

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1304-02
Bill No.: HCS for HB Nos. 620 & 671
Subject: Entertainment, Sports and Amusement; Gambling
Type: Original
Date: March 16, 2009

Bill Summary: This proposal revises various laws regarding bingo.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Commission*	\$5,500 to Unknown	\$5,500 to Unknown	\$5,500 to Unknown
Bingo Proceeds For Education*	(Less than \$598,00)	(Less than \$718,000)	(Less than \$718,000)
Total Estimated Net Effect on Other State Funds	(Less than \$592,500)	(Less than \$712,500)	(Less than \$712,500)

* Oversight assumes the Unknown revenue to be less than \$100,000

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

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

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Veterans' Commission** assume this proposal would not fiscally impact their agency.

In response to a similar proposal from this year (HB 671), officials from the **Office of Administration - Administrative Hearing Commission** anticipated that this legislation would not significantly alter its caseload. However, if other similar bills also pass, or if there are more cases, or move complex cases, there could be a fiscal impact.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal makes numerous changes to the regulation of bingo games. BAP defers to the Gaming Commission for any estimated fiscal impacts. This proposal provides that fees currently placed in the Bingo Fund will be placed directly into the Gaming Commission Fund. BAP defers to the Gaming Commission for estimated losses to the Bingo Fund.

BAP states this proposal repeals the 2% gross receipts tax on boxes of pull tab cards. In FY 2008, \$2,190,105 was deposited in the Bingo Proceeds for Education Fund. Therefore, this proposal will reduce total state revenues by this amount.

Officials from the **Missouri Gaming Commission (GAM)** state the pull-tab tax collected for fiscal year 2008 was approximately \$718,000. If the bill passes there would be an approximate decrease to the Education Fund in the amount of \$718,000. If organizations play twice per week there could be a small offset to the decrease to the Education Fund. With more games they would potentially sell more bingo paper which would result in additional tax collections from the bingo paper tax. Any amount of offset would depend on the number of organizations that would take advantage of the opportunity to play twice per week and the amount of bingo paper products they sold.

There could be a small increase in collections for the Gaming Fund due to an increase in abbreviated pull-tab license and the increase in manufacturer fees. In fiscal year 2008 we issued approximately 126 abbreviated pull-tab license if this number were to double we would see an increase to the Gaming Fund in the amount of \$1,260. We currently have 11 licensed manufacturers the \$500 increase in their renewal license fee would result in an increase of \$5,500 to the Gaming Fund.

ASSUMPTION (continued)

GAM assumes this proposal repeals the tax on pull tab cards but not the two-tenths of one cent tax on bingo cards sold by charitable organizations (that was repealed in the first version of this bill). Therefore, the estimated loss of revenue from this substitute is less than the original bill.

Regarding other changes in the bill, GAM states the Administrative Hearing Commission would see a decrease in their work load if they no longer had to hear bingo discipline cases. Also licensed bingo suppliers could see an increase in the sales of their products from some of the changes.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the FY 2010 Governor's Recommendation for bingo proceeds is as follows:

\$210,152	Missouri School for the Blind
\$246,486	Missouri School for the Deaf
\$1,250,329	Missouri Schools for the Severely Disabled

There is also a portion that goes toward capital projects at each of the three entities. None of the bingo money goes to local school districts. However, we cannot be certain that other entities do not receive a portion of this money. We cannot determine what portion of bingo proceeds are received from taxes on veteran's, service, and fraternal organizations. Any decrease in bingo proceeds will have a direct negative impact on the Missouri School for the Blind, the Missouri School for the Deaf, and the Missouri Schools for the Severely Disabled.

For simplicity, **Oversight** will reflect the reduced revenue estimate of \$718,000 to the Bingo Proceeds for Education Fund. However, this loss of revenue could also be reflected at the Missouri School for the Blind Fund, the Missouri School for the Deaf fund, and/or the State Schools for the Severely Handicapped fund. Oversight assumes 10 months of impact in FY 2010. Officials from GAM stated there are currently 4 suppliers of bingo cards that collect and remit this tax monthly to GAM. Therefore, this proposal would not result in a large administrative cost savings to GAM.

ASSUMPTION (continued)

Oversight assumes there could be an increase in revenue flowing to the Gaming Commission fund as a result of several changes within the proposal including;

- Section 313.015 increases the annual fee for certain licensees (if their aggregate retail value of prizes is \$5,000 or less and less than \$100 per day) from \$10 to \$50;
- Section 313.010 increases the number of times abbreviated licenses may be issued to organizations from four times per year to fifteen;
- Section 313.057 allows the Gaming Commission to collect additional fees from supplier applicants as well as manufacturer applicants to cover the actual expenses incurred for background investigations. Currently, there are six suppliers and eleven manufacturers;
- Various other changes in the bill may increase the playing of bingo in Missouri, which would in turn increase the taxes collected for sale of bingo cards.

Oversight assumes the total of additional revenue to the Gaming Commission Fund as a result of this proposal would not exceed \$100,000 annually.

Oversight also assumes there may be an increase in the Bingo Proceeds for Education fund as a result of some of the changes within the proposal, including;

- Increases in the number of times organizations may conduct abbreviated bingo games each year from four to fifteen (may increase the number of times bingo is played by organization members);
- Section 313.040 allows the Gaming Commission to establish the daily prize amounts for progressive bingo games (currently prize limits set by statute);
- Section 313.040 also increases the number of times licenses may conduct bingo games from one day per week to two days per week;
- Section 313.040 also contracts the hours for which bingo shall not be played. Currently no licensee shall conduct bingo from midnight to 10:00 a.m. The bill changes this window to 1:00 a.m. to 7:00 a.m.;
- Section 313.040 also allows organizations to increase their advertising for bingo games; and
- Section 313.040 also allows pull-tab cards to be dispensed through vending machines approved by the Gaming Commission (such machines are currently prohibited).

ASSUMPTION (continued)

Oversight assumes these changes could result in an increase in the playing of bingo and therefore an increase in proceeds to the Bingo Proceeds for Education Fund. Oversight assumes the potential increase in proceeds to the Gaming Commission Fund (286) and the Bingo Proceeds for Education Fund (289) would be under \$100,000 annually. For simplicity, Oversight will reflect the increase in bingo proceeds at the state level instead of distributed to local school districts.

This proposal will impact Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GAMING COMMISSION			
<u>Income</u> - Increase in manufacturer license annual renewal from \$500 to \$1,000 (Section 313.057.6 - currently 11 such licensees)	\$5,500	\$5,500	\$5,500
<u>Income</u> - increase annual fee for some abbreviated license bingo organizations from \$10 to \$50, potential for suppliers and manufacturers to pay more for licensure (for GAM to recoup expenses for background checks) and potential increase in abbreviated pull-tab licenses and tax from various changes	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND*	<u>\$5,500 to UNKNOWN</u>	<u>\$5,500 to UNKNOWN</u>	<u>\$5,500 to UNKNOWN</u>

***Oversight assumes this increase in revenue to be less than \$100,000.**

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011	FY 2012
(continued)	(10 Mo.)		

**BINGO PROCEEDS FOR
 EDUCATION**

<u>Income</u> - potential additional bingo proceeds resulting from various changes within the proposal*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Loss</u> - Missouri Gaming Commission Loss of revenue from repeal of tax on bingo pull-tabs (313.057)	<u>(\$598,000)</u>	<u>(\$718,000)</u>	<u>(\$718,000)</u>
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ESTIMATED NET EFFECT TO THE BINGO PROCEEDS FOR EDUCATION FUND*	<u>(Less than \$598,000)</u>	<u>(Less than \$718,000)</u>	<u>(Less than \$718,000)</u>
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***Oversight assumes this increase in revenue to be less than \$100,000.**

<u>FISCAL IMPACT - Local Government</u>	FY 2010	FY 2011	FY 2012
	(10 Mo.)		

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This substitute changes the laws regarding bingo. In its main provisions, the substitute:

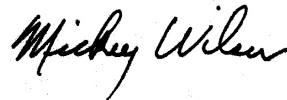
- (1) Allows organizations with abbreviated licenses to conduct bingo games up to 15 times annually;
- (2) Requires all organizations licensed to conduct bingo games to pay a \$50 annual license fee;
- (3) Authorizes the Missouri Gaming Commission to establish the daily prize amount for nonprogressive bingo games;
- (4) Removes the provision allowing licensees to require players to purchase more than a standard pack of bingo cards in order to participate in a bingo game;
- (5) Allows licensees to conduct bingo games twice a week instead of once a week;
- (6) Increases the amount which may be used for advertising from 2% to 10% of the total amount expended from bingo receipts;
- (7) Removes the advertising provision which prohibits licensees from referencing aggregate values of bingo prizes;
- (8) Prohibits bingo games from operating between the hours of 1 a.m. and 7 a.m. Currently, no games can be conducted between midnight and 10 a.m.;
- (9) Allows licensees to own or lease commission-approved pull-tab vending machines from a licensed supplier and prohibits organizations from sharing machines;
- (10) Requires all licensees to make quarterly reports to the commission;
- (11) Changes the record retention requirement from three to two years;
- (12) Increases the one-time application fee for a manufacturer's license to an amount not to exceed \$5,000 and the renewal fee to an amount not to exceed \$1,000;
- (13) Requires the applicant for a supplier or manufacturer license to be responsible for all investigative costs incurred by the commission; and
- (14) Repeals the 2% gross receipts sales tax on pull-tab cards.

FISCAL DESCRIPTION (continued)

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 Veterans Commission
Office of Administration - Budget and Planning
Missouri Gaming Commission
Department of Elementary and Secondary Education



Mickey Wilson, CPA
Director
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