

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3987H.05P  
Bill No.: Perfected 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 23, 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 2026)</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 2026)</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 \$9,268,820	Could exceed \$9,528,191	Could exceed \$9,787,561	Could exceed \$10,046,933
Compulsive Gamblers Fund (0249)	(Could be less than \$110,325)	(Could be less than \$182,390)	(Could be less than \$182,390)	(Could be less than \$182,390)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could Exceed \$9,499,196</b>	<b>Could Exceed \$8,820,941</b>	<b>Could Exceed \$9,067,217</b>	<b>Could Exceed \$9,431,416</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 2026)</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 2026)</b>
<b>Local Government</b>	<b>\$1,029,869</b>	<b>\$1,058,688</b>	<b>\$1,087,507</b>	<b>\$1,116,326</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

#### §§ 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 8%. 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  $((\$43,931,389 \times 70\%) / 30\%) = \$102,506,572$  = 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%)*	\$9,268,820	\$9,528,191	\$9,787,562	\$10,046,933	\$10,306,304	Gaming Proceeds for Education Fund
Total State Impact	<b>\$11,768,820</b>	<b>\$11,178,191</b>	<b>\$11,437,562</b>	<b>\$11,906,933</b>	<b>\$11,956,304</b>	
<b><u>Local Impact</u></b>						
Dock* Cities/Counties (10% of AGR tax)	<b>\$1,029,869</b>	<b>\$1,058,688</b>	<b>\$1,087,507</b>	<b>\$1,116,326</b>	<b>\$1,145,145</b>	

\*8% 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 eight percent (8%) 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)

\$16,176,000-\$20,264,000 (8% tax imposed on AGR)

Breakout of the 8% per Section 313.822 RSMo.

10% to Dock Cities (Local) – \$1,617,600-\$2,026,400

90% to Gaming Proceeds for Education Fund- \$14,558,400-\$18,237,600

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 8% tax as estimated by both MGC and DOR for FY 2023 only.

10% to Dock Cities (Local) – \$1,617,600-\$2,026,400  
90% to Gaming Proceeds for Education Fund- \$14,558,400-\$18,237,600

	MGC	DOR (low)	DOR (high)
		(not used)	(not used)
Sports Betting Adjusted Gross Receipts	\$128,733,612	\$202,200,000	\$253,300,000
8% tax on AGR (state portion - 90%)	\$9,268,820	\$14,558,400	\$18,237,600
8% tax on AGR (local portion - 10%)	\$1,029,869	\$1,617,600	\$2,026,400

#### 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.

In response to a previous version, officials from the **Department of Mental Health (DMH)** assumed 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.

In response to a previous version, officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** stated 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.

In response to a previous version, officials from the **Office of Administration - Budget and Planning** deferred 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.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted 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 Treasurer**, the **Department of Higher Education and Workforce Development** and the **Missouri Office of Prosecution Services** 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 previous version, officials from the **Office of the State Public Defender**, the **Office of the State Courts Administrator**, the **Department of Social Services**, the **Office of the State Public Defender** and the **University of Central Missouri** each assumed the proposal will have no 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.

House Substitute Amendment – House Amendment 1  
§313.813

**Oversight** assumes House Substitute Amendment – House Amendment 1 could increase revenue to the Compulsive Gamblers Fund as a result of the changes made to section 313.813. Since it is unknown if and how many trespassing in the first degree's will take place, Oversight will reflect a \$0 to Unknown revenue to the Compulsive Gamblers Fund.

§313.842

Officials from the MGC assumes the scope of this study (House Substitute Amendment – House Amendment 1) will require the retention of outside experts. The Commission conservatively estimates the costs of those experts and commission personnel to be approximately \$500,000. The section does not make it clear what fund would pay these costs. The Commission would recommend adding a section to authorize these costs to be paid from the Compulsive Gamblers Fund. If these cost are paid from the Gaming Commission Fund it will result in a reduction of \$500,000 from the distribution to the veterans' commission capital improvement trust fund under 313.835.

**Oversight** assumes this section of the amendment requires the MGC and the DMH to develop an annual research report (submitted each year no later than January 31<sup>st</sup>) in order to assess the social and economic effects of gaming in the state and to obtain scientific information related to the neuroscience, psychology, sociology, epidemiology, and etiology of compulsive gambling. Oversight assumes the cost of the research report will be funded through the compulsive Gamblers Fund. Oversight will reflect an unknown, could exceed \$250,000 annual cost as a result of this provision.

**Oversight** also notes this amendment adds that the General Assembly consider increasing the funding to the Compulsive Gamblers Fund (based on the outcome of the report) to be in excess of \$500,000. Oversight will reflect a “could exceed \$500,000” transfer into the Compulsive Gamblers Fund from the Gaming Commission Fund after the first year as a result of this amendment.

**Oversight** also assumes this section of the amendment requires the MGC to establish an online method for a player to apply for placement in the self-exclusion program. Oversight assumes MGC is provided with core funding to handle a certain amount of activity each year. Oversight assumes MGC could absorb the costs related to this portion of the amendment.

House Amendment 2

Officials from the **MGC** assumes House Amendment 2 reduces the wagering tax imposed by section 313.1021.1 from 10% to 8%. For the first full year of operation the 8% tax will produce a

total of tax proceeds on Adjusted Gross Revenue (AGR) of \$10,298,688.99 which would be divided 90% to the Gaming Proceeds for Education Fund (\$9,268,820.09), and 10% (1,029,868,90) to the home dock cities and counties. For the first full year of operation, the reduction in the proposed tax rate will reduce the funds received by the Gaming Proceeds for Education Fund by \$2,317,205.03 and reduce the funds to the home dock cities and counties by \$257,467.22.

**Oversight** will reflect the wagering tax as 8% in the fiscal note as a result of this amendment.



<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>
<u>Cost – FTE MGC p. 12</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	(\$797,479)	(\$797,479)	(\$797,479)	(\$797,479)
<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. 13</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
<u>Transfer out –to Compulsive Gamblers Fund (0249) §321.1021.6 p. 12-13</u>	<u>(\$500,000)</u>	<u>(could exceed \$500,000)</u>	<u>(could exceed \$500,000)</u>	<u>(could exceed \$500,000)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<b><u>Could exceed</u> <b><u>\$340,701</u></b></b>	<b><u>(less than</u> <b><u>\$524,860)</u></b></b>	<b><u>(less than</u> <b><u>\$537,954)</u></b></b>	<b><u>(less than</u> <b><u>\$433,127)</u></b></b>
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>				
<u>Revenue - 90% of the 8% Wagering Tax §313.1021 p. 12 (HA 2)</u>	<u>Could exceed</u> <u>\$9,268,820</u>	<u>Could exceed</u> <u>\$9,528,191</u>	<u>Could exceed</u> <u>\$9,787,561</u>	<u>Could</u> <u>exceed</u> <u>\$10,046,933</u>
<b>ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>Could exceed</u> <b><u>\$9,268,820</u></b></b>	<b><u>Could exceed</u> <b><u>\$9,528,191</u></b></b>	<b><u>Could exceed</u> <b><u>\$9,787,561</u></b></b>	<b><u>Could</u> <u>exceed</u> <b><u>\$10,046,933</u></b></b>

<b>COMPULSIVE GAMBLERS FUND (0249)</b>				
Revenue – DMH Winning Forfeit for trespassing (HSA-HA 1) §313.813 (p.14)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Transfer In – from Gaming Commission Fund §321.1021.6 p. 12-13	\$500,000	Could exceed \$500,000	Could exceed \$500,000	Could exceed \$500,000
Cost - DMH Administrative cost for treating additional consumers p. 12-13	(\$360,325)	(could exceed \$432,390)	(could exceed \$432,390)	(could exceed \$432,390)
Cost – DMH Annual Research Report §313.842 (p. 14)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)	(Unknown, could exceed \$250,000)
<b>ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND</b>	<b>(Could be less than \$110,325)</b>	<b>(Could be less than \$182,390)</b>	<b>(Could be less than \$182,390)</b>	<b>(Could be less than \$182,390)</b>

<b>FISCAL IMPACT – Local Government</b>	<b>FY 2023 (10 Mo.)</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Fully Implemented (FY 2026)</b>
<b>LOCAL HOME DOCKS</b>				
Revenue - Home Dock City or County 10% of the 8% Wagering Tax §313.1021 p.12 (HA2)	<u>\$1,029,869</u>	<u>\$1,058,688</u>	<u>\$1,087,507</u>	<u>\$1,116,326</u>
<b>ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS</b>	<b><u>\$1,029,869</u></b>	<b><u>\$1,058,688</u></b>	<b><u>\$1,087,507</u></b>	<b><u>\$1,116,326</u></b>

FISCAL IMPACT – Small Business

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

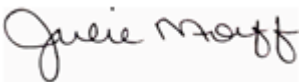
FISCAL DESCRIPTION

This proposal modifies provisions related to gaming.


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 23, 2022



Ross Strobe  
Assistant Director  
March 23, 2022