

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3987H.05C  
Bill No.: HCS for HB Nos. 2502 & 2556  
Subject: Gambling; Entertainment, Sports and Amusements; Department of Public Safety;  
Department of Revenue; Licenses - Miscellaneous; Fees; Crimes and Punishment  
Type: Original  
Date: March 7, 2022

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Bill Summary: This proposal modifies provisions related to gaming.

**FISCAL SUMMARY**

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

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Fully Implemented (FY 2027)</b>
Gaming Commission Fund (0286)	Could exceed \$340,701	(less than \$524,860)	(less than \$537,954)	(less than \$433,127)
Gaming Proceeds for Education Fund (0285)	Could Exceed \$11,586,025	Could Exceed \$11,910,239	Could Exceed \$12,234,452	Could Exceed \$12,558,666
Compulsive Gamblers Fund (0249)	\$139,675	Could be less than \$67,610	Could be less than \$67,610	Could be less than \$67,610
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could Exceed \$12,066,401</b>	<b>Could Exceed \$11,452,989</b>	<b>Could Exceed \$11,764,108</b>	<b>Could Exceed \$12,193,149</b>

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

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

- ☐ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Fully Implemented (FY 2027)</b>
<b>Local Government</b>	<b>\$1,287,336</b>	<b>\$1,323,360</b>	<b>\$1,359,384</b>	<b>\$1,395,407</b>

## 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.

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 in the first year. Pursuant to 313.1000.1(d) the amount of the promotions deduction shall decrease 25% each year thereafter. 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 the house committee substitute has changed the language from the original version (3987-02) to include provisions allowing for the deduction of winnings paid to wagerers from sports wagering AGR. Oversight notes this version allows for a decrease in promotional play deduction of 25% each year and will be reflected in the fiscal note.

**Oversight** has provided a table below to summarize Adjusted Gross Receipts (AGR) calculation provided by MGC.

<b>AGR - Estimated by MGC</b>					
	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
Revenue	\$146,437,962	\$146,437,962	\$146,437,962	\$146,437,962	\$146,437,962
Estimated voided or cancelled wagers and uncollectible receivables (est. 2.0%)	(\$2,928,759)	(\$2,928,759)	(\$2,928,759)	(\$2,928,759)	(\$2,928,759)
Excise Tax (.25%)	(\$366,095)	(\$366,095)	(\$366,095)	(\$366,095)	(\$366,095)
Promotional Wagering (est. 9.84%)	(14,409,495)	(\$10,807,122)	(\$7,204,748)	(\$3,602,374)	\$0
<b>AGR</b>	<b>\$128,733,612</b>	<b>\$132,355,986</b>	<b>\$135,938,360</b>	<b>\$139,540,734</b>	<b>\$143,143,108</b>

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.”

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 313.1006.1(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 \$100,000 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.

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.

Section 313.1010.2 and .3

MGC states these subsections imposes an initial application fee for an ISWP license of \$150,000 and a license renewal fee of \$125,000 to be paid every two years to be deposited into the Gaming Commission Fund.

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

Section 313.1011

**Oversight** assumes this section of the proposal allows the commission to issue a supplier’s license to a sports wagering supplier. MGC states that they are still working on obtaining an estimated number of sports wagering supplier licensees and will provide an updated estimated revenue when it is available.

For fiscal note purposes, Oversight will reflect an unknown revenue generated into the Gaming Commission Fund.

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 being deducted from gross receipts with a 25% deduction of promotion each year.

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 \$50,000 to the MGC one year after the date on which the certificate holder begins its sports wagering operations to be deposited into the Gaming Commission Fund.

**Oversight** will reflect revenue generated into the Gaming Commission 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 in the 4<sup>th</sup> year after sports wagering commenced and each 4<sup>th</sup> year thereafter to be deposited into the Gaming Commission Fund.

**Oversight** will reflect revenue generated into the Gaming Commission Fund.

Section 313.1021.5(3)

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 assume 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 amounts is [http://www.msgamingcommission.com/index.php/reports/monthly\\_reports](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) for the first year. Pursuant to 313.1000.1(d) the amount of the promotional deduction shall decrease 25% each year thereafter. 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:



<b><u>State Impact - Estimated by MGC</u></b>						
<b>Provision</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>Fund to Deposit</b>
(13) Cert of Authority App Fee (Initial) – Casino- \$100,000 §313.1006(2)	\$1,300,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(13) Cert Holder Admin Fee (Annual after the first year) - \$50,000 -§313.1021.5(1)	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
(13) Cert Holder Reinvestment Fee (in the 4 <sup>th</sup> year after sports wagering commenced and each 4 <sup>th</sup> year thereafter) – Casino- \$10,000 §313.1021.5(2)	\$0	\$0	\$0	\$210,000	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License App Fee (Initially) Sports book provider - \$150,000 §313.1010.2(2)	\$1,200,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License Annual Renewal Fee - Sports book provider - \$125,000 §313.1010.3	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	Gaming Commission Fund
Sports Wagering Supplier License – §313.1011*	Unknown	Unknown	Unknown	Unknown	Unknown	Gaming Commission Fund
Total Fees Collected	\$2,500,000	\$1,650,000	\$1,650,000	\$1,860,000	\$1,650,000	Gaming Commission Fund
AGR tax (90%)*	\$11,586,025	\$11,910,239	\$12,234,452	\$12,558,666	\$12,882,880	Gaming Proceeds for Education Fund
Total State Impact	<b>\$14,086,025</b>	<b>\$13,560,239</b>	<b>\$13,884,452</b>	<b>\$14,418,666</b>	<b>\$14,532,880</b>	
<b><u>Local Impact</u></b>						
Dock* Cities/Counties (10% AGR tax)	<b>\$1,287,336</b>	<b>\$1,323,360</b>	<b>\$1,359,834</b>	<b>\$1,395,407</b>	<b>\$1,431,431</b>	

\*10% of \$128,733,612 AGR in FY23. AGR increase each year due the annual decreasing promotional deduction as outlined in section 313.1000.1.d. (See table on page 5 for more detail)

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

KC:LR:OD

Section 313.1021 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.

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 so DOR knows 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 MGC currently receives their funding this way and uses this distribution system MGC 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 fifty thousand dollars (\$50,000). The fee imposed shall be due one year after the date on which the certificate holder commences sporting wagering operations, 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 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

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.

Oversight assumes DOR’s estimate did not decrease promotional wagers by 25% each year as outlined in section 313.1000.1(d) . Therefore, for purposes of this fiscal note, Oversight will reflect MGC’s estimate as “could exceed”.

The table below shows the AGR and the revenue generated from the 10% tax as estimated by both MGC and DOR for FY 2023 only.

	MGC	DOR (low)	DOR (high)
		(not used)	(not used)
Sports Betting Adjusted Gross Receipts	\$128,733,612	\$202,200,000	\$253,300,000
10% tax on AGR (state portion - 90%)	\$11,586,025	\$18,198,000	\$22,797,000
10% tax on AGR (local portion - 10%)	\$1,287,336	\$2,022,000	\$2,533,000

#### 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.

**Oversight** notes the balance in the Gaming Commission Fund was \$3,979,374.89 as of February 28, 2022, and was \$4,626,577.82 as of June 30, 2021.

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. Oversight notes this legislation (section 321.1021.6), subject to appropriation, appropriates \$500,000 from the Gaming Commission Fund into the Compulsive Gamblers Fund annually and therefore will reflect the estimates provided by DMH of a cost of \$360,325 in FY 23 and could exceed \$432,390 each year thereafter as well as reflect a \$500,000 transfer of funds from the Gaming Commission Fund into the Compulsive Gamblers Fund.

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 Sergeants (\$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 **Office of the State Public Defender**, the **Office of the State Courts Administrator**, the **Missouri Office of Prosecution Services**, the **Office of the State Treasurer**, 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.

**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 2026)
<b>GENERAL REVENUE FUND</b>				
<u>Cost – DOR</u> Tax collection database p. 11	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$100,445)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GAMING COMMISSION FUND (0286)</b>				
<u>Revenue</u> - MGC p. 8-9 (13) Cert of Authority App Fee (Initial) – Casino- \$100,000 §313.1006(2)	\$1,300,000	\$0	\$0	\$0
<u>Revenue</u> - MGC p. 8-9 (13) Cert Hold Admin Fee (Annual after the first year) - \$50,000 §313.1021.5(1)	\$0	\$650,000	\$650,000	\$650,000
<u>Revenue</u> - MGC p. 8-9 (13) Cert Hold Reinvestigation Fee (in the 4 <sup>th</sup> year after sports wagering and each 4 <sup>th</sup> year after) - \$10,000 §313.1021.5(2)	\$0	\$0	\$0	\$210,000
<u>Revenue</u> - MGC p. 8-9 (8) Sports Wagering Platform License App Fee (Initially) - \$150,000 §313.1010.2(2)	\$1,200,000	\$0	\$0	\$0
<u>Revenue</u> - MGC p. 8-9 (8) Sports Wagering Platform License Annual Review Fee (Annual after the first year) – Sports book provider - \$125,000 §313.1010.3	\$0	\$1,000,000	\$1,000,000	\$1,000,000
<u>Revenue</u> - MGC p. 8-9 Sports Wagering Supplier License unknown §313.1010.3	Unknown	Unknown	Unknown	Unknown

<u>Total Revenue – MGC</u>	<u>Could exceed</u> <u>\$2,500,000</u>	<u>Could exceed</u> <u>\$1,650,000</u>	<u>Could exceed</u> <u>\$1,650,000</u>	<u>Could</u> <u>exceed</u> <u>\$1,860,000</u>
Cost – FTE MGC p. 12				
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	(\$797,479)	(\$797,479)	(\$797,479)	(\$797,479)
Total Cost - MGC	(\$1,260,862)	(\$1,339,404)	(\$1,348,763)	(\$1,450,157)
FTE Change - MGC	5 FTE	5 FTE	5 FTE	5 FTE
Cost – FTE MHP p. 13				
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)
Total Cost - MHP	(\$398,437)	(\$335,456)	(\$339,191)	(\$342,970)
FTE Change - MHP	2 FTE	2 FTE	2 FTE	2 FTE
Transfer out –to Compulsive Gamblers Fund (0249) §321.1021.6 p. 12-13	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<u><b>Could exceed</b></u> <u><b>\$340,701</b></u>	<u><b>(less than</b></u> <u><b>\$524,860)</b></u>	<u><b>(less than</b></u> <u><b>\$537,954)</b></u>	<u><b>(less than</b></u> <u><b>\$433,127)</b></u>
Estimated Net FTE Change to the Gaming Commission Fund	7 FTE	7 FTE	7 FTE	7 FTE
<b>GAMING PROCEEDS FOR EDUCATION FUND (0285)</b>				
Revenue - 90% of the 10% Wagering Tax §313.1021 p. 11	<u>Could exceed</u> <u>\$11,586,025</u>	<u>Could exceed</u> <u>\$11,910,239</u>	<u>Could exceed</u> <u>\$12,234,452</u>	<u>Could</u> <u>exceed</u> <u>\$12,558,666</u>
<b>ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<u><b>Could exceed</b></u> <u><b>\$11,586,025</b></u>	<u><b>Could exceed</b></u> <u><b>\$11,910,239</b></u>	<u><b>Could exceed</b></u> <u><b>\$12,234,452</b></u>	<u><b>Could</b></u> <u><b>exceed</b></u> <u><b>\$12,558,666</b></u>



<b>COMPULSIVE GAMBLERS FUND (0249)</b>				
<u>Transfer In</u> – from Gaming Commission Fund §321.1021.6 p. 12-13	\$500,000	\$500,000	\$500,000	\$500,000
<u>Cost</u> - DMH Administrative cost for treating additional consumers p. 12-13	(\$360,325)	(could exceed \$432,390)	(could exceed \$432,390)	(could exceed \$432,390)
<b>ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND</b>	<b><u>\$139,675</u></b>	<b><u>Could be less than \$67,610</u></b>	<b><u>Could be less than \$67,610</u></b>	<b><u>Could be less than \$67,610</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2026)
<b>LOCAL HOME DOCKS</b>				
<u>Revenue</u> - Home Dock City or County 10% of the 10% Wagering Tax §313.1021 p.11	<u>\$1,287,336</u>	<u>\$1,323,360</u>	<u>\$1,359,384</u>	<u>\$1,395,407</u>
<b>ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS</b>	<b><u>\$1,287,336</u></b>	<b><u>\$1,323,360</u></b>	<b><u>\$1,359,384</u></b>	<b><u>\$1,395,407</u></b>

#### 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 each professional sports team entity, 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 shall have full jurisdiction to supervise all gambling operators and 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 applicable sports governing body or 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 \$100,000.

The Commission shall ensure that new sports wagering devices and forms, variations, or composites of sports wagering are tested 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 operator 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 \$150,000 and a renewal fee annually of \$125,000. 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 may issue a supplier's license to a sports wagering supplier to provide its services to licensees under a fixed-fee or revenue-sharing agreement. At the request of an applicant, the Commission may issue a provisional license if that applicant has submitted a completed application, including the required fee. The bill specifies requirements that an applicant for a supplier's license must meet in order to receive a license.

A renewal fee must be submitted biennially as determined by the Commission. A sports wagering operator must verify that the person placing a wager is at least the legal minimum age for placing the wager. The Commission must 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 sport's 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. No sports wagering operator may offer any wagers on an elementary or secondary school athletic or sporting event or on the individual performance statistics of an athlete in such school athletic or sporting event in which a team from this state is a participant.

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 and credited to the "Gaming Proceeds for Education Fund", to be distributed pursuant to provisions of the bill. A licensed facility that is an excursion gambling boat shall pay an annual license renewal fee not to exceed \$50,000.

Additionally, a certificate holder shall pay a fee of \$10,000 to cover the cost of a full reinvestigation of the certificate holder every four years, to be deposited into the Gaming Commission Fund. Annually, \$500,000 shall be appropriated from the Gaming Commission Fund and credited to the Compulsive Gamblers Fund.

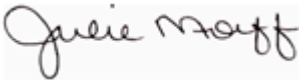
All sports wagers placed under the provisions of this bill shall be deemed initiated, received, and otherwise made on the property of an excursion gambling boat within this state. To the extent required by federal law, all servers necessary for placing or resolving of wagers, other than

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  
March 7, 2022



Ross Strobe  
Assistant Director  
March 7, 2022