

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1228-02  
Bill No.: HB 682  
Subject: Gambling  
Type: Original  
Date: February 18, 2019

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Bill Summary: This proposal changes provisions relating to video lottery games.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue Fund	\$34,680,801 to \$35,097,468	\$77,906,995 to \$78,419,495	\$122,840,533 to \$123,365,846
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$34,680,801 to \$35,097,468</b>	<b>\$77,906,995 to \$78,419,495</b>	<b>\$122,840,533 to \$123,365,846</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 19 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
State Lottery Fund (0682)	\$3,502,249	\$6,600,355	\$7,708,858
Lottery Proceeds Fund (0291)	\$0	\$0	\$0
Compulsive Gamblers Fund (0249)	\$0	\$0	\$0
Gaming Commission Fund (0286)	(Unknown)	(Unknown)	(Unknown)
Gaming Proceeds for Education (0285)	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$3,502,249</b>	<b>Less than \$6,600,355</b>	<b>Less than \$7,708,858</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>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>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Lottery Proceeds Fund	19 FTE	19 FTE	19 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>19 FTE</b>	<b>19 FTE</b>	<b>19 FTE</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>Less than \$5,625,000</b>	<b>Less than \$11,250,000</b>	<b>Less than \$16,875,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri Lottery Commission (Commission)** assume the following:

#### Section 313.429.1

The Commission shall implement a system of video lottery game terminals utilizing a licensing structure for processing license applications and issuing licenses to manufacturers, distributors, operators, handlers and retailers of video lottery, following specific requirements for eligibility.

- It is assumed three (3) additional admin office support assistant positions at a salary of \$31,608 each will be needed to process applications and renewals, which includes completing background checks on owners and handlers and determining eligibility.
- The Commission may impose initial application fees and provisional license fees that will cover initial background checks. Renewal fees and penalties may also be assessed by the Commission.
- It is assumed revenues from initial application and provisional license fees will total \$8.3 million spread over a 4-year ramp-up period, which will be offset by the cost of background checks for operators, manufacturers, distributors, retailers and handlers of approximately \$130,000 per year (background checks are estimated to be \$45 per person, and each operator, manufacturer, distributor and retailer is assumed to have at least two owners requiring a check, with each handler requiring one check).
- Renewal fees are estimated at \$2.4 million in year two (annual machine license renewals) and \$3.5 million in year 3 (all other licenses are renewed every two years the first and subsequent renewal period, then every four years after that).

#### Section 313.429.3

The video lottery terminals must be connected to a centralized system that uses industry protocols approved by the Commission that allows the Commission to activate or deactivate a terminal from a remote location and capable of monitoring and auditing plays.

ASSUMPTION (continued)

The Commission will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers.

Section 313.429.6

Video lottery game terminals shall meet independent testing standards approved by the Commission and shall be inspected and approved by the Commission prior to being sold, leased or transferred.

Section 313.429.7-8

Operators must follow guidelines for plays and payouts, where terminals can be operated, number of terminals operated per establishment, responsible gambling and refrain from advertising. Retailers may participate in an advertising program that is promoted through and sponsored by the Lottery.

Section 313.429.9

Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the video lottery terminals (VLT). Recorded video must be reviewed by video lottery game operators for compliance with law, rules and regs and fines may be assessed by the Commission for violations and for failing to review or report violations.

Eight (8) Lottery Security Specialists at an annual salary of \$48,852 each are needed to ensure the centralized system uses industry protocols, to activate or deactivate terminals, to monitor and audit plays, and ensure operators are following requirements for plays and payouts, where terminals can be operated, number of terminals operated per establishment, advertising, posting age requirement and the problem gambling helpline, and reviewing video surveillance and assessing fines for noncompliance. Four (4) additional Lottery Security Specialists at an annual salary of \$48,852 are needed to facilitate and document VLT investigations, review cases/video surveillance and recommend fines for noncompliance to the Commission. Video lottery game terminals must also meet independent testing standards approved by the Commission and must be inspected and approved by the Commission prior to being sold, leased or transferred.

One (1) gaming public information coordinator is needed at an annual salary of \$38,304 to educate operators and retailers on problem gambling and manage the self-exclusion program.

Advertising, promotions and point-of-sales costs associated with the program are estimated to be \$1,500,000 per year.

ASSUMPTION (continued)

Section 313.429.10

Video lottery game operators shall pay the Commission 36% of the video lottery adjusted gross receipts, which, except for administrative expenses, is to be transferred to the lottery proceeds fund. The Commission must compensate the municipality where a licensed video lottery retailer maintains an establishment 4% of the 36% to cover administrative costs. Appropriation authority will be needed to remit the 4% compensation to the municipalities.

The Lottery assumes approximately \$5.6 million, \$11.2 million and \$16.9 million per year will be remitted to municipalities where video lottery establishments are located in 2020, 2021 and 2022, respectively, ramping up to \$22.6 million annually after year four.

**Oversight** will show 4% of gross receipts from video lottery terminals as income to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Section 313.429.11

Officials from the **Missouri Lottery Commission** assume up to one percent (1%) of license fees and reimbursements deposited in the State Lottery Fund may, subject to appropriation, be deposited into the credit of the Compulsive Gamblers Fund.

The Commission assumes two (2) Accounting Generalists I are needed at an annual salary of \$42,780 each to collect license fees, verify and collect Lottery's share of video lottery adjusted gross receipts, and remit payments to municipalities.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$35,000 in FY 2020, \$67,000 in FY 2021 and \$78,000 in FY 2022 and beyond. (Currently the legislation reads "one percent of...license fees and reimbursements"; however, the Lottery is requesting via a Comment Memo that this be modified to license fees only, since the reimbursements are meant to "reimburse" the Lottery for the cost of the centralized monitoring system).

Officials from the **Department of Mental Health (DMH)** assume, subject to appropriation, up to one percent of license fees and reimbursements deposited into the State lottery fund may be deposited to the compulsive gamblers fund created under Section 313.842. Therefore, no State general revenue would be required for the below assumptions.

ASSUMPTION (continued)

The Department of Mental Health (DMH) assumes this would increase the need for and utilization of compulsive gambling (CG) treatment. Based on the current number of consumers served, DMH estimates treatment for 350 additional consumers with an average cost of \$1,428 per treatment episode for a total treatment cost of \$499,800 in FY 20. Currently, DMH has eleven certified compulsive gambling treatment providers; this number would likely 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 20. 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 \$558,500 in FY 20. For FY 21 and beyond the amount would be \$670,200 or more based upon the need for compulsive gambling services.

**Oversight** notes the balance of the Compulsive Gamblers Fund (0249) was \$65,828 on January 31, 2019 and \$17,320 on June 30, 2018. Therefore, Oversight assumes DMH will only be allowed to spend the anticipated income into the fund on mental health services. Therefore, Oversight will reflect DMH utilizing all of the proceeds into the fund as estimated by LOT.

Section 313.429.12

Officials from the **Missouri Lottery Commission** assume the commission may contract with a state law enforcement entity to assist in conducting investigations. Licensees suspected of violations shall be afforded an administrative hearing.

The Commission assumes \$500,000 per year is the estimated cost to contract with state law enforcement. 1 paralegal FTE at an annual salary of \$50,331 is assumed to assist with additional legal work involved with administrative hearings and promulgating rules.

**Oversight** assumes that the Commission may or may not contract with a state law enforcement entity and therefore will reflect a \$0 (the Commission does not contract with state law enforcement) to \$416,667 in FY 2020, \$512,500 in FY 2021 and \$525,313 in FY 2022 (the Commission does contract with state law enforcement).

ASSUMPTION (continued)

Section 313.429.13

Officials from the **Missouri Lottery Commission** assumes the Commission, under this section, shall have the power to investigate suspected violations by any video lottery license holder and refer violations to law enforcement.

Section 313.429.14

The Commission shall adopt rules for implementing video lottery.

Section 313.431.1

The Commission shall issue a request for proposal for a centralized communication system, make license applications available for manufacturers, distributors, operators, retailers and handlers, and promulgate rules within 120 days of the effective date and issue provisional licenses to applicants meeting criteria for licensure within 60 days of receipt of satisfactory applications.

Fringe benefits for the 19 additional FTE are estimated to be \$265,000 per year. Equipment and vehicle cost for the new FTE is estimated to be \$296,000. Annual office supplies, fuel and ongoing IT cost for the new FTE is estimated to be \$20,000 per year.

The Lottery assumes 3,875 retailers will operate 19,375 terminals after a 4-year ramp up period. Additional proceeds to the state and municipalities from video lottery sales are anticipated to be \$50 million in year one and grow to \$152 million in year three, offset by lost profits from Pull-Tabs and Keno of approximately \$7 to \$9 million per year. Pull-Tab sales at fraternal are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be cannibalized by 31.3%.

Revenue from the above impacts to the General Revenue Fund is anticipated to be a positive \$38.2 million in FY 2020, \$84.5 million in FY 2021 and \$130.5 million in FY 2022.

**Oversight** will reflect a net effect to the General Revenue Fund of roughly \$35 million in FY 2020, \$78 million in FY 2021 and \$123 million (the above generated revenue minus administrative cost and lost profits from Keo and Pull-Tab Sales)

In summary, the **Missouri Lottery Commission** assumes a this proposal will require 19 new FTE at a cost of \$1,353,865 in FY 2020, \$1,284,605 in FY 2021 and \$1,299,816 in FY 2022 to provide for the implementation of the changes in this proposal.



ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** assume the proposal creates the Missouri Video Lottery Control Act. There are numerous fees and fines that will increase TSR and the 18(e) calculation. We defer to the Lottery for estimated amounts.

Fees include the following:

- Application fees (Section 313.429.3(1)(a)- (c)
  - o Video lottery game manufacturers, video lottery game distributors, and video lottery game operators (up to \$100,000)
  - o Video lottery game retailer establishments (up to \$1,000)
  - o Video lottery game handlers (up to \$1,000)
  
- License Fee (Section 313.429.3(2)(a)-(d))
  - o Video lottery game manufacturer and video game distributors (\$10,000)
  - o Video lottery game operators (\$10,000)
  - o Video lottery game handlers (\$200)
  - o Video lottery game retailer's establishment (\$1,000)
  
- Video Lottery game terminal fee (Section 313.429.3(3))
  - o \$500 annual fee for each machine placed in service
  
- Video lottery game lottery operators shall pay the Lottery Commission 32% of any unclaimed cash prize associated with unclaimed winning ticket after one year. (Section 313.429.7(d))
  
- Failure to Review and Report (Section 313.429.9(1))
  - o A video lottery game operator that fails to review such surveillance video and report any known violation of law may be subject to an administrative fine up to \$5,000
  - o Any video lottery game retailer that fails to report any known violation of law, rules or regulations governing the conduct of video lottery games in conformance with established Commission procedures may be subject to an administrative fine up to \$5,000
  - o A video lottery game operator or retailer is found to have knowingly committed a violation governing the conduct of video lottery games may be subject to an administrative fine up to \$5,000

ASSUMPTION (continued)

- A percentage of adjusted gross receipts shall be deposited as follows:
  - o 36% to the State Lottery Fund
  - o 4% to the city or county where the machine is located
  
- Provisional licensure fee (to be retained by the Lottery Commission) (Section 313.431.5(1)-(4)).
  - o Video lottery game manufacturer and video game distributors (\$10,000)
  - o Video lottery game operator (\$10,000)
  - o Video lottery game retailer's establishment (\$1,000)
  - o Video lottery game handler (\$200)

These fees and fines may increase both TSR and 18(e) by an unknown amount.

**Oversight** currently does not have the data or resources available to produce independent revenue projections, including an Economist to estimate the elasticity of demand for video lottery wagering in relation to other games of chance offered by the Missouri Lottery or at casinos. Therefore, for purposes of this fiscal note, Oversight will utilize the estimates provided by the Missouri Lottery Commission.

<u>State Revenue Impact</u>			
Provision	FY20	FY21	FY22
Initial Application Fee	\$3,537,625	\$4,245,150	\$4,245,150
Renewal Fee	\$0	\$2,421,875	\$3,541,575
*VLT Proceeds (32% AGR Tax)	\$45,000,000	\$90,000,000	\$135,000,000
<b>Total State Impact</b>	<b>\$48,537,625</b>	<b>\$96,667,025</b>	<b>\$142,786,725</b>
<u>Local Revenue Impact</u>			
<b>**Dock Cities/Counties (4% AGR Tax)</b>	<b>\$5,625,000</b>	<b>\$11,250,000</b>	<b>\$16,875,000</b>

\* 32% of the 36% AGR Tax  
 \*\*4% of the 36% AGR Tax

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** state that as a new form of entertainment, it is assumed the video lottery terminals would be in direct competition with state-sanctioned gaming resulting in a reduction in state taxes to education from riverboat casinos and bingo halls. It would also result in a reduction of state admission fees for Veteran's, National Guard, and Access Missouri programs, and casino taxes and admission fees to local government in home dock cities.

The extent of the reduction in revenue in both state and local taxes from riverboat gaming casinos and charitable bingo is unknown but significant, as has been the case in other states which have authorized video lottery terminals.

**Oversight** assumes the implementation of video lottery in Missouri may have a negative impact on the utilization of Missouri's casinos (patrons may choose to play video lottery instead of visiting a Missouri casino). Therefore, Oversight will reflect an unknown amount of loss to the Gaming Commission Fund (0286) and the Gaming Proceeds for Education Fund (0285).

**Oversight** will show a negative unknown impact to home dock cities of riverboat casinos due to reduced casino taxes and admission fees.

Officials from the **Office of the Secretary of State (SOS)** assume 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** 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

ASSUMPTION (continued)

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that the above mentioned agency has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for that agency.

**This proposal could increase Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Transfer In - from Lottery Proceeds Fund</u> (32% of AGR) (§313.429.10)	<u>\$34,680,801 to</u> <u>\$35,097,468</u>	<u>\$77,906,995 to</u> <u>\$78,419,495</u>	<u>\$122,840,533 to</u> <u>\$123,365,846</u>
<b>ESTIMATED NET EFFECT FROM THE GENERAL REVENUE FUND</b>	<b><u>\$34,680,801 to</u></b> <b><u>\$35,097,468</u></b>	<b><u>\$77,906,995 to</u></b> <b><u>\$78,419,495</u></b>	<b><u>\$122,840,533 to</u></b> <b><u>\$123,365,846</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>STATE LOTTERY FUND</b>			
<u>Revenue - LOT</u>			
Initial application fees	\$3,537,625	\$4,245,150	\$4,245,150
Renewal Fees	\$0	\$2,421,875	\$3,541,575
VLТ Proceeds (36% of AGR)	<u>\$50,625,000</u>	<u>\$101,250,000</u>	<u>\$151,875,000</u>
<u>Total Revenue - LOT</u>	<u>\$54,162,625</u>	<u>\$107,917,025</u>	<u>\$159,661,725</u>
<u>Transfer Out - to municipalities</u> 4% of AGR of video lottery game to municipalities to cover admin. costs (§313.429.10)	(\$5,625,000)	(\$11,250,000)	(\$16,875,000)
<u>Transfer Out - to Lottery Proceeds</u> Fund (32% of AGR) (§313.429.10)	(\$45,000,000)	(\$90,000,000)	(\$135,000,000)
<u>Transfer Out - to Compulsive Gamblers</u> Fund (1% of fees collected §313.429.11)	<u>(\$35,376)</u>	<u>(\$66,670)</u>	<u>(\$77,867)</u>
<b>ESTIMATED NET EFFECT TO THE STATE LOTTERY FUND</b>	<b><u>\$3,502,249</u></b>	<b><u>\$6,600,355</u></b>	<b><u>\$7,708,858</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOTTERY PROCEEDS FUND</b>			
<u>Transfer In</u> - from State Lottery Fund (32% of AGR) (§313.429.10)	\$45,000,000	\$90,000,000	\$135,000,000
<u>Cost - LOT</u>			
Personal Service	(\$712,703)	(\$863,795)	(\$872,433)
Fringe Benefits	(\$217,161)	(\$263,198)	(\$265,830)
Equipment and Expense	(\$424,001)	(\$157,612)	(\$161,553)
Advertising, promotions and point- of-sale	(\$1,250,000)	(\$1,537,500)	(\$1,575,938)
Contract with State Law Enforcement	\$0 or (\$416,667)	\$0 or (\$512,500)	\$0 or (\$525,313)
<u>Total Costs - LOT</u>	<u>(\$2,603,865) to</u> <u>(\$3,020,532)</u>	<u>(\$2,822,105) to</u> <u>(\$3,334,605)</u>	<u>(\$2,875,754) to</u> <u>(\$3,401,067)</u>
FTE Change - LOT	19 FTE	19 FTE	19 FTE
<u>Loss - LOT - Lost profits from Keno and Pull-Tab Sales from competition</u>	(\$7,298,667)	(\$8,758,400)	(\$8,758,400)
<u>Transfer Out - to General Revenue Fund (32% of AGR) (§313.429.10)</u>	<u>\$34,680,801 to</u> <u>\$35,097,468</u>	<u>\$77,906,995 to</u> <u>\$78,419,495</u>	<u>\$122,840,533 to</u> <u>\$123,365,846</u>
<b>ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE change to the Lottery Proceeds Fund	19 FTE	19 FTE	19 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>COMPULSIVE GAMBLERS FUND</b>			
<u>Transfer In</u> - from the State Lottery Fund (§313.429.11)	\$35,376	\$66,670	\$77,867
<u>Cost</u> - DMH - Administrative cost for treating additional consumers (assumed to be limited to proceeds into the fund from video lottery estimates)	<u>(\$35,376)</u>	<u>(\$66,670)</u>	<u>(\$77,867)</u>
<b>ESTIMATED NET EFFECT ON THE COMPULSIVE GAMBLERS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GAMING COMMISSION FUND</b>			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING FOR EDUCATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Income</u> - Cities and Counties compensation paid to municipalities or counties - 4% AGR	\$5,625,000	\$11,250,000	\$16,875,000
<u>Loss</u> - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Less than</u> <u>\$5,625,000</u></b>	<b><u>Less than</u> <u>\$11,250,000</u></b>	<b><u>Less than</u> <u>\$16,875,000</u></b>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal from potential commission earned on Video Lottery Terminals located at their establishments.

FISCAL DESCRIPTION

This bill allows for and establishes a regulatory framework for regulating video lottery games.

The bill defines the "commission" or "lottery commission" as a five-member body appointed by the Governor to manage and oversee the lottery under Section 313.215, RSMo. This bill also defines terms and concepts for these provisions.

The bill requires the commission to implement a system of video lottery game terminals utilizing a licensing structure for processing license applications and issuing licenses to video lottery game manufacturers, distributors, operators, handlers, and retailers for the conduct of lottery games utilizing video lottery game terminals within the state and specifies who qualifies for such licenses.

This bill prohibits the commission from allowing a single vendor or licensee to implement the system of video lottery game terminals, or control or operate more than 20% of video lottery game terminals in the state after 2022. The video lottery game system allows for multiple video lottery game manufacturers, distributors, and operators to encourage private sector investment and job opportunities for Missouri citizens.



FISCAL DESCRIPTION (continued)

The bill requires that the video lottery game terminals must be connected to a centralized computer system developed or procured by the commission prior to being placed into operation.

The bill authorizes the commission to impose an initial nonrefundable license application fee. The fee for video lottery game manufacturers, distributors, and operators, shall be no more than \$100,000, video lottery game retailer establishments shall be no more than \$1000, and video lottery game handlers shall be not more than \$1000. The initial license and first license renewal shall be for a period of one year. Thereafter, license renewal periods shall be four years with the applicable renewal fee paid when the license is renewed. The renewal fee for video lottery game manufacturers and distributors is \$10,000, video lottery game operators is \$10,000, video lottery game handlers is \$100 and video lottery game retailer's establishment is \$100.

This bill requires video lottery game operators to pay the commission an annual license fee of \$500 for each video lottery game terminal placed into service.

The bill prohibits any person who has been convicted of a felony or an offense involving illegal gambling from receiving a license or acting as a sales agent;

This bill prohibits any local jurisdiction from imposing a license requirement, sticker fee, or tax upon a video lottery game manufacturer, distributor, operator, retailer, handler, or terminal; or an establishment relating to the operation of video lottery games, terminals, or associated equipment;

The bill Requires video lottery game terminals to meet independent testing standards approved by the commission and specifies other requirements. Licensed video lottery game manufacturers may buy, sell, or lease new or refurbished video lottery game terminals to and from licensed video lottery game distributors, and licensed video lottery game distributors may buy, sell, or lease new or refurbished video lottery game terminals to or from licensed video lottery game manufacturers or licensed video lottery game operators.

This bill allows licensed video lottery game operators to buy, lease, or rent video lottery game terminals from licensed video lottery game manufacturers, operators, or distributors, and to handle, place, and service video lottery game terminals. Winning tickets will be paid using a video lottery game ticket redemption terminal which is located within the video lottery game retailer's establishment in direct proximity of where such video lottery games are offered. Video lottery game operators shall pay the commission 32% of any unclaimed cash prize associated with a winning ticket that has not been redeemed within one year of issue.

FISCAL DESCRIPTION (continued)

Rented or leased video lottery game terminals shall be written at a flat rate and not include revenue splitting as a method used in the calculation of the lease or rent.

The regulations for a licensed video lottery game operator are specified in the bill and include that a operator shall not: have a terminal that dispenses anything except tickets for winning plays, allow anyone under 21 to play a video lottery game, and be licensed to sell liquor, except as specified in the bill. A sign must be posted in a visible location with the contact number for the problem gambling helpline, as specified in the bill.

The bill requires all revenues received by the commission from license fees and any reimbursements associated with the administration of the bill and all interest to be considered administrative expenses that will be deposited in the state lottery fund. Subject to appropriation, up to 1% of such license fees and reimbursements deposited to the credit of the state lottery fund may be deposited to the credit of the compulsive gamblers fund created under Section 313.842. The remainder of the moneys deposited in the state lottery fund may be used for administrative expenses.

Allows the commission to contract with a state law enforcement entity to assist in conducting investigations into applicants for any video lottery game license and to investigate violations by any video lottery game licensee of any of the provisions of the bill or state law regulating illegal gambling activities. A video lottery game licensee suspected of a violation shall be afforded an administrative hearing on the record and any action taken to impose a fine on such licensee, or to suspend or revoke the ability of a licensee to offer lottery game products for sale, shall be appealed to the commission. Any such administrative suspension or revocation upheld by the commission may be appealed by the video lottery game licensee in a state court of competent jurisdiction.

Prohibits the possession or use of any video lottery game terminal not authorized by the commission and allows the commission to investigate suspected violations by any video lottery license holder and to refer any violations or suspected violations to the appropriate law enforcement authority; and allows the commission to create rules and specifies the process for provisional licensure and fees.

A municipality may adopt an ordinance prohibiting video lottery game terminals within the corporate limits of the municipality within 120 days of the effective date of this provision.

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 Lottery Commission  
Department of Revenue  
Department of Public Safety  
Missouri Gaming Commission  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
Budget and Planning  
Department of Mental Health



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February 18, 2019

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February 18, 2019