

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5770-02  
Bill No.: HB 1731  
Subject: Gambling; Boards, Commissions, Committees, Councils  
Type: Original  
Date: February 20, 2012

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Bill Summary: This proposal changes the distribution of moneys from the gaming moneys.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
General Revenue*	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown expected to exceed \$1,000,000</b>	<b>Unknown expected to exceed \$1,000,000</b>	<b>Unknown expected to exceed \$1,000,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

\* Lottery Proceeds to General Education and Early Childhood Development

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Veterans Commission Capital Improvement	\$24,942,520	\$25,511,371	\$26,091,598
Missouri National Guard	\$3,500,000	\$3,500,000	\$3,500,000
Early Childhood Development Education and Care	(\$28,442,520)	(\$29,011,371)	(\$29,591,598)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government*</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

\*Lottery Proceeds to Local School Districts

## FISCAL ANALYSIS

### ASSUMPTION

#### ***Section 313.321***

Officials at the **Missouri Lottery Commission (LOT)** assumes this section requires a minimum of 32% of the money received from the sale of lottery tickets be appropriated to education (27% to general education and 5% to early childhood development).

LOT assumes this section would impact approximately 5,000 lottery retailers throughout the state as lottery retailers will see a reduction in lottery compensation and lottery ticket sales, however the amount of reduction and sales is unknown.

LOT assumes a reduction in lottery ticket sales could result in a reduction in sales for other taxable items such as gas, food, and beverages within lottery retailers

LOT states currently transfers to education are on average 27% annually. This proposal represents a 5% increase in lottery proceeds to education over current amounts.

LOT assumes the 5% increase would be absorbed through the reduction of the prize payout percentage to players.

LOT states for every 1% decrease in a prize payout percentage, weekly per capita sales decrease by \$.20.

LOT assumes income tax revenue on prizes won over \$600 will be negatively impacted with the decrease in prize payouts.

LOT states most players reinvest much of their winnings at retail on other taxable items such as gas, food and beverages.

LOT assumes this proposal would have an unknown negative fiscal impact to sales and profits of the Missouri Lottery.

**Oversight** assumes this proposal would require at least 32%, in the aggregate, of proceeds received from the sale of lottery tickets be appropriated to education. With 27% to general education and 5% to early childhood education.

ASSUMPTION (Continued)

**Oversight** assumes the LOT currently distributes 62.9% of every \$1 on prizes, 26.4% on education, 4.5% on administrative costs, 6.2% on retailers.

**Oversight** assumes a 5.6% increase in the distribution of lottery proceeds to education as a result of this proposal.

**Oversight** assumes the increase in lottery proceeds to education would be absorbed from the proceeds paid to prizes, retailers, and administration.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this section of the proposal directs the distribution of lottery funding such that at least 32% in the aggregate, of the money received from the sale of lottery tickets shall be appropriated to education, with 27% to general education and 5% to early childhood development.

DESE states according to the Missouri State Lottery Commission's Comprehensive Annual Financial Report for fiscal year ending June 30<sup>th</sup>, 2011, ticket sales for the year totaled \$1,000,678,406. Based on this proposal, 32% of ticket sales or \$320,217,090 would have been appropriated to education.

$$\$1,000,678,406 \quad X \quad 32\% \quad = \quad \mathbf{\$320,217,089.92}$$

DESE states this proposal would have distributed the funds to education in the following way:

$$\begin{array}{rclcl} \$1,000,678,406 & X & 27\% & = & \$270,183,169.62 & \text{Amount to General Education} \\ \$1,000,678,406 & X & 5\% & = & \underline{\$50,033,920.30} & \text{Amount to Early Childhood Development} \\ & & & & \mathbf{\$320,217,089.92} & \mathbf{\text{Total}} \end{array}$$

DESE states funds for early childhood development currently support First Steps, Parents as Teachers (PAT), and the Missouri Preschool Program (MPP).

Officials at the **Department of Social Services (DSS)** assume this proposal will direct 5% of the sales from lottery tickets to Early Childhood Development

DSS assumes this proposal would impact programs who receive funding from the Early Childhood Development Education and Care Fund (ECDEC). This fund provides funding, technical assistance and training to child care providers across the state.

ASSUMPTION (Continued)

**Section 313.835**

Officials at the **Missouri Gaming Commission (GAM)** assumes this proposal provides funding to various funds from Lottery Proceeds and changes the formula of transfers from the Gaming Commission Fund (0286) to certain other funds. For the purpose of the fiscal note GAM is only addressing transfers from the Gaming Fund.

GAM states this section as it pertains to the Gaming Fund does not add revenue to the fund it simply redistributes the fund. Under current law the Veterans Commission Capital Improvement Trust Fund (VCCIT)(0304), Missouri National Guard Trust Fund (MNGT)(0900), Access Missouri Financial Assistance Fund (MFAF)(0791), Early Childhood Development Education and Care Fund (ECDEC)(0859), and the Compulsive Gamblers Fund (CG)(0249) all receive fund transfers from the Gaming Commission Fund (0286).

GAM states the following table provides the actual FY 2011 fund transfers from the Gaming Fund and the fund transfers from the Gaming Fund had HB 1731 been law in FY 2011.

**Table 1: Fund Transfers from Gaming Fund FY 2011**

<b>FY 11</b>	<b>VCCIT</b>	<b>MNGT</b>	<b>MFAF</b>	<b>ECDEC</b>	<b>CG</b>	<b>Totals</b>
Actual	\$6,600,000	\$4,000,000	\$5,000,000	\$30,602,202	\$297,684	\$46,499,886
HB 1731	\$33,702,202	\$7,500,000	\$5,000,000	\$0	\$297,684	\$46,499,886
<b>Difference</b>	<b>\$27,102,202</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>(\$30,602,202)</b>	<b>\$0</b>	<b>\$0</b>

Source: Missouri Gaming Commission

GAM states table 2 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2013.

**Table 2: Fund Transfers from Gaming Fund FY 2013**

<b>FY 13</b>	<b>VCCIT</b>	<b>MNGT</b>	<b>MFAF</b>	<b>ECDEC</b>	<b>CG</b>	<b>Totals</b>
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$28,442,520	\$297,684	\$43,740,204
HB 1731	\$30,942,520	\$7,500,000	\$5,000,000	\$0	\$297,684	\$43,740,204
<b>Difference</b>	<b>\$24,942,520</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>(\$28,442,520)</b>	<b>\$0</b>	<b>\$0</b>

Source: Missouri Gaming Commission

ASSUMPTION (Continued)

GAM states table 3 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2014.

**Table 3: Fund Transfers from Gaming Fund FY 2014**

FY 14	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$29,011,371	\$297,684	\$44,390,055
HB 1731	\$31,511,371	\$7,500,000	\$5,000,000	\$0	\$297,684	\$44,309,055
<b>Difference</b>	<b>\$25,511,371</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>(\$29,011,371)</b>	<b>\$0</b>	<b>\$0</b>

Source: Missouri Gaming Commission

GAM states table 4 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2015.

**Table 4: Fund Transfers from Gaming Fund FY 2015**

FY 15	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$29,591,598	\$297,684	\$44,889,282
HB 1731	\$32,091,598	\$7,500,000	\$5,000,000	\$0	\$297,684	\$44,889,282
<b>Difference</b>	<b>\$26,091,598</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>(\$29,591,598)</b>	<b>\$0</b>	<b>\$0</b>

Source: Missouri Gaming Commission

GAM assumes the estimates for FY 2013 - FY 2015 for the ECDEC change each year because the number of admission fees that make up the majority of the Gaming Commission Fund are expected to fluctuate from -3.5% for 2013 to a positive 2% for FY 2014 and 2015 due to economic considerations and the recent opening of a new casino in Kansas and the anticipated new casino opening in Cape Girardeau, MO this coming December.

Officials at the **Department of Elementary and Secondary Education (DESE)** assumes this section restructures the distribution of gaming fees such that the Missouri National Guard Trust Fund (MNGT) receives an additional \$3.5 million beyond its annual distribution which was \$4 million during FY 2011.

DESE assumes this section removes the distribution of gaming fees to the Early Childhood Development, Education and Care Fund (ECDEC). This fund received \$30,602,202.47 during FY 2011.

ASSUMPTION (Continued)

DESE assumes this proposal removes an additional distribution of \$500,000 from the Missouri Financial Assistance Fund (MFAF); and instead appears to distribute such funds to the veterans' commission capital improvement trust fund (VCCIT) in addition to its annual distribution which was \$6.6 million during FY 2011.

DESE states this section removes the distribution of gaming funds to the ECDEC. Section 161.215 which creates the ECDEC, further defines the distribution of ECDEC funds between DSS and DESE.

DESE assumes this proposal would leave the ECDEC without funding, therefore the distribution to DSS would not occur. DESE defers to DSS regarding this fiscal impact.

Officials at the **Department of Social Services (DSS)** assumes this section will stop all gaming proceeds from the \$1 admission fee to enter a riverboat casino from being distributed to the ECDEC. This fund is currently used for 4 programs within DSS. These programs include:

- Start-up & Expansion grants for child care providers
- Accreditation Facilitation - grants for organizations that assist providers to become accredited, along with a child care subsidy rate enhancement for child care providers who are accredited.
- Missouri Early Head Start
- Stay at Home Parent - Home visitation program for at risk families with children under the age of 3.

DSS states the ECDEC is currently the only funding source for these 4 programs.

DSS states gaming distributions from the casino admission fee are the only funds currently transferred into the ECDEC.

DSS assumes in FY 11, revenue for the ECDEC was \$30,998,623, according to GAM. If this proposal were current law, and lottery sales were to remain the same, the fund would have received \$50,033,920 from the 5% of the \$1,000,678,406 reported in total sales in the Missouri Lottery Comprehensive Annual Financial Report.

DSS states appropriations for the Department of Social Services from the Early Childhood Development, Education and Care Fund in 2011 totaled \$14,917,036.



ASSUMPTION (Continued)

DSS states under this assumption DSS would receive a 61% increase into the ECDEC fund from this proposal. If appropriations to the ECDEC fund were to receive a 61% increase, they would total \$24,077,127, an increase of \$9,160,091.

***Bill as a Whole***

Officials at the **Department of Elementary and Secondary Education (DESE)** state during FY 2011 the department received \$163,619,956 in lottery funds and \$30,602,202.47 in gaming funds.

DESE states based on the calculations below (see table 5), DESE would appear to see an increase in distributions under this proposal. For FY 2011, had this proposal been effective, the department assumes it would have seen an increase in distributions totaling \$125,994,930.

**Table 5 : Lottery and Gaming Distributions to Education per this Proposal FY11**

Lottery	Gaming	Total	Distribution
\$163,619,956	\$30,602,202	\$194,222,158	FY 2011
\$320,217,089	\$0.00	<u>\$320,217,089</u>	Per Bill in FY 2011
		<b>\$125,994,931</b>	<b>Increase per this bill</b>

Source: Department of Elementary and Secondary Education

DESE states according to the Missouri State Lottery Commission’s Comprehensive Annual Financial Report for fiscal year ending June 30<sup>th</sup>, 2011; currently 26.4 cents of every dollar is spent on education, with 62.9 cents spent on prizes, 6.2 cents spent on retailers, and 4.5 cents spent on administration.

DESE assumes under the terms of this proposal, dollars spent on education will increase; therefore, dollars spent on prizes, retailers, and administration will likely decrease. Should dollars spent on prizes decrease, this could impact the number of tickets sold. Since education funding would be dependant upon ticket sales, any negative factor influencing ticket sales would have a negative impact on education.

ASSUMPTION (Continued)

Officials at the **Department of Social Services (DSS)** assumes the long range implications of this proposal are unknown. However, the programs receiving funding from the ECDEC are currently not providing funding or services to the number of child care programs and families that have need.

DSS assumes an unknown fiscal impact to ECDEC but is estimated to increase.

**Oversight** assumes an unknown positive impact to General Revenue expected to exceed \$1,000,000 as a result of the increase in lottery proceeds dedicated to education.

**Oversight** assumes transfers from the Gaming Commission Fund to the ECDEC will cease.

**Oversight** assumes 5% of the 32% in transfers from lottery proceeds dedicated to education will now be dedicated to early childhood development. The remaining 27% will be dedicated to general education.

**Oversight** assumes all funds for early childhood development and general education will be appropriated and funded by General Revenue.

**Oversight** assumes an increase in transfers from the Gaming Commission Fund of \$3,500,000 for FY13 - FY15 to the Missouri National Guard Trust Fund.

**Oversight** assumes this proposal will have no impact on the Access Missouri Financial Assistance Fund or the Compulsive Gamblers Fund.

**Oversight** assumes this proposal does not impact the total revenue in the Gaming Commission Fund but does change how the revenue in the fund is distributed.

Officials at the **Missouri Veterans' Commission** defer to the Missouri Gaming Commission for any fiscal impact related to this proposal.

Officials at the **State Treasurer's Office** assumes there is no fiscal impact from this proposed legislation.

Officials from the **Department of Public Safety, Office of the Attorney General, and Office of Administration - Division of Budget and Planning** did not respond to the request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - Increase in Lottery Proceeds to General Education and Early Childhood Development	<u>Unknown</u> <u>expected to</u> <u>exceed</u> <u>\$1,000,000</u>	<u>Unknown</u> <u>expected to</u> <u>exceed</u> <u>\$1,000,000</u>	<u>Unknown</u> <u>expected to</u> <u>exceed</u> <u>\$1,000,000</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>Unknown</u></b> <b><u>expected to</u></b> <b><u>exceed</u></b> <b><u>\$1,000,000</u></b>	<b><u>Unknown</u></b> <b><u>expected to</u></b> <b><u>exceed</u></b> <b><u>\$1,000,000</u></b>	<b><u>Unknown</u></b> <b><u>expected to</u></b> <b><u>exceed</u></b> <b><u>\$1,000,000</u></b>
<b>VETERANS COMMISSION CAPITAL IMPROVEMENT FUND</b>			
<u>Transfer In</u> - Increase in transfer from Gaming Commission Fund	<u>\$24,942,520</u>	<u>\$25,511,371</u>	<u>\$26,091,598</u>
<b>ESTIMATED NET EFFECT ON VETERANS COMMISSION CAPITAL IMPROVEMENT FUND</b>	<b><u>\$24,942,520</u></b>	<b><u>\$25,511,371</u></b>	<b><u>\$26,091,598</u></b>
<b>MISSOURI NATIONAL GUARD FUND</b>			
<u>Transfer In</u> - Increase in transfer from Gaming Commission Fund	<u>\$3,500,000</u>	<u>\$3,500,000</u>	<u>\$3,500,000</u>
<b>ESTIMATED NET EFFECT ON MISSOURI NATIONAL GUARD FUND</b>	<b><u>\$3,500,000</u></b>	<b><u>\$3,500,000</u></b>	<b><u>\$3,500,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
(Continued)	(10 Mo.)		

**EARLY CHILDHOOD  
 DEVELOPMENT EDUCATION AND  
 CARE FUND**

<u>Transfer Out</u> - Decrease in transfer from Gaming Commission Fund	<u>(\$28,442,520)</u>	<u>(\$29,011,371)</u>	<u>(\$29,591,598)</u>
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<b>ESTIMATED NET EFFECT ON      EARLY CHILDHOOD      DEVELOPMENT EDUCATION      FUND</b>	<b><u>(\$28,442,520)</u></b>	<b><u>(\$29,011,371)</u></b>	<b><u>(\$29,591,598)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013	FY 2014	FY 2015
	(10 Mo.)		

**LOCAL GOVERNMENT**

<u>Revenue</u> - Increase in Lottery Proceeds to Education and Early Childhood for Local School Districts	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<b>ESTIMATED NET EFFECT ON      LOCAL GOVERNMENT</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
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FISCAL IMPACT - Small Business

Direct fiscal impact to small business lottery retailers could be expected as a result of this proposal.

Direct fiscal impact on small businesses that provide early childhood development assistance and receive funding from the ECDEC fund could be impacted. The ECDEC fund provides funding for technical assistance and training to local child care providers across the state.

### FISCAL DESCRIPTION

This bill changes the laws regarding the distribution of gaming moneys. At least 32% of the money received from the sale of lottery tickets must be appropriated to education, with 27% to general education and 5% to early childhood development.

The bill also increases, from \$3 million to \$7.5 million, the portion of any remaining net proceeds in the Gaming Commission Fund that is to be transferred to the Missouri National Guard Trust Fund and moves the distribution of certain remaining net proceeds in the Gaming Commission Fund from the Early Childhood Development, Education and Care Fund to the Veterans' Commission Capital Improvement Trust Fund.

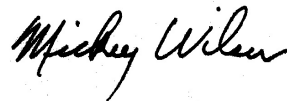
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Missouri Gaming Commission  
Missouri Veterans' Commission  
Missouri Lottery Commission  
State Treasurer's Office  
Department of Elementary and Secondary Education  
Department of Social Services

### NOT RESPONDING

Department of Public Safety  
Office of Administration-  
Division of Budget and Planning  
Office of the Attorney General



Mickey Wilson, CPA  
Director  
February 20, 2012