

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1689H.01I
Bill No.: HB 699
Subject: Gambling; Lotteries; Public Safety, Department of; Veterans; Business and
Commerce; Licenses - Miscellaneous
Type: Original
Date: March 7, 2023

Bill Summary: This proposal establishes the Honoring Missouri Veterans and Supporting Missouri Education Act relating to video lottery gaming terminals, licenses, and regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
State Lottery Fund (0682)*	\$0	\$0	\$0
Lottery Enterprise Fund (0657)*	\$0	\$0	\$0
Lottery Proceeds Fund (0290)	\$38,815,307	\$77,197,566	\$126,256,674
Gaming Proceeds for Education Fund (0285)	(Unknown)	(Unknown)	(Unknown)
Gaming Commission Fund (0286)	(Unknown, greater than \$500,000)	(Unknown, greater than \$500,000)	(Unknown, greater than \$500,000)
Veterans Commission Capital Improvement Trust Fund	\$1,010,625	\$2,021,250	\$3,031,875
Compulsive Gamblers Fund (0249)	(\$335,503)	(\$400,696)	(\$400,696)
Total Estimated Net Effect on <u>Other</u> State Funds	Could be less than \$38,990,429	Could be less than \$78,318,120	Could be less than \$128,387,853

*Revenues and Expenses Net to \$0

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
Lottery Enterprise Fund (LOT)	27 FTE	27 FTE	27 FTE
Lottery Enterprise Fund (MHP)	15 FTE	15 FTE	15 FTE
Total Estimated Net Effect on FTE	42 FTE	42 FTE	42 FTE

☒ 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	Could exceed \$6,147,969	Could exceed \$12,295,938	Could exceed \$18,443,906

FISCAL ANALYSIS

ASSUMPTION

Sections 313.425-313.433 – Video Lottery Control Act

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

Section 313.429.1

LOT states this section of the proposal would require the Commission to 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 four (4) additional lead administrative support assistant positions at a salary of \$34,665 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 that will cover initial background checks. Renewal fees and penalties also will be assessed by the Commission.
- In addition to the license fees, an annual administrative fee of \$300 per terminal shall be paid equally by the operator and retailer to the Commission and distributed to the veterans' commission capital improvements trust fund.
- It is assumed revenues from initial application fees will total \$3.9 million spread over a 4-year ramp up period, which will be offset by the cost of background checks for operators, manufacturers, distributors, retailers, handlers and sales agents of approximately \$21,000 per year (background checks are estimated to be \$15 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). Cost of background checks beyond the fiscal note period will continue at approximately \$21,000 per year.
- License renewal fees are estimated at \$400,000 per year beginning in year 2. Annual terminal administrative fees collected by the Lottery and distributed to the veterans' commission capital improvements trust fund are estimated to be \$1 million in year one, \$2 million in year two, \$3 million in year three and \$4 million in year four and beyond.

Section 313.429.3

LOT assumes this section of the proposal states 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.

LOT assumes their department will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers in proportion to the number of video lottery terminals operated.

313.429.6

LOT assumes this section of the proposal states video lottery game terminals shall meet independent testing standards approved by the commission and shall be inspected and approved prior to being sold, leased or transferred.

Section 313.429.7-8

LOT assumes this section of the proposal states 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

LOT assumes this section of the proposal states video lottery game terminals must be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under 21 years of age is denied by a procedure approved by the commission. Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the video lottery terminals. Recorded video must be reviewed by video lottery game operators for compliance with law, rules and regulations and fines up to \$5,000 per occurrence may be assessed by the commission for violations and for failing to review or report violations. Such fines shall be deposited in the compulsive gamblers fund.

Oversight notes provisions of 313.429.9 provide for multiple administrative fines against a video lottery game operators or retailers that violates provisions of this subsection. These administrative fines may not exceed \$5,000 per occurrence. Oversight notes that violations resulting in fines could vary widely from year to year. Civil penalties collected per Article IX, Section 7 of the Missouri Constitution requires fines to be distributed to the school district where the violation occurred; therefore, Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts on the fiscal note.

LOT assumes:

Nine - (9) Lottery Security Specialists at an annual salary of \$55,215 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.

Five - (5) additional Lottery Security Specialists at an annual salary of \$55,215 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 prior to being sold, leased or transferred.

One - (1) responsible gaming public information coordinator is needed at an annual salary of \$49,129 to educate operators and retailers on problem gambling and manage the self-exclusion program.

One - (1) human resources specialist is needed at an annual salary of \$58,018 to assist with hiring and training FTE to administer the program.

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

Section 313.429.10

LOT assumes 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 commission assumes this section of the proposal will require the following:

- Three (3) senior accounts assistants are needed at an annual salary of \$39,590 each to verify and collect Lottery's share of video lottery adjusted gross receipts and unclaimed prizes, collect annual terminal fees and distribute to the Veterans' Commission Capital Improvements Trust Fund, and to remit payments to municipalities.
- Two (2) data analysts/applications developers are needed at an annual salary of \$59,622 to ensure the centralized system is accurately capturing data and to develop files, applications and reports to assist in the licensing, security and accounting of the program.

LOT assumes approximately \$6.1 million, \$12.3 million and \$18.4 million per year will be remitted to municipalities where video lottery establishments are located in 2024, 2025 and 2026, respectively, ramping up to \$24.6 million annually after year four.

The Lottery assumes 2,500 retailers will operate 13,475 terminals after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from video lottery sales are anticipated to be \$55.3 million in year one and grow to \$166.0 million in year three, offset by lost profits from

Keno and Pull-Tabs of approximately \$15 million per year. Keno sales are expected to be cannibalized by 31.3% and Pull-Tab sales are anticipated to be completely eliminated.

LOT estimates a loss of revenue of \$3,797,312 in FY 2024, \$15,189,247 in FY 2025 and \$15,189,247 in FY 2026 as a result potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales.

Oversight will reflect the potential loss to the State Lottery Fund as estimated by the LOT.

Oversight currently does not have the data or resources available to produce independent revenue projections 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.

Oversight provides the following table to summarize the Lottery Commissions revenues from this section (Section 313.429.10).

<u>State Revenue Impact</u>			
Provision	FY24	FY25	FY26
Initial Application Fee	\$985,950	\$985,950	\$985,950
Annual Renewal and Terminal Admin Fees	\$1,010,625	\$2,409,225	\$3,419,850
VLT Proceeds (32% of 36% AGR Tax)	\$49,183,750	\$98,367,500	\$147,551,250
Total State Impact	\$51,180,325	\$101,762,675	\$151,957,050
<u>Local Revenue Impact</u>			
Dock Cities/Counties (4% of 36% AGR Tax)	\$6,147,969	\$12,295,938	\$18,443,906

Oversight will reflect 2% of gross receipts from video lottery terminals as income to the State Lottery Fund and then will show a transfer to the Lottery Proceeds Fund to be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis on funding elementary and secondary education student transportation costs and public institutions of higher education workforce development programs. Combined revenue to the Lottery Proceeds Fund, after expenses, will total \$38,815,307 in FY 2024, \$77,197,566 in FY 2025 and \$126,256,674 in FY 2026.

Oversight will also show 4% of gross receipts from video lottery terminals as income to the State Lottery Fund, then show a transfer to the Lottery Enterprise Fund where the income will be

transferred once again to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Officials from the **Department of Elementary and Secondary Education** and the **Department of Higher Education and Workforce Development** 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.

Section 313.429.11

LOT assumes subject to appropriation, up to one percent of the license fees deposited to the credit of the state lottery fund shall be deposited to the credit of the Compulsive Gamblers Fund created under section 313.842.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$10,000 in 2024 and \$14,000 in 2025 and 2026.

Oversight will reflect the one percent of license fees transferred from the Lottery Enterprise Fund to the Compulsive Gamblers Fund as estimated by the LOT.

Section 313.429.12

LOT assumes the commission shall contract with a state law enforcement entity to assist in conducting investigations. Licensees suspected of violations shall be afforded an administrative hearing by the director. The Commission also assumes \$500,000 per year is the estimated cost to contract with state law enforcement. One paralegal FTE at an annual salary of \$54,161 and one associate hearings/appeals referee at an annual salary of \$55,786 are assumed to assist with additional legal work involved with promulgating rules and handling administrative hearings.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the Video Lottery Terminal portion of the bill gives statutory authority for the Lottery Commission to contract with a state law enforcement agency. Section 313.429, 12 states "The commission may 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 sections 313.425 to 313.435 or state law regulating illegal gambling activities..."

If the Lottery Commission elects to contract with the Patrol, this bill will increase the workload for the background investigation unit and create hundreds of additional locations throughout the state that require regulatory compliance checks. The Patrol's Gaming Division currently has 122 FTE allocated to cover every operating hour and administrative function of the 13 casinos in the state.

It is assumed that expenses incurred by the Patrol will be reimbursed by the Lottery Commission, therefore the fiscal impact to the Patrol will be minimal. However, the minimum resources required by the Gaming Division are estimated to be fifteen (15) additional FTE to perform

background investigations on vendors/operators, criminal investigations, and regulatory enforcement throughout the state. This consists of two (2) members to perform background investigations, (12) twelve members to oversee regulatory and criminal investigations in the field, and one (1) clerk/typist to process related reports. The 12 field investigators include one member per troop in six of the troops, and two members in Troops A, C, and D. The Patrol's Gaming Division has sufficient command staff to maintain command and control over the proposed new positions.

If the Patrol continues to be the investigative agency that has been tasked with investigating the majority of illegal gambling complaints, a reasonable assumption can be made that the number of illegal devices and complaints can potentially increase resulting in a greater backlog of complaints, and a greater expectation placed on the enforcement of the establishments allowing the operation of illegal devices.

Oversight does not have any information to the contrary. Therefore, Oversight will show the FTE as assumed by the MHP. Oversight will reflect the cost 15 FTE to the Lottery Enterprise Fund.

Section 313.429.14

LOT states this section of the proposal allows the Commission to adopt rules for implementing video lottery.

Section 313.431.1

LOT states 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.

In summary, the Missouri Lottery Commission assumes this proposal will require 27 new FTE at a cost of \$4,430,580 in FY 2024, \$4,652,321 in FY 2025 and \$4,729,303 in FY 2026 to provide for the implementation of the changes in this proposal.

Net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$38.8 million in FY 2024, positive \$77 million in FY 2025 and positive \$126 million in FY 2026.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the FTE cost and the estimated revenue as reflected by the Missouri Lottery Commission.

Section 313.842

Officials from the **Department of Public Safety - Missouri Gaming Commission** anticipates needing to contract with a third party to prepare the report specified in section 313.842, due to the Gaming Commission lacking personnel with the necessary expertise to generate such a report. The Gaming Commission anticipates that the annual cost of the report will be \$500,000.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the anticipated cost to the Gaming Commission Fund.

Bill as a Whole:

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** assume sections 313.425 to 313.437, propose the “Honoring Missouri Veterans and Supporting Missouri Education Act.” As a new form of entertainment, which would be regulated by the Missouri Lottery Commission, it is assumed the video lottery terminals (VLTs) would be in direct competition with bingo and excursion gambling boats, resulting in a reduction in state gaming taxes to education. The extent that these reductions will be offset by new revenue generated by VLTs is unknown. This Act would also result in a reduction of state admission fees which benefits Veterans, National Guard and Access Missouri programs, as well as reductions in casino taxes and admission fees paid 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 video lottery terminals, specifically in Illinois.

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).

Officials from the **Department of Mental Health (DMH)** assume 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 FY22 DMH served approximately 51 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,595 per consumer for a total of \$81,345.

If the number of consumers served triples, DMH estimates treatment for 153 consumers with an average cost of \$1,595 per treatment episode for a total treatment cost of \$244,035. Currently, DMH has ten 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 24. 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 \$345,363 in FY 24. For FY 25 and beyond the amount would be \$414,435 or more based upon the need for compulsive gambling services.

Oversight notes section 313.429.11 states “Subject to appropriation, up to one percent of such license fees deposited to the credit of the state lottery fund shall be deposited to the credit of the compulsive gamblers fund created under section 313.842.” One percent of license fees credited to the Compulsive Gamblers Fund is estimated by the Missouri Lottery Commission to be \$9,860 in 2024 and \$13,739 in 2025 and 2026.

The balance of the Compulsive Gamblers Fund (0249) was \$114,068 on December 31, 2022 and \$28,472 on June 30, 2022.

Oversight will reflect the estimated cost provided by DMH and will also reflect the transfers of monies as required by sections 313.429.11.

In response to a similar proposal from this year, officials from **Kansas City** and the **City of Springfield** assume this proposal will have a positive undetermined amount of fiscal impact as the cities would receive 4% of AGR tax.

Oversight will reflect a positive impact as estimated by the Missouri Lottery Commission to local political subdivisions.

Officials from the **Attorney General’s Office**, the **Department of Corrections**, the **Department of Revenue**, the **Office of the State Public Defender**, the **Office of the State Courts Administrator**, the **St. Charles Community College** and the **University of Central Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

In response to similar legislation from this year, officials from the **Office of the State Treasurer** and the **Missouri Office of Prosecution Services** each assumed the proposal will have no fiscal impact on their organization.

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 similar legislation from this year, officials from the **Office of Administration - Budget and Planning** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal. **Oversight** assumes OA – B&P would defer to the Lottery Commission in this case.

Officials from the Department of Public Safety – Missouri Veterans Commission (MVC) defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal. **Oversight** assumes MVC would defer to the Lottery Commission in this case.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges 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.

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 **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they 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 their office can sustain with their core budget. Therefore, they 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
STATE LOTTERY FUND (0682)			
<u>Revenue – LOT</u>			
Initial Application Fees p. 7	\$985,950	\$985,950	\$985,950
Annual Renewal Fees & Terminal Admin Fees p. 7	\$1,010,625	\$2,409,225	\$3,419,850
VLT Proceeds (Local Portion - 4% of the 36% AGR) (§313.429.10) p.7	\$6,147,969	\$12,295,938	\$18,443,906
VLT Proceeds (State Portion -32% of the 36% AGR) (§313.429.10) p.7	<u>\$49,183,750</u>	<u>\$98,367,500</u>	<u>\$147,551,250</u>
<u>Total Revenue – LOT</u>	<u>\$57,328,294</u>	<u>\$114,058,613</u>	<u>\$170,400,956</u>
<u>Loss – LOT</u>			
Lost profits from Keno and Pull-Tab Sales from competition p. 7	(\$3,797,312)	(\$15,189,247)	(\$15,189,247)
<u>Transfer Out - to Lottery Proceeds Fund to be appropriated to DESE (32% of AGR) (§313.429.10) p.7</u>	(\$38,815,307)	(\$77,197,566)	(\$126,256,674)
<u>Transfer Out - to Lottery Enterprise Fund</u>	(\$14,715,675)	(\$21,671,800)	(\$28,955,035)
ESTIMATED NETEFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LOTTERY ENTERPRISE FUND (0657)			
<u>Transfer In</u> – from State Lottery Fund	\$14,715,675	\$21,671,800	\$28,955,035
<u>Cost</u> – LOT p. 9			
Personal Service	(\$1,139,007)	(\$1,380,471)	(\$1,394,275)
Fringe Benefits	(\$766,195)	(\$924,418)	(\$929,454)
Equipment and Expense	(\$2,525,378)	(\$2,347,432)	(\$2,405,574)
<u>Total Costs</u> – LOT	<u>(\$4,430,580)</u>	<u>(\$4,652,321)</u>	<u>(\$4,729,303)</u>
FTE Change – LOT	27 FTE	27 FTE	27 FTE
<u>Costs</u> - MHP (§313.429.12) p. 8-9			
Personal Services	(\$1,029,820)	(\$1,260,499)	(\$1,285,710)
Fringe Benefits	(\$917,055)	(\$1,122,475)	(\$1,144,924)
Other Cost	(\$1,169,766)	(\$305,578)	(\$305,578)
<u>Total Costs</u> – MHP	<u>(\$3,116,641)</u>	<u>(\$2,688,552)</u>	<u>(\$2,736,212)</u>
FTE Change – MHP	15 FTE	15 FTE	15 FTE
<u>Transfer Out</u> – to Compulsive Gamblers Fund §313.429.11 p.11	(\$9,860)	(\$13,739)	(\$13,739)
<u>Transfer Out</u> - To municipalities 4% of AGR of video lottery game to municipalities to cover admin. costs (§313.429.10) p.7	(\$6,147,969)	(\$12,295,938)	(\$18,443,906)
<u>Transfer Out</u> – to Veteran’s Commission Capital Improvement Trust Fund (§313.429.1) p. 3	<u>(\$1,010,625)</u>	<u>(\$2,021,250)</u>	<u>(\$3,031,875)</u>
ESTIMATED NET EFFECT ON THE LOTTERY ENTERPRISE FUND (0657)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE

LOTTERY PROCEEDS FUND (0291)			
<u>Transfer In</u> - from State Lottery Fund to be appropriated equally to DESE and DHEWD (§313.429.10) p.7	<u>\$38,815,307</u>	<u>\$77,197,566</u>	<u>\$126,256,674</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$38,815,307</u>	<u>\$77,197,566</u>	<u>\$126,256,674</u>
GAMING COMMISSION FUND (0286)			
<u>Cost</u> – MGC §313.842 Annual Research Report p. 9	(\$500,000)	(\$500,000)	(\$500,000)
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 9	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE GAMING COMMISSION FUND	<u>(Unknown greater than \$500,000)</u>	<u>(Unknown greater than \$500,000)</u>	<u>(Unknown greater than \$500,000)</u>
GAMING PROCEEDS FOR EDUCATION FUND (0285)			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 9	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE GAMING PROCEEDS FOR EDUCATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND			
<u>Transfer In – From Lottery Enterprise Fund – LOT</u> \$300 per terminal administrative fee (\$313.429.1) p. 3	<u>\$1,010,625</u>	<u>\$2,021,250</u>	<u>\$3,031,875</u>
ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENT FUND	<u>\$1,010,625</u>	<u>\$2,021,250</u>	<u>\$3,031,875</u>
COMPULSIVE GAMBLERS FUND (0249)			
<u>Transfer In – from Lottery Enterprise Fund §313.429.11 p.10</u>	\$9,860	\$13,739	\$13,739
<u>Cost – DMH</u> Administrative cost for treating additional consumers p. 10 §313.429.11	<u>(\$345,363)</u>	<u>(\$414,435)</u>	<u>(\$414,435)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>(\$335,503)</u>	<u>(\$400,696)</u>	<u>(\$400,696)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL HOME DOCKS			
<u>Revenue</u> - Cities and Counties compensation paid to municipalities or counties - 4% AGR (§313.429.10) p. 7	\$6,147,969	\$12,295,938	\$18,443,906
<u>Revenue</u> - School districts (§313.429.9) Fines from violations p. 5	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss</u> - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition p. 10	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Could exceed \$6,147,969</u>	<u>Could exceed \$12,295,938</u>	<u>Could exceed \$18,443,906</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Honoring Missouri Veterans and Supporting Missouri Education Act". This bill provides that the State Lottery Commission shall implement a system of video lottery game terminals and issue licenses to video lottery game manufacturers, distributors, operators, handlers, and retailers.

The Commission shall not allow a single vendor or licensee to be responsible for implementing the program, nor shall it allow a single vendor or licensee to control or operate more than 25% of video lottery game terminals in the state after December 31, 2027. Video lottery game terminals may be placed in fraternal organizations, veterans' organizations, and truck stops, as such terms are defined in the act, and in business entities licensed to sell liquor by the drink.

The Commission may impose a non-refundable application fee, as described in the bill. The initial license shall be for a period of one year. Thereafter, the license renewal period shall be four years with the applicable license renewal fee paid for each year the license is renewed, as specified in the bill. In addition to license fees, video lottery game operators shall pay the

Commission an annual administrative fee of \$300 for each video lottery game terminal placed into service.

No license shall be issued to any person who has been convicted of a felony or crime involving illegal gambling. Sales agents shall be registered with the Commission by a video lottery game operator and may not solicit or enter into any contract with a retailer prior to the retailer being licensed to conduct video lottery games. Video lottery game operators must pay winning tickets using a video lottery game ticket redemption terminal, which shall be 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 to the Commission 32% of any unclaimed cash prizes associated with winning tickets that have not been redeemed within 180 days of issuance. Video lottery game operators and video lottery game retailers shall enter into a written agreement for the placement of video lottery game terminals.

The agreement shall specify an equal division of adjusted gross receipts after adjustments for taxes and administrative fees are made. Video lottery game operators and video lottery game retailers are prohibited from offering anything of value other than the percentage of adjusted gross receipts for the placement of video lottery terminals, except that video lottery game operators may pay for construction of a video lottery terminal area inside the premises of a video lottery game retailer. The price of video lottery game terminal credits shall be determined by the Commission, and the maximum wager played per video lottery game shall not exceed \$5.00. No cash award for the maximum wager played on any individual lottery game shall exceed \$1,100 or the maximum amount allowable by federal law before tax withholding is required.

Operators shall not operate more than eight terminals at any one fraternal organization, veterans' organization, or truck-stop, and not more than five video lottery game terminals at any one lottery game retailer that is not a fraternal organization, veterans' organization, or truck-stop. A person under the age of 21 shall not play video lottery games, and such video lottery game terminals shall be under the supervision of a person that is at least 21 years of age. Video lottery game terminals shall be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under the age of 21 is prohibited. Recorded video surveillance footage shall be reviewed by video lottery game operators as required by the Commission and shall be made available to the Commission upon request.

An operator or retailer that fails to report any known violation of law may be subject to an administrative fine not to exceed \$5,000. Any operator or retailer found to have knowingly committed a violation of provisions governing the conduct of video lottery games may be subject to a fine of \$5,000, the suspension of such operator's retailer's license for up to 30 days, or, in the case of repeated violations, the revocation of such operator's or retailer's license for up to one year. Video lottery game operators shall pay to the Commission 36% of the video lottery game adjusted gross receipts.

The net proceeds of the sale of video lottery game tickets shall be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis

on funding elementary and secondary education student transportation costs and higher education workforce development programs.

The Commission shall compensate the administrative costs of the city or county in which a video lottery retailer maintains an establishment in an amount equal to 4% of the video lottery game adjusted gross receipts. The remainder of video lottery game adjusted gross receipts, after the cost of the centralized computer system and administrative costs are paid and apportioned, shall be retained by video lottery game operators and shall be split evenly between video lottery game operators and video lottery game retailers as provided under an agreement.

All revenues collected by the Commission from license renewal fees and any reimbursements associated with the enforcement of the act shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of this bill. The Commission shall contract with a state law enforcement entity to assist in conducting background investigations of applicants for licenses and for the enforcement of the provisions of this bill. A video lottery game licensee suspected of a violation of the act shall be afforded an administrative hearing by the Director of the State Lottery on the record, and an appeal of any action taken to impose a fine on such licensee shall be 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. Participation in the state lottery under this act shall not be construed to be a lottery or gift enterprise in violation of Article III, Section 39 of the Constitution of Missouri, and shall not constitute a valid reason for the denial or revocation of a permit to sell liquor. This bill allows a municipality or a county to adopt an ordinance within 180 days of the effective date of the bill prohibiting video lottery game terminals within the municipality or the unincorporated area of the county.

This bill mandates the establishment of programs that provide for the treatment, prevention, recovery, and education services for compulsive gambling. The Commission, in cooperation with the Department of Mental Health, shall develop an annual research report assessing the social and economic effects of gaming in the state. The report and associated studies shall be submitted to the Governor, the President Pro Tem of the Senate, and the Speaker of the House by January 31 of each year.

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 Elementary and Secondary Education

Department of Higher Education and Workforce Development

Department of Mental Health

Department of Corrections

Department of Revenue

Department of Public Safety

Missouri Gaming Commission

Missouri Highway Patrol

Missouri Veterans Commission

Office of the Secretary of State

Joint Committee on Administrative Rules

Office of the State Treasurer

Missouri Office of Prosecution Services

Office of the State Courts Administrator

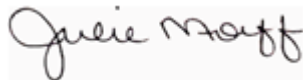
Missouri Lottery Commission

Office of Administration - Budget and Planning

Office of the State Public Defender

Kansas City

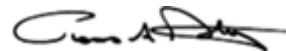
Springfield



Julie Morff

Director

March 7, 2023



Ross Strobe

Assistant Director

March 7, 2023