

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0925H.01I
Bill No.: HJR 23
Subject: Gambling; Boats and Watercraft; Constitutional Amendments; Business and Commerce; Licenses - Miscellaneous
Type: Original
Date: March 6, 2023

Bill Summary: Proposes a constitutional amendment authorizing excursion gambling boats and floating facilities on the osage river.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (More than \$10,000,000)**	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (More than \$10,000,000)**	\$0	\$0

*The potential fiscal impact of “(More than \$10,000,000)” would be realized **only** if a special election were called by the Governor to submit this joint resolution to voters.

**SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Gaming Commission Fund	\$0 or \$652,015	\$0 or \$861,648	\$0 or \$861,648
Gaming Proceeds for Education Fund	\$0 or \$6,808,944	\$0 or \$13,617,887	\$0 or \$13,617,887
Highway Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0 or Could exceed \$7,460,959	\$0 or Could exceed \$14,479,535	\$0 or Could exceed \$14,479,535

The fiscal impact is ranged from \$0 (either the joint resolution is defeated by voters or such one additional excursion gambling boat is not licensed/developed) to projected revenues based on revenues of a casino in Cape Girardeau.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Gaming Commission Fund*	0 or 12 FTE	0 or 12 FTE	0 or 12 FTE
Total Estimated Net Effect on FTE	0 or 12 FTE	0 or 12 FTE	0 or 12 FTE

*Includes three (3) additional FTE for the Missouri Gaming Commission and nine (9) additional FTE for the Missouri Highway Patrol

- ☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0 or \$1,313,059*	\$0 or \$2,626,206	\$0 or \$2,626,206

*Transfer out and transfer in net to zero **if** the Governor calls a special election in FY 2024.

Also, the fiscal impact is ranged from \$0 (either the joint resolution is defeated by voters or such one additional excursion gambling boat is not licensed/developed) to projected revenues based on revenues of a casino in Cape Girardeau.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (MGC)** state this bill adds two new paragraphs to Article III, Section A, Section 39(e) of the Missouri Constitution, permitting an excursion gambling boat to be located on the portion of the Osage River between the Missouri River and the Bagnell Dam. The joint resolution requires the Gaming Commission to issue one additional gambling boat license (the 14th license in the state) for an excursion gambling boat to be located on the portion of the Osage River between the Missouri River and the Bagnell Dam.

MGC is basing its estimates for anticipated gaming revenues, taxes, and fees of an additional licensed casino on Century Casino Cape Girardeau in Cape Girardeau, Missouri. The Missouri Gaming Commission believes Century Casino Cape Girardeau would be comparable in size and volume of traffic to a casino located on the Osage River, likely near Osage Beach, Missouri (Lake of the Ozarks).

Anticipated revenue streams from an additional casino include initial licensing and renewal fees for the Class A Licensee (parent company), the Class B Licensee (Casino Company), Key Persons and Level I licensees (management), and Level II occupational licensees working at the casino. These fees would be paid to the Missouri Gaming Commission and deposited into the Gaming Commission Fund. The Missouri Gaming Commission estimates collecting fees totaling \$271,000 in the first year, followed by ongoing fee collections of \$63,100 each year thereafter.

Oversight has provided a table below to summarize the estimated revenue generated as a result of this proposal as provided by the MGC:

	Fee Amount	FY 2024	FY 2025	FY 2026	Fund to Deposit
Class A License Fee – Initial Fee	\$50,000	\$50,000	\$0	\$0	Gaming Commission Fund
Class A License Fee – Annual Fee	\$25,000	\$0	\$25,000	\$25,000	Gaming Commission Fund
Key Persons- Initial Fee – Estimate 10	\$15,000	\$150,000	\$0	\$0	Gaming Commission Fund
Key Persons- Initial Annual Fee- Estimate 10	\$250	\$0	\$2,500	\$2,500	Gaming Commission Fund
Class B License Fee – Initial Fee	\$50,000	\$50,000			Gaming Commission Fund
Class B License Fee – Annual Fee	\$25,000	\$0	\$25,000	\$25,000	Gaming Commission Fund
Level 1 License Fee – Initial Fee – Estimate 6	\$1,000	\$6,000	\$0	\$0	Gaming Commission Fund
Level 1 License Fee – Annual Fee – Estimate 6	\$100	\$0	\$600	\$600	Gaming Commission Fund
Level 2 License Fee – Initial Fee – Estimate 200	\$75	\$15,000	\$0	\$0	Gaming Commission Fund
Level 1 License Fee – Annual Fee – Estimate 200	\$50	\$0	\$10,000	\$10,000	Gaming Commission Fund
Total Fees Collected		\$271,000	\$63,100	\$63,100	Gaming Commission Fund

The **MGC** also estimates gaming taxes generated from an additional casino, based on the current 21% tax on annual gross revenue, to be \$15,130,986 each year (\$13,617,887 to the State of

Missouri and \$1,513,099 to the Home Dock City) and admission fees to be \$2,226,214 each year (\$1,113,107 to the State of Missouri and \$1,113,107 to the Home Dock City) resulting in an additional \$17,357,200 in revenue annually. These numbers are based on the FY 2022 MGC Annual Report using Century Casino Cape Girardeau data.

MGC notes that 90% of AGR goes to the state (Gaming Proceeds for Education Fund, 0285) and 10% goes to Local Home Dock. MGC also notes that 50% of admission fees go to the state (Missouri Gaming Commission Fund, 0286) and 50% goes to Local Home Dock.

Oversight, for purposes of this fiscal note, Oversight will use the estimate provided by MGC.

Annual Revenue from Gambling Boat	Total	State Portion (90% of AGR tax) (50% of admission fee)	Local Home Dock (10% of AGR tax) (50% of admission fee)
Estimated Gaming Tax – 21% of AGR	\$15,130,986	\$13,617,887	\$1,513,099
Estimated Admission Fees	\$2,226,214	\$1,113,107	\$1,113,107
Total Received Annually	\$17,357,200	\$14,730,994	\$2,626,206

The **MGC** also estimates needing three FTE positions if another casino is opened, namely, one Electronic Gaming Device Specialist I (at \$57,976 annually), one Gaming Financial Analyst I (at \$55,000 annually), and one Administrative Support Professional – Licensing I (at \$46,380 annually). The total first year cost of hiring for these three positions is estimated to be \$285,512.21, with a second year and ongoing cost of \$273,065.15. Additional Missouri Gaming Commission operational expenses for the additional casino are estimated to total \$20,014.18

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the FTE as estimated by MGC in the fiscal note.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state that the Patrol is tasked with enforcing gaming regulations at Missouri's thirteen (13) casinos. This proposed legislation would add one (1) casino and the Patrol would have expenses related to staffing the additional casino. Using the current staffing model for the other casinos around the state, the Patrol is requesting nine (9) additional FTE to staff the additional casino. The one time and on-going expenses would include salary, fringe, vehicles, gasoline, and related equipment.

In addition to the expense indicated for the nine (9) FTE that will be transferring from Highway funded positions, it is assumed there will be an unknown savings to the Highway Fund (0644), as those nine tenured troopers would be replaced with Highway funded probationary troopers.

Oversight will reflect the estimated FTE MHP cost to the Gaming Commission Fund as well as an unknown savings to the Highway Fund.

Oversight will reflect all revenue and cost as a range from “\$0” (this joint resolution does not pass a vote of the people OR no investors apply to put a casino on the Osage River) or the revenue or cost estimate provided by MGC and MHP. If this proposal passes, Oversight assumes a new license would not be issued until January, 2024 (at the absolute earliest) and therefore will only reflect 6 months of revenue and FTE cost in FY 2024.

According to the Missouri Gaming Commission, pursuant to Section 313.824, RSMo, 11 CSR 45-7.145, and the Memorandum of Understanding between the Missouri Gaming Commission and the Missouri Highway Patrol, salaries and expenses for the Missouri Highway Patrol (Gaming Division), will be reimbursed by the casino. Therefore, Oversight will show a reimbursement to offset the cost incurred by MHP.

Officials of the **Office of the Secretary of State (SOS)** note each year a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$10 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State’s office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State’s office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2024. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2024 and the next scheduled general election is in November 2024 (both in FY 2025). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2024. Oversight notes SOS' \$10 million estimate was increased from \$7 million in January 2023.

Officials from the **Department of Revenue (DOR)** state this proposal would allow citizens to vote at the November 2024 election, to allow an additional casino in the state of Missouri. The casino would be located on the Osage River. This proposal, if not adopted, would not have a fiscal impact. Should this proposal be adopted by the voters then the new casino could be approved starting in December 2024. Casinos do nightly deposits with the Department. This would increase the number of nightly deposits received by the Department but is not expected to require additional administrative resources to implement.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note to DOR.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Missouri Lottery Commission**, the **Jackson County**, **Platte County**, **St. Louis County** and the **St. Louis City Board of Election** each assume 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (6 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Transfer Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor p. 6-7</u>	\$0 or (More than \$10,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than \$10,000,000)	\$0	\$0
GAMING COMMISSION FUND (0286)			
<u>Revenue – MGC Licensing Fees p. 3-4</u>	\$0 or \$271,000	\$0 or \$63,100	\$0 or \$63,100
<u>Revenue – MGC Admission Fees (50% of total) p. 5</u>	\$0 or \$536,203	\$0 or \$1,072,405	\$0 or \$1,072,405
<u>Revenue - MHP p. 5</u>			
Reimbursement for services at the Casinos	\$0 or \$983,414	\$0 or \$1,683,401	\$0 or \$1,713,140
<u>Cost - MGC p. 5</u>			
Salaries	\$0 or (\$79,678)	\$0 or (\$159,356)	\$0 or (\$159,356)
Fringe Benefits	\$0 or (\$52,446)	\$0 or (\$104,891)	\$0 or (\$104,891)
Equipment and Expense	\$0 or (\$3,050)	\$0 or (\$7,234)	\$0 or (\$9,610)
Other 1 time Cost	\$0 or (\$20,014)	\$0	\$0
<u>Total Cost – MGC</u>	\$0 or (\$155,188)	\$0 or (\$273,857)	\$0 or (\$273,857)
FTE Change – MGC	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
<u>Cost – MHP p. 5</u>			
Salaries	\$0 or (\$321,300)	\$0 or (\$786,542)	\$0 or (\$802,273)
Fringe Benefits	\$0 or (\$286,118)	\$0 or (\$700,416)	\$0 or (\$714,424)

Equipment and Expense	<u>\$0 or</u> <u>(\$375,996)</u>	<u>\$0 or</u> <u>(\$196,443)</u>	<u>\$0 or</u> <u>(\$196,443)</u>
Total Cost – MHP	<u>\$0 or</u> <u>(\$983,414)</u>	<u>\$0 or</u> <u>(\$1,683,401)</u>	<u>\$0 or</u> <u>(\$1,713,140)</u>
FTE Change – MHP	0 or 9 FTE	0 or 9 FTE	0 or 9 FTE
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND (0286)	<u>\$0 or</u> <u>\$652,015</u>	<u>\$0 or</u> <u>\$861,648</u>	<u>\$0 or</u> <u>\$861,648</u>
Estimated Net FTE Change to the Gaming Commission Fund	0 or 12 FTE	0 or 12 FTE	0 or 12 FTE
GAMING PROCEEDS FOR EDUCATION FUND (0285)			
Revenue – MGC 90% of 21% AGR tax p. 5	<u>\$0 or \$6,808,944</u>	<u>\$0 or</u> <u>\$13,617,887</u>	<u>\$0 or</u> <u>\$13,617,887</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0 or \$6,808,944</u>	<u>\$0 or</u> <u>\$13,617,887</u>	<u>\$0 or</u> <u>\$13,617,887</u>
HIGHWAY FUND			
Savings – MHP Probationary Trooper Replacement p. 5	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
Revenue – Home Dock 10% of 21% AGR tax p. 5	\$0 or \$756,505	\$0 or \$1,513,099	\$0 or \$1,513,099
Revenue – Home Dock 50% of admission fees p. 5	\$0 or \$556,554	\$0 or \$1,113,107	\$0 or \$1,113,107
Transfer In - Local Election Authorities - reimbursement of election costs by the State for a special election p. 6-7	\$0 or More than \$10,000,000*	\$0	\$0
Costs - Local Election Authorities - cost of a special election if called for by the Governor p. 6-7	<u>\$0 or (More than \$10,000,000)*</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or \$1,313,059</u>	<u>\$0 or \$2,626,206</u>	<u>\$0 or \$2,626,206</u>

*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

FISCAL IMPACT – Small Business

There could be some positive impact to small businesses near a new gaming facility.

FISCAL DESCRIPTION

Current law authorizes the General Assembly to permit gambling on excursion gambling boats only upon the Mississippi and Missouri Rivers. This constitutional amendment, if approved by the voters, would allow gambling to occur on excursion gambling boats on the portion of the Osage River from the Missouri River to the Bagnell Dam.

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 Revenue
Department of Public Safety
Missouri Gaming Commission
Missouri Highway Patrol

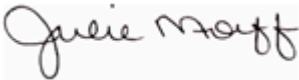
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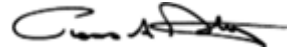
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March 6, 2023

Office of the Secretary of State
Jackson County
Kansas City
Platte County
St. Louis County
Missouri Lottery Commission

A handwritten signature in cursive script, appearing to read "Julie Morff".

Julie Morff
Director
March 6, 2023

A handwritten signature in cursive script, appearing to read "Ross Strobe".

Ross Strobe
Assistant Director
March 6, 2023