision defines “supplier’s license” as a license issued by the commission under section 313.807.

Section 313.1000.1(27)

MGC assumes this subdivision defines “Tier 1 bet” as an “internet bet that is determined solely by the final score or final outcome of the sporting event and is placed before the sporting event has begun.” The term “bet” is not defined or used anywhere in this bill. To be consistent, the term “bet” should be changed to “sports wager.” Also, by including the term “internet,” this definition would not apply to sports wagers made in person on excursion gambling boats. Therefore, MGC recommends removing the word “internet” from the definition.

Section 313.1000.1(28)

MGC assumes this subdivision defines “Tier 2 bet” as “an internet bet that is not a tier 1 bet.” The term “bet” is not defined or used anywhere in this bill. To be consistent, the term “bet” should be changed to “sports wager.” Also, by including the term “internet,” this definition would not apply to sports wagers made in person on excursion gambling boats. Therefore, MGC recommends removing the word “internet” from the definition.

Section 313.1003.1,

MGC states because “certificate holder” is defined in broader terms in this section to include all licensed applicants, sports wagering will be able to be offered by a casino, an ISWP operator, and a designated sports district mobile licensee.

Section 313.1006

MGC assumes this section of the proposal states that a licensed applicant who wishes to offer sports wagering shall file an application and pay a filing fee. Then, under section 313.1006.2, the MGC SHALL issue a certificate of authority to a licensed applicant “upon receipt of the application and fee” set forth in section 313.1006.1. The definitions of “licensed applicant” and “certificate holder” both include ISWP operators and designated sports district mobile licensees, neither of which is an excursion gambling boat, and therefore not an existing commission licensee. The result of those two terms being synonymous would require the MGC to issue a license upon receipt of the application and filing fee to a platform operator without having conducted a background investigation, which is inconsistent with section 313.1014.

Section 313.1006.1(2)

MGC assumes this section imposes an initial application fee for a licensed applicant, which is defined in section 313.1000.1(14) as an excursion gambling boat, a designated sports district mobile licensee or an ISWP operator, of \$50,000 to be paid to the MGC and deposited in the Gaming Commission Fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1008.1

MGC states this subsection requires the MGC to “test new sports wagering devices and new forms, variations, or composite of sports wagering” but does not provide for any funding to the MGC to pay for such testing. The MGC suggests adding a provision requiring the licensee to pay for the cost of such testing and to allow that testing to be conducted by an independent testing lab to be consistent with what is currently being done for gaming devices.

Section 313.1010.1

MGC states this subsection of the proposal refers to “an interactive sports wagering platform provider” offering sports wagering. The term, as used in the bill should be “interactive sports wagering platform operator.”

Section 313.1010.2 and .3

MGC states these subsections imposes an initial application fee for an ISWP license of \$100,000 and a license renewal fee of \$50,000 to be paid every two years but does not designate into what fund the fees will be deposited. To be consistent with chapter 313, the MGC recommends that those funds should be deposited in the Gaming Commission Fund pursuant to section 313.835. MGC anticipates a minimum of eight interactive sports wagering platform providers to apply for licensure. Other licenses issued by the commission have annual fees which are necessary to support regulatory operations of the commission. MGC recommends that the license renewal fee be paid annually.

Oversight will reflect revenue generated from these fees to the Gaming Commission Fund.

Section 313.1010.3

MGC states this subsection requires the ISWP renewal fee be paid every two years on or before the anniversary date of the payment date of the initial application. The MGC recommends the payment be made on or before the anniversary date of the issuance of the license. This would be consistent with current MGC licensing requirements.

Section 313.1014. 1

MGC assumes this subsection requires the MGC to conduct background checks on individuals seeking licenses, to include criminal history and “charges or convictions involving corruption or manipulation of sporting events,” but contains no further suitability language. MGC recommends adding the following language to this section:

A background check conducted under this section shall be consistent with the provisions of section 313.810.

Other than section 313.1014.3(2), this bill contains no civil and/or criminal penalty provisions for licensees that violate Chapter 313, RSMo, or specifically, sections 313.1000 to 313.1022. By reference, section 313.805(6) gives the MGC specific authority to impose discipline against a licensee, and section 313.830 lists certain actions that are criminal violations. MGC suggest similar language be added to this bill. Also, the powers given to the MGC in sections 313.805 and 313.830 are limited to enforcement and regulation of §§313.800 RSMo to 313.850. In order to enable the MGC to effectively regulate sports wagering, MGC would suggest that a provision be added at the beginning of §313.1004 as follows:

The Commission shall have full jurisdiction over and shall supervise all gambling operations governed by sections 313.1000 to 313.1022.

Section 313.1021.1

MGC states this section imposes a wagering tax on the adjusted gross receipts from sports wagering of 10%. The certificate holder or ISWP operator is responsible for remitting this tax.

Oversight will reflect revenue generated from this tax into the Gaming Proceeds for Education Fund. As noted above, Oversight will reflect a revenue of winnings not being deducted from gross receipts.

Section 313.1021.4

MGC assumes that according to this section, revenues from this tax are to be deposited in the state treasury, with \$250,000 of the revenues “allocated to commission to support the state’s problem gambling programs” and the remainder to the Gaming Proceeds for Education Fund and distributed pursuant to section 313.822. This provision conflicts with the Missouri Constitution, Art. III, sec. 39(d).

Oversight notes that the legislation does not specify what fund the \$250,000 should be deposited into, therefore, for fiscal note purposes, **Oversight** will show a revenue of \$250,000 deposited into the Gaming Commission Fund.

Section 313.1021.5(1).

MGC assumes this section of the proposal allows a licensed facility and designated sports district must pay an annual administrative fee of \$20,000 to the MGC one year after the date on which the certificate holder begins its sports wagering operations. The language of this subsection is vague and subject to interpretation. The MGC recommends payment of the annual administrative fee be made on or before the anniversary date of date the issuance of the license. The funds received by the MGC are to be deposited in the “Sports Wagering Fund” created under section 313.1021.5(3)(a).

Oversight will reflect revenue generated from this tax into the Sports Wagering Fund.

Section 313.1021.5(2)

MGC states this subdivision of the proposal requires a certificate holder to also pay a \$10,000 fee to the MGC to cover the “costs of a full reinvestigation of the certificate holder in the fifth year” after the date on which the certificate holder begins offering sports wagering. This fee is to be paid every five years, thereafter. The language of this subsection is vague and subject to interpretation. The MGC recommends payment of the reinvestigation fee be made on or before the anniversary date of the issuance of the license. This fee is in addition to the annual administrative fee required to be paid by Section 313.1021.5(1) and must also be deposited by the MGC into the “Sports Wagering Fund” created by section 313.1021.5(3)(a).

The \$10,000 reinvestigation fee required by section 313.1021.5(2) is to be paid in the fifth year after the date on which the certificate holder begins offering sports wagering. This fee is to be paid every five years, thereafter. Currently, casinos are relicensed and reinvestigated every four years. It would be redundant for them to be reinvestigated again in the fifth year. Therefore, the MGC recommends this section be modified to have the reinvestigation fee and the reinvestigation apply to all certificate holders, and to have that reinvestigation be conducted every four years. These changes would be consistent with current MGC licensing requirements.

Oversight will reflect revenue generated from this tax into the Sports Wagering Fund.

Section 313.1021.5(3)

MGC assumes this subdivision of the proposal creates the “Sports Wagering Fund” to hold the fees collected pursuant to subsection 313.1021.5. The state treasurer is named the custodian of the fund and shall approve all disbursements. The bill contains no provision for the use and distribution of the money held in the Sports Wagering Fund.

The MGC recommends that all application, renewal, administrative and reinvestigation fees be paid to the Gaming Commission Fund, administered and distributed in the same manner as set forth in section 313.835. This recommendation eliminates a second dedicated fund for the state treasurer to maintain and allows it to be administered more efficiently.

Section 313.1022.1

MGC assumes this subsection of the proposal states that sports wagering as authorized by this bill “shall be deemed initiated, received, and otherwise made on the property of an excursion gambling boat.” This section does not state where sports wagers placed at designated sports district mobile licensees, which are not affiliated with excursion gambling boats, over the internet via ISWPs would be deemed initiated, received, or otherwise made.

Section 313.1022

MGC assumes this section also requires all servers necessary for sports wagering “be physically located within a certificate holder’s licensed facility that is an excursion gambling boat in the state.” This section does not address where the servers would be for sports wagers placed at

designated sports district mobile licensees, which are not affiliated with excursion gambling boats.

The MGC estimates a total of 21 applicants for sports wagering licenses, to include the 13 current gambling boats and 8 sportsbook providers that would offer the platform for sportsbook wagering; the casinos may offer more than one sportsbook provider option.

In calculating the revenue estimates, MGC looked at comparable states that had established sports betting, which included Mississippi. Mississippi's Total Revenue from sports betting is the actual total revenue amounts from October 2019 through September 2021. MGC then determined their sports betting revenue was 2.50% of their total gaming revenue. This was calculated by taking \$53,631,014 and dividing by \$2,141,840,000 ($\$53,631,014 / \$2,141,840,000 = .0250$). MGC then could assume Missouri's sports betting revenue would also be 2.50% of total gaming revenue of \$1,754,470,000 ($\$1,754,470,000 \times 2.50\% = \$43,931,389$). Mississippi sports betting is limited to bets placed in person at the casinos. MGC assumes that allowing online wagering will significantly increase revenue. Based on the experience in other states, including Pennsylvania and New Jersey, MGC made the assumption that the estimated \$43 million calculated for wagers placed in person at casinos would comprise approximately 30% of the adjusted gross receipts. Therefore, sports betting revenue would be comprised of 70% mobile wagering and 30% retail wagering if the law would allow mobile wagers to be placed ($(\$43,931,389 \times 70\%) / 30\% = \$102,506,572 = \text{additional revenue}$). Total revenue, therefore, is estimated to be \$146,437,962.

The link to Mississippi's Gaming Commission reports MGC used to calculate estimated amounts is http://www.msgamingcommission.com/index.php/reports/monthly_reports.

Per section 313.1000, Adjusted Gross Receipts (AGR) for sports wagering is calculated by starting with total revenue minus winnings, actual costs of prizes, excise taxes, voided or cancelled wagers, promotional wagering and uncollectible receivables. MGC estimated Missouri's total revenue to be \$146,437,962 after deducting the winnings. MGC then subtracted an estimated amount (2.0% of total revenue or \$2,928,759) to account for voided or cancelled wagers and uncollectible receivers and an estimated amount for excise tax (.25% or \$366,095). MGC also subtracted out an estimated amount for promotional wagers (9.84% of total revenue or \$14,409,495). MGC is unable to estimate a cost for prizes awarded by sports wagering operators. This would result in net AGR of \$128,733,612. After all known deductions, therefore, MGC estimate Gaming Tax revenue from sports wagering to be \$12,873,361.24 (based on a full year).

Oversight has provided a table below to summarize the estimated revenue generated to state and local governments as a result of this proposal as provided by the MGC:

<u>State Impact - Estimated by MGC</u>						
Provision	FY23	FY24	FY25	FY26	FY27	Fund to Deposit
(13) Cert of Authority App Fee (Initial) – Casino-\$50,000 §313.1006(2)	\$650,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(13) Cert Holder Admin Fee (Annual after the first year) - \$20,000 -§313.1022.5(1)	\$0	\$260,000	\$260,000	\$260,000	\$260,000	Sports Wagering Fund
(13) Cert Holder Reinvestment Fee (in the 5 th year and each 5 th year thereafter) –Casino-\$10,000 §313.1021.5(2)	\$0	\$0	\$0	\$0	\$130,000	Sports Wagering Fund
(8) Sports Wagering Platform License App Fee (Initially) - \$100,000 §313.1010.2(2)	\$800,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License Annual Review Fee (Every two years on or before initial application payment date) – Sports book provider - \$50,000 §313.1010.3	\$0	\$400,000	\$0	\$400,000	\$0	Gaming Commission Fund
Total Fees Collected	\$1,450,000	\$660,000	\$260,000	\$660,000	\$390,000	
AGR tax (90%)*	\$97,246,314	\$97,246,314	\$97,246,314	\$97,246,314	\$97,246,314	Gaming for Education Fund
Total State Impact	\$98,696,314	\$97,906,314	\$97,506,314	\$97,906,314	\$97,636,314	
<u>Local Impact</u>						
Dock* Cities/Counties (10% AGR tax)	\$10,805,146	\$10,805,146	\$10,805,146	\$10,805,146	\$10,805,146	

*10% of \$1,083,014,610 AGR

Officials from the **Department of Revenue (DOR)** assume the following:

This proposal requires a wagering tax of ten percent (10%) to be imposed on the adjusted gross receipts received from sports wagering conducted by a certificate holder under Sections 313.1000 to 313.1022. If a third party is contracted with to conduct sports wagering at a certificate holders' licensed facility, the third party contractor shall fulfill the certificate holder's duties under this section.

KC:LR:OD

The certificate holder is required to remit the tax imposed to DOR by the close of business day one day prior to the last business day of the month. So as an example if this bill was effective January 1, 2022, then the first payment would be due January 28, 2022 and would need to cover all receipts from January 1-January 28. Currently, the excursion gaming boats send daily deposits to DOR; however, this could cause problems for a third party administrator meeting the deadlines. The Department notes if a third party is involved the Department would need to be notified as DOR know who is responsible for the payment. These provisions are not expected to fiscally impact the Department.

This proposed section states that the revenues received from the tax imposed under subsection 1 of this section shall be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund, and shall be distributed as provided under Section 313.822. DOR notes this would require the DOR to distribute the funds with 10% to the home dock city and the other 90% to the gaming proceeds for education fund. Since DOR currently receives their funding this way and use this distribution system DOR believes this would not have any additional fiscal impact.

This proposed section states that a certificate holder shall pay to the commission an annual administrative fee of twenty thousand dollars (\$20,000). The fee imposed shall be due one year after the date on which the certificate holder commences sporting wagering operations under Sections 313.1000 to 313.1022, and on each annual anniversary date thereafter. The commission shall deposit the administrative fees received under this subsection in the sports wagering fund established under this section.

In addition to the annual administrative fee required under this subsection, a certificate holder shall pay to the commission a fee of ten thousand dollars (\$10,000) to cover the costs of a full reinvestigation of a certificate holder in the fifth year after the date on which the certificate holder commences sports wagering operations under Sections 313.1000 to 313.1024 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the sports wagering fund established under this section.

The Department defers to the Gaming Commission for determining the amount of administrative fees that may be collected.

Methodology

Using the Oxford Economics report titled “Economic Impact of Legalized Sports Betting,” DOR believes TSR will increase an estimated \$16.3 million – \$20.5 million. This report breaks out the possible revenue impacts into three categories. They are Limited Availability, Moderate Availability, and Convenient Availability. For the purpose of this fiscal note response, the Department utilized the Moderate Availability, due to the proposed legislation allowing sports wagering to occur in any Missouri casino, and online. If online would have not been permitted, the Department would have used the Limited Availability number, and if it were to be treated like the lottery, Convenient Availability would have been used.

\$202,200,000-253,300,000 (Moderate Availability AGR Estimate per Oxford report)

\$20,200,000-\$25,330,000 (10% tax imposed on AGR)

Breakout of the 10% per Section 313.822 RSMo.

10% to Dock Cities (Local) – \$2,022,000-2,533,000

90% to Gaming Proceeds for Education Fund- \$18,198,000-\$22,797,000

Oversight assumes this legislation specifies \$250,000 will be deposited to the Gaming Commission to fund the gaming problem programs, therefore will show the following breakout of the 10%.

10% to Dock Cities (Local) – \$1,995,000-2,508,000

90% to Gaming Proceeds for Education Fund- \$17,955,000-\$22,572,000

Administrative Impact

DOR assumes this legislation will result in an increase in the number of payments received. If the increase is significant, the Department will require the following FTE:

1 Associate Customer Service Representative

2023 -\$21,940

2024 -\$26,855

2025 -\$27,391

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the cost related to an increase in payments received. (MGC estimates 13 certificates of authority and eight wagering platforms. If each reports monthly there would be 252 additional returns each year.) If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

DOR also anticipates ITSD will need to create a new sports betting tax collection database.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming and development cost for this new program. ITSD estimates the project would take 1,057 hours at a contract rate of \$95 for a total cost of \$100,445 in FY 2023 only. Oversight notes that an average salary for a current IT Specialist within ITSD is approximately \$54,641, which totals roughly \$85,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill; however, for fiscal note purposes, Oversight will reflect the ITSD estimated cost of \$100,445 in FY 2023.

Oversight notes that the Missouri Gaming Commission and the Department of Revenue have stated the proposal will have a direct fiscal impact on total state revenue.

Oversight currently does not have the data or resources available to produce independent revenue projections or to estimate the elasticity of demand for sports wagering in relation to other games of chance offered at casinos or the Missouri Lottery. Also, Oversight assumes DOR's estimate included the use of player winnings as a AGR reducer; therefore, Oversight assumes DOR's estimates for this bill may be too low. Therefore, for purposes of this fiscal note, Oversight will utilize MGC's estimates.

	MGC	DOR (low)	DOR (high)
		(not used)	(not used)
Sports Betting Adjusted Gross Receipts	\$1,083,014,610	\$202,200,000	\$253,300,000
10% tax on AGR (state portion - 90%)	\$97,246,315	\$17,955,000	\$22,572,000
10% tax on AGR (local portion - 10%)	\$10,805,146	\$1,995,000	\$2,508,000
State of Missouri's Problem Gambling Programs	\$250,000	\$250,000	\$250,000

Bill as a Whole

Officials from the **Missouri Gaming Commission (MGC)** estimate needing five FTE positions if this bill passes, which would result in an initial cost to the MGC of \$547,226.90 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately \$797,479.38, which represents 2.5% of the MGC existing budget each year (the average number of hours and expenses to cover the costs of current background investigators, financial investigators, compliance auditors and tax auditors needed to license and regulate sports wagering) for a total initial cost of \$1,344,706.27. Additional costs included in this estimate may also encompass those associated with the development and implementation of responsible gambling programs and consumer education campaigns. The total annual ongoing personnel cost, after the first year, is estimated to be \$1,325,281.17. Based on the application, renewal and annual administrative fees for the certificate holders and the interactive sports wagering platform operators, the total amount of fees collected will be insufficient to cover MGC's costs to license and regulate sports wagering.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund.

Officials from the **Department of Mental Health (DMH)** assumes the increase in gambling opportunities will increase the number of individuals who voluntarily seek treatment for a gambling problem. However, the bill does not mandate that any individual receive treatment and treatment will remain voluntary. Therefore, DMH assumes that expenditures cannot exceed the

balance of the Compulsive Gamblers fund and no State General Revenue beyond that balance will be expended.

In FY21 DMH served approximately 71 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,230 per consumer for a total of \$87,330.

If the number of consumers served triples, DMH estimates treatment for 213 consumers with an average cost of \$1,230 per treatment episode for a total treatment cost of \$261,990. Currently, DMH has eleven certified compulsive gambling treatment providers; this number would likely need to increase over time along with the need for additional compulsive gambling counselors. DMH estimates 25 new compulsive gambling counselors will be needed throughout the state, with initial cost for training new counselors estimated at \$160 per person for a total of \$4,000 in FY 23. If additional advertising is needed, DMH anticipates annual cost for advertising with public service announcements for help with compulsive gambling at \$166,400. Total cost to DMH would be estimated at \$360,325 in FY 23. For FY 24 and beyond the amount would be \$432,390 or more based upon the need for compulsive gambling services.

Oversight notes the balance of the Compulsive Gamblers Fund (0249) was \$60,543 on December 31, 2021 and \$109,844 on June 30, 2021. Oversight assumes DMH will only be allowed to spend the amounts in the Compulsive Gamblers Fund. Therefore, Oversight will reflect DMH utilizing all of the proceeds into the fund as less than \$100,000.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state this proposal would increase licensing and background investigations of the potential licensees, employees, suppliers, etc. This would significantly increase the workload of the current background investigation team. Assuming the level of backgrounds are to the current levels of suppliers, level one employees, key people, etc. and there is at least one company per property, up to two (2) additional Sergeant (\$81,192/annually) would be needed to conduct this workload.

Also, it appears that each riverboat property could conceivably have as many as three different sport bet suppliers at each property, which would mean potentially 39 new background investigations and renewals and the corresponding separate individual backgrounds as well.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund.

Officials from the **Office of Administration - Budget and Planning** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight notes the **Department of Social Services**, the **Office of the State Public Defender** and the **University of Central Missouri** have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from last year (SB 730), officials from the **Office of the State Treasurer** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this office.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Cost – DOR</u> Tax collection database p. 13	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GAMING COMMISSION FUND (0286)				
<u>Revenue – MGC</u> State of Missouri’s Problem Gambling Programs §313.1021.4 p. 8	\$250,000	\$250,000	\$250,000	\$250,000
<u>Revenue - MGC p. 11 (13) Cert of Authority App Fee (Initial) – Casino- \$50,000</u> §313.1006(2)	\$650,000	\$0	\$0	\$0
<u>Revenue - MGC p. 11 (8) Sports Wagering Platform License App Fee (Initially) - \$100,000</u> §313.1010.2(2)	\$800,000	\$0	\$0	\$0
<u>Revenue - MGC p. 11 (8) Sports Wagering Platform License Annual Review Fee (Annual after the first year) – Sports book provider - \$50,000</u> §313.1010.3	<u>\$0</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>
<u>Total Revenue – MGC</u>	<u>\$1,700,000</u>	<u>\$650,000</u>	<u>\$650,000</u>	<u>\$650,000</u>
<u>Cost – FTE MGC p. 14</u>				
Personal Services	(\$250,698)	(\$306,854)	(\$312,991)	(\$313,052)
Fringe Benefits	(\$145,688)	(\$176,842)	(\$178,900)	(\$278,742)
Equipment and Expenses	(\$66,997)	(\$58,229)	(\$59,393)	(\$60,878)
Investigators and auditors to license and regulate wagering	<u>(\$797,479)</u>	<u>(\$797,479)</u>	<u>(\$797,479)</u>	<u>(\$797,479)</u>
<u>Total Cost - MGC</u>	<u>(\$1,260,862)</u>	<u>(\$1,339,404)</u>	<u>(\$1,348,763)</u>	<u>(\$1,450,157)</u>
FTE Change - MGC	5 FTE	5 FTE	5 FTE	5 FTE

<u>Cost – FTE MHP p. 15</u>				
Personal Services	(\$135,320)	(\$164,008)	(\$165,648)	(\$167,304)
Fringe Benefits	(\$120,489)	(\$146,033)	(\$147,493)	(\$148,967)
Equipment and Expenses	(\$142,628)	(\$25,415)	(\$26,050)	(\$26,699)
<u>Total Cost - MHP</u>	<u>(\$398,437)</u>	<u>(\$335,456)</u>	<u>(\$339,191)</u>	<u>(\$342,970)</u>
FTE Change - MHP	2 FTE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>(\$40,701)</u>	<u>(\$1,024,860)</u>	<u>(\$1,037,954)</u>	<u>(\$1,143,127)</u>
Estimated Net FTE Change to the Gaming Commission Fund	7 FTE	7 FTE	7 FTE	7 FTE
SPORT WAGERING FUND				
<u>Revenue - MGC p. 11 (13) Cert Holder Admin Fee (Annual after the first year) - \$20,000 -§313.1021.5(1)</u>	<u>\$0</u>	<u>\$260,000</u>	<u>\$260,000</u>	<u>\$260,000</u>
<u>Revenue - MCG p. 11 (13) Cert Holder Reinvestment Fee (in the 5th year and each 5th year thereafter) – Casino- \$10,000 §313.1021.5(2)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$130,000</u>
ESTIMATED NET EFFECT TO THE SPORTS WAGERING FUND	<u>\$0</u>	<u>\$260,000</u>	<u>\$260,000</u>	<u>\$390,000</u>
GAMING PROCEEDS FOR EDUCATION FUND (0285)				
<u>Revenue - 90% of the 10% Wagering Tax §313.1021 p. 14</u>	<u>\$97,246,315</u>	<u>\$97,246,315</u>	<u>\$97,246,315</u>	<u>\$97,246,315</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$97,246,315</u>	<u>\$97,246,315</u>	<u>\$97,246,315</u>	<u>\$97,246,315</u>
COMPULSIVE GAMBLERS FUND (0249)				

Cost - DMH Administrative cost for treating additional consumers p. 15	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBERS FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
LOCAL HOME DOCKS				
<u>Revenue</u> - Home Dock City or County 10% of the 10% Wagering Tax §313.1021 p.14	<u>\$10,805,146</u>	<u>\$10,805,146</u>	<u>\$10,805,146</u>	<u>\$10,805,146</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>\$10,805,146</u>	<u>\$10,805,146</u>	<u>\$10,805,146</u>	<u>\$10,805,146</u>

FISCAL IMPACT – Small Business

This legislation could have an impact on small businesses that sell sports lottery games.

FISCAL DESCRIPTION

This bill enacts new provisions relating to sports wagering.

This bill amends the definition of "games of skill" to include sports wagering in Section 313.800, RSMo.

This bill defines "adjusted gross receipts" specifically for the provisions of this bill relating to sports wagering operations. The bill also provides new definitions for "esports", "interactive sports wagering platform", and "sports wagering", among other definitions specific to the provisions of this bill.

This bill allows certificate holders to offer sports wagering at licensed facilities and over the Internet through interactive sports wagering platforms to persons physically located within the state. Except as provided under this bill, no sports wagering commercial activity may occur within any designated sports district without the approval of a designated sports district mobile licensee, provided no such approval is necessary for the sole activity of offering sports wagering over the Internet via an interactive sports wagering platform.

The Missouri Gaming Commission (Commission) shall adopt rules to implement the provisions of this bill. All rules must comply with Chapter 536. These rules shall include, but not be limited to, standards and procedures governing the conduct of sports wagering, standards governing how a sports wagering operator offers wagering over the Internet, the manner in which sports wagering operator's books and records are maintained and audited, and standards concerning

detection and prevention of compulsive gambling. Certificate holders must make commercially reasonable efforts to:

- (1) Designate areas within the licensed facility to be operated by the sports wagering operator;
- (2) Ensure the security and integrity of sports wagers;
- (3) Ensure that the sports wagering operator's surveillance system covers all areas of sports wagering activity;
- (4) Allow the Commission to be present through the Commission's gaming agents when sports wagering is conducted;
- (5) Ensure that wager results are determined only from data that is provided by the licensed sports wagering suppliers;
- (6) Ensure persons under 21 years of age do not make sports wagers;
- (7) Establish house rules relating to paid winning wagers amounts; and
- (8) Establish industry-standard procedures regarding the voiding or canceling of wagers.

A sports governing body may notify the Commission that official league data for settling tier 2 bets is available for sports wagering operators. The Commission will then notify sports wagering operators of the availability of such league data. Each sports wagering operator shall use only official league data to settle tier 2 bets on athletic events sanctioned by the applicable sports governing body, with certain exceptions as listed in the bill. The Commission shall publish a list of official league data providers on its website.

The Commission may enter into multi-jurisdictional agreements to facilitate, administer, and regulate multi-jurisdictional sports betting to the extent that entering into the agreement is consistent with state and federal laws and is conducted only in the United States.

A licensed applicant, as defined in the bill, may apply to the Commission for each licensed facility in which the licensed applicant wishes to conduct sports wagering. The applicant shall pay an initial application fee of \$50,000. The Commission shall test new sports wagering devices and forms, variations, or composites of sports wagering prior to authorizing a sports wagering operator to offer such new devices, forms, variations, or composites. A licensed excursion gambling boat may offer sports wagering through up to three individually branded interactive sports wagering platforms. A designated sports district mobile licensee, as defined in the bill and licensed by the Commission as an interactive sports wagering platform operator, may offer sports wagering within the state through one interactive sports wagering platform.

No sports wagering operator may offer sports wagering in person or through any sports wagering kiosk except within a licensed facility that is an excursion gambling boat. Sports wagering may be conducted with negotiable currency. The sports wagering operator shall determine a minimum and maximum wager amount.

A sports wagering device, point-of-contact device, or kiosk must be approved by the Commission and acquired by an operator from a licensed supplier.

A sports wagering operator may lay off one or more sports wagers subject to rules promulgated by the Commission. An interactive sports wagering platform provider must apply for a license with the Commission to offer sports wagering on behalf of a licensed facility. The provider shall pay an initial application fee of \$100,000 and a renewal fee every two years of \$50,000. Any application submitted to the Commission and all documents, reports, and data containing proprietary information, trade secrets, financial information, or personally identifiable information about any person shall be confidential.

The Commission shall adopt rules and regulations incorporating a sports wagering self-exclusion program. The Commission shall adopt rules ensuring advertisements for sports wagering do not knowingly target minors, discloses the identity of the sports wagering operator, provides gambling addiction resource information, and is not false or misleading.

The Commission shall conduct background checks on all individuals seeking licenses under the provisions of this bill. This background check shall include a search for criminal history and any charges or convictions involving corruption or manipulation of a sporting event.

A sports wagering operator shall employ commercially reasonable methods to prohibit unfair betting practices. Any person whose participation may undermine the integrity of the betting or sports event or any person prohibited for good cause as provided for in the bill may not engage in sports wagering.

An operator must adopt procedures to obtain personally identifiable information from any individual placing a single wager of \$10,000 or more while physically present at a casino. The Commission and sports wagering operators shall all cooperate with investigations conducted by law enforcement agencies or sports governing bodies. In cooperating with investigations, the sports governing body shall maintain the confidentiality of information and files, comply with all applicable privacy laws, and use the information solely in connection with the sports governing body's investigation.

An operator shall immediately report to the Commission information relating to criminal or disciplinary proceedings commenced against the operator in connection with the sports wagering operation, bets made that violate law, abnormal or suspicious wagering activity and any other conduct that corrupts the wagering outcome of a sporting event. A sports governing body may submit to the Commission a request to restrict or exclude a type or form of sports wagering on its sporting events if the body believes such wagering would affect the integrity of the sport. The

Commission may grant the request upon a showing of good cause by the applicable sports governing body. Sports wagering operators shall be notified of any such restrictions or exclusions.

A sports wagering operator for wagers placed in person, and a licensed facility, interactive sports wagering platform operator, or sports wagering, where applicable, for all interactive wagers placed, in excess of \$10,000, shall maintain personally identifiable information and other information relating to the wager as described in the bill for at least three years. Such information shall be made available for inspection upon the request of the Commission or as required by court order. A wagering tax of 10% is imposed on the adjusted gross receipts, as defined in the bill, received from sports wagering conducted by a sports wagering operator.

A certificate holder or interactive sports wagering platform operator shall remit this tax monthly to the Department of Revenue. In a month when the adjusted gross receipts are negative, the certificate holder or operator may carry over the negative amount for a period of 12 months. The payment of the tax under this section shall be by an electronic funds transfer by an automated clearing house. Revenues received from this tax shall be deposited into the State Treasury with the first \$250,000 allocated to the Commission to support Missouri's problem gambling programs and the rest credited to the "Gaming Proceeds for Education Fund", to be distributed pursuant to provisions of the bill.

A licensed facility and designated sports district, as defined in the bill, shall pay an annual administrative fee of \$20,000. Additionally, a certificate holder shall pay a fee of \$10,000 to cover the cost of a full reinvestigation of the certificate holder every five years, to be deposited into the Sports Wagering Fund.

This bill establishes the "Sports Wagering Fund". The State Treasurer shall be the custodian of the Fund and may approve disbursements pursuant to law. All sports wagers placed under the provisions of this bill shall be deemed initiated, received, and otherwise made on the property of an excursion gambling boat within this state.

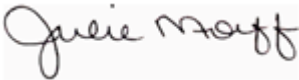
To the extent required by federal law, all servers necessary for placing or resolving of wagers, other than backup servers, shall be physically located within an excursion gambling boat.

To the extent required by federal law, the intermediate routing of electronic data shall not determine the location or locations in which such wagers are initiated, received, or otherwise made.

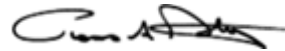
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Revenue
Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
Department of Social Services
Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Lottery Commission
Office of Administration
 Budget and Planning
University of Missouri
University of Central Missouri



Julie Morff
Director
February 18, 2022



Ross Strobe
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February 18, 2022