

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4196-08  
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HCS for HB 1388  
Subject: Entertainment, Sports and Amusements; Gambling; Licenses - Miscellaneous; Department of Insurance, Financial Institutions Professional Registration; and Licensing; Tax Credits; Taxation and Revenue - Income; Tourism, Business and Commerce  
Type: Original  
Date: June 19, 2018

Bill Summary: This proposal modifies provisions relating to certain sports contests.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |            |            |                             |
|--|------------|------------|------------|-----------------------------|
| FUND AFFECTED  | FY 2019    | FY 2020    | FY 2021    | Fully Implemented (FY 2022) |
| General Revenue Fund                                 | \$0        | \$0        | \$0        | (Up to \$3,000,000)         |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>(Up to \$3,000,000)</b>  |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>       |                           |                           |                           |                             |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|
| FUND AFFECTED  | FY 2019                   | FY 2020                   | FY 2021                   | Fully Implemented (FY 2022) |
| Office of Athletics                                    | Less than \$44,100        | Less than \$44,100        | Less than \$44,100        | Less than \$44,100          |
| <b>Total Estimated Net Effect on Other State Funds</b> | <b>Less than \$44,100</b> | <b>Less than \$44,100</b> | <b>Less than \$44,100</b> | <b>Less than \$44,100</b>   |

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 9 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |                                    |
|---|----------------|----------------|----------------|------------------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> | <b>Fully Implemented (FY 2022)</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 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> | <b>Fully Implemented (FY 2022)</b> |
|   |                |                |                |                                    |
|   |                |                |                |                                    |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>                           |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |                                    |
|--|----------------|----------------|----------------|------------------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> | <b>Fully Implemented (FY 2022)</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>                         |

## FISCAL ANALYSIS

### ASSUMPTION

#### §67.3000 Amateur Sporting Ticket Sales and the §67.3005 Amateur Sporting Contribution

In response to a similar proposal from this year (Truly Agreed To and Finally Passed CCS for HCS for SB 773), officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal makes multiple changes to the sports contribution tax credit. It expands the credit to additional college level sporting events, it expands the credit to participant-based events, requires the actual number of tickets or participants to be used when determining the credit amount, and it extends the sunset date from 2019 to 2024.

In addition, B&P noted that this proposal limits the tax credits to \$2,700,000, per year, for Jackson County, St. Louis County, and St. Louis City. This could increase Total State Revenue and General Revenue if this reduces the amount of credits that would otherwise have been awarded.

This proposal may increase Total State Revenue. This proposal may impact the calculation under Article X, Section 18(e).

**Oversight** notes that this proposal extends the sunset date to 2025. This difference will not affect the estimated fiscal impact.

Officials from the **Department of Economic Development (DED)** assumes among many other provisions, this bill amends the Sporting Event Tax Credit to include "collegiate" events. It makes other changes but leaves the cap on the program at \$3 million annually. It extends the sunset date to 6 years after 8-28-19.

The impact will be \$3 million annually starting FY 2019. DED will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer the program.

**Oversight** notes this proposal extends the sunset on an existing program and expands the credit to allow \$10 for every paid participant registration. However, the cap on the program is unchanged. DED should be able to absorb the duties of the proposal with existing resources.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Ticket Sales tax credit program (§67.3000) had the following activity:

ASSUMPTION (continued)

|                     | FY 2015   | FY 2016   | FY 2017     | FY 2018<br>(projected) | FY 2019<br>(projected) |
|---------------------|-----------|-----------|-------------|------------------------|------------------------|
| Certificates Issued | 6         | 3         | 15          | 10                     | 10                     |
| Projects            | 8         | 3         | 15          | 10                     | 10                     |
| Amount Authorized   | \$728,708 | \$942,800 | \$5,296,200 | \$2,200,000            | \$1,800,000            |
| Amount Issued       | \$585,735 | \$237,050 | \$2,175,700 | \$2,035,825            | \$1,500,000            |
| Amount Redeemed     | \$38,610  | \$17,800  | \$1,316,815 | \$500,000              | \$500,000              |

Amount Outstanding - \$1,078,135      Amount Authorized but Unissued - \$3,918,305

**Oversight** notes this proposal would extend this tax credit from August 28, 2019 to August 28, 2025. This credit is given for 100% of eligible costs or \$5 per admission ticket. This proposal expands the credit to allow \$10 for every paid participant registration. This tax credit has a \$3 million annual cap. This proposal places a limit on all events located in certain areas of the state of \$2.7 million of the total.

**Oversight** notes that this tax credit requires approval of the sports contract prior to the event being held. Once the event is held and costs are submitted to the agency the credits are issued. Due to the lag time between authorization and issuance of these credits, Oversight assumes the extension of the credit would begin in FY 2022.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Contribution tax credit (§67.3005) program had the following activity;

|                     | FY 2015  | FY 2016  | FY 2017  | FY 2018<br>(projected) | FY 2019<br>(projected) |
|---------------------|----------|----------|----------|------------------------|------------------------|
| Certificates Issued | 7        | 0        | 13       | 7                      | 7                      |
| Projects            | 7        | 0        | 13       | 7                      | 7                      |
| Amount Authorized   | \$14,000 | \$20,000 | \$18,750 | \$20,000               | \$20,000               |
| Amount Issued       | \$14,000 | \$0      | \$39,250 | \$20,000               | \$20,000               |
| Amount Redeemed     | \$0      | \$0      | \$12,500 | \$15,000               | \$15,000               |

Amount Outstanding - \$40,750      Amount Authorized but Unissued - \$110,000

ASSUMPTION (continued)

**Oversight** notes this tax credit is a prepay credit. A person makes a donation to an eligible organization and half the payment is sent to the state by the organization. Upon receipt of the payment by the State, the tax credit is issued. Oversight notes that since the payment is received in advance of the issuance of the tax credit, extending this credit would not fiscally impact the State.

Section 317.006 - 317.019

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP) - Office of Athletics** estimated that with this proposed legislation, there would be an additional 50 amateur events per year that would need to be inspected by the Office of Athletics. The Office of Athletics believes that with these additional events the Office would request per diem to pay inspectors per each additional event at the per diem amount of \$150 each or \$300 total for each inspection. A total of **\$15,000** is expected.

DIFP estimates that 50% of inspections conducted will require an overnight stay. Therefore, 1 night hotel stay, 6 meals and 240 miles round trip for gas (\$.37/mile).

Lodging Expense: \$93  
Meals: \$102 (\$51 x 2)  
Milage Reimbursement: \$89 (\$0.370 x 240 average miles)  
Total Lodging, Meals, Milage: \$284

Total Lodging, Meals, Milage: \$284  
Number of Investigations: 25  
Number of Investigators: 2  
**Total Cost: \$14,200**

In summary, DIFP assumes a cost of \$29,200 (\$15,000 + \$14,200) per year to provide for the implementation of the changes in this proposal.

DIFP also estimates additional revenue of \$73,000 from the additional amateur events per year with the implementation of the changes in this proposal.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assumed 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Department of Public Safety - Missouri Gaming Commission, Office of the State Treasurer** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

| <u>FISCAL IMPACT -</u><br><u>State Government</u>  | FY 2019<br>(10 Mo.)                  | FY 2020                              | FY 2021                              | Fully<br>Implemented<br>(FY 2022)    |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>GENERAL REVENUE</b>   |                                      |                                      |                                      |                                      |
| <u>Revenue Reduction -</u><br>extension of the<br>Amateur Sporting<br>Ticket Sales tax<br>credit sunset date<br>§67.3000 |                                      |                                      |                                      |                                      |
|  | <u>\$0</u>                           | <u>\$0</u>                           | <u>\$0</u>                           | (Up to<br><u>\$3,000,000</u> )       |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>   |                                      |                                      |                                      |                                      |
|  | <u>\$0</u>                           | <u>\$0</u>                           | <u>\$0</u>                           | (Up to<br><u>\$3,000,000</u> )       |
| <b>OFFICE OF ATHLETICS FUND</b>  |                                      |                                      |                                      |                                      |
| <u>Revenue - DIFP</u><br>Additional<br>Amateur Events<br>§317.006 - §317.019   |                                      |                                      |                                      |                                      |
|  | Up to \$73,300                       | Up to \$73,300                       | Up to \$73,300                       | Up to \$73,300                       |
| <u>Cost - DIFP</u><br>Investigator cost<br>for additional events<br>§317.006 - §317.019                                  |                                      |                                      |                                      |                                      |
|  | <u>(Up to \$29,200)</u>              | <u>(Up to \$29,200)</u>              | <u>(Up to \$29,200)</u>              | <u>(Up to \$29,200)</u>              |
| <b>ESTIMATED NET EFFECT TO THE OFFICE OF ATHLETICS FUND</b>  |                                      |                                      |                                      |                                      |
|  | <b>Less than<br/><u>\$44,100</u></b> | <b>Less than<br/><u>\$44,100</u></b> | <b>Less than<br/><u>\$44,100</u></b> | <b>Less than<br/><u>\$44,100</u></b> |

| <u>FISCAL IMPACT -</u><br><u>Local Government</u> | FY 2019<br>(10 Mo.) | FY 2020    | FY 2021    | Fully<br>Implemented<br>(FY 2022) |
|---|---------------------|------------|------------|-----------------------------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> | <u>\$0</u>                        |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds amateur kickboxing and amateur mixed martial arts to the list of contests the Division of Professional Registration has the authority to regulate. The bill requires that all contestants, other than amateur kickboxing contestants, be at least 18 years old and that all promoters provide a surety bond or irrevocable letter of credit before receiving a license. The bill also prohibits and restricts the use of certain strikes in amateur mixed martial arts.

This bill also re-authorizes the Amateur Sporting Events Tax Credit until August 28, 2025, while making various other changes.

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 Economic Development  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Office of the Secretary of State  
Office of Administration - Budget and Planning  
Attorney General's Office  
Office of the State Treasurer  
Department of Public Safety  
Missouri Gaming Commission

Ross Strobe



Acting Director  
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