

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5485-02
Bill No.: SB 709
Subject: Public Assistance; Gambling
Type: Original
Date: April 18, 2012

Bill Summary: Disqualifies certain persons receiving public assistance from engaging in gaming activities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Gaming Commission	(Unknown greater than \$77,000)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$77,000)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Prosecution Services (OPS)** assume the proposal would not have a measurable fiscal impact on the OPS.

Officials from the **Department of Mental Health (DMH)** state the legislation places no obligations or requirements on the DMH that would result in a fiscal impact to the DMH.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed crime of trespassing when on a gambling boat while receiving public assistance - a Class B misdemeanor.

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation in all cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state, due to federal Medicaid laws, they cannot provide MHD applicant and participant information to the Missouri Gaming Commission.

Officials from the **DSS - Family Services Division (FSD)** state it is a violation of confidentiality for DSS to give names and participants of food stamps, temporary assistance for needy families and MO HealthNet benefits to the Missouri Gaming Commission. However, the Low Income Home Energy Assistance (LIHEAP) program is not guarded by a federal regulation.

In FY 11 there were 212,568 persons age 21 and over participating in the LIHEAP program. All of these participants are subject to having their names provided to the Missouri Gaming Commission and placed on the list of disassociated persons in Missouri's voluntary self-exclusion program for problem gamblers. The FSD does not feel there is a financial impact in providing this information. Any costs associated will be Information Technology Service Division (ITSD) costs. Therefore, FSD defers to Office of Administration ITSD for these costs.

ASSUMPTION (continued)

Officials from the **DSS - Division of Legal Services (DLS)** state if enacted, this legislation can reasonably be expected to have a fiscal impact on the DSS. The DSS - FSD would have to set up a system for submitting the names of TANF, LIHEAP, FSD and MHD participants to the Gaming Commission and notify the Gaming Commission when participants are no longer receiving services. The DLS defers to FSD and the Division of Financial and Administrative Services (DFAS) for an analysis of the fiscal impact of setting up this system. There will be no fiscal impact on the DLS.

There will also be an unknown fiscal impact to the DSS through litigation or the imposition of sanctions. There is a reasonable likelihood that Federal agencies such as the U.S. Department of Health and Human Services and the U.S. Department of Agriculture will challenge disclosure of the names of individuals receiving Medicaid or Food Stamps through the imposition of sanctions or legal action. It is also reasonably likely that this measure will be challenged by legal advocates for program participants and/or the gaming industry through litigation in federal or state court. Defense of such a lawsuit will be expensive. Potential costs are assumed to be unknown, greater than \$100,000 annually.

Oversight assumes the potential for litigation to be speculative and, therefore, assumes no fiscal impact.

Officials from the **Office of Administration - Information Technology Services Division (ITSD) DSS** provide the following assumptions:

Section 208.350.2

Passage of SB 709 would require the DSS to provide an initial file of all disqualified persons to the Missouri Gaming Commission. An ongoing file of any additions to and deletions from the list will need to be provided daily.

Assumptions

- Due to Federal regulations, DSS will not be able to provide a list of names for those persons receiving Food Stamps, MO HealthNet, or Temporary Assistance for Needy Families (TANF).
- Due to IRS regulations, DSS will not be able to share social security numbers with the Gaming Commission.
- DSS will be able to provide a list of disqualified persons receiving Low Income Energy Assistance (EA).
- The list is limited to those persons age 21 and above due to age limits on gambling.

ASSUMPTION (continued)

- DSS does not capture all information required by the Voluntary Disassociated List application.
- State or Federal ID such as Drivers license or Military ID
- Physical description, height, weight, hair and eye color
- Photo
- The Gaming Commission will be required to gather the above information
- EA is a seasonal system. Recipients can only receive benefits from October through May. All recipients would be removed from the list from June through September.
- All funding is 100% General Revenue.

EA System programming estimates:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Specifications (2 batch programs)	40 hours
Coding/JCL	80 hours
Test/UAT	<u>40 hours</u>
Total:	160 hours

State Staff \$42.56/hr * 160 hours = \$6,810 (rounded to nearest dollar)

Initial file run:	Approximately \$5.00
Ongoing update file	\$4.00 per run
	<u>X 22</u>
	\$88.00 per month
	<u>X 9</u> Eight month season plus one month to send final deletes
	\$792.00 per year

Total Costs for CY 13

EA programming	\$6,810
Initial file run	\$ 5
Ongoing update file	
October - June	<u>\$ 792</u>
Total	<u>\$7,607</u>

Oversight assumes ITSD receives core funding annually to perform a certain amount of activity.
Oversight assumes ITSD can absorb the minimal costs associated with this proposal.

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (MGC)** state the Department of Social Services (DSS) was contacted to amass the number of people currently enrolled in these programs. The MGC requested individuals 21 years old or older only be provided. The MGC also requested that duplicates between programs be removed. The following numbers were received from ITSD, Social Services; however, it is not clear whether the numbers in all cases, fit the 21 years and older criteria because of family enrollments. Later DSS informed MGC that because of federal confidentiality restrictions, only the Energy Assistance enrollees could be counted for this proposal. However, for the purpose of the fiscal note and the sponsor's intent of the legislation, the MGC based its analysis on those listed in the legislation.

Food Stamp Recipients	461,141
TANF	31,766
Energy Assistance	212,568
Medicaid	<u>425,769</u>
MO TOTAL	<u>1,131,244</u>

The Missouri Gaming Commission does not have data on the income levels of casino patrons or on the frequency of patron visits to a casino or casinos. In addition, the MGC does not control the number of names DSS will provide to casinos as being prohibited from entry. Therefore, the negative fiscal impact on state tax revenues to education from adjusted gross tax receipts is UNKNOWN as well as the negative fiscal impact on Admission Fees transfers to Vets, National Guard, Access Missouri Assistance, and Early Childhood Programs.

However, if one assumes that every enrollee of state assistance programs identified gambled, this would represent 4.7% of the total patrons that would be prevented from entering casino boats in future years. Under this scenario, if this legislation had been implemented in FY 11, the NEGATIVE impact on admission fees to the state would have been \$2.3 million and the impact on statewide Adjusted Gross Receipts (AGR) tax would have been \$14.6 million.

Even if it is assumed the impact is only 10% of the numbers shown below, the fiscal impact on admission fees would be \$230,000 and \$1.5 million on AGR taxes. Using this very conservative estimate, the MGC assumes the minimum total effect on state revenue loss from casinos would be \$1.7 million.

MO Total Enrollees in State Assistance Programs	1,131,244
Total Patrons for FY 11	26,517,596
% of Patrons in State Assistance Programs	4.27%

ASSUMPTION (continued)

PROPOSED IMPACT ON STATEWIDE ADMISSIONS

Total admissions for FY 11	\$54,279,049	
Impact on amount of statewide admissions assuming 4.27% are from enrolled assistance programs (\$54,279,049 X 4.27%)		(\$2,317,715)

PROPOSED IMPACT ON STATEWIDE AGR

Amount of total AGR for FY 11	\$341,417,696	
Impact on statewide AGR assuming 4.27% comes from those enrolled in assistance programs		(\$14,578,536)

TOTAL IMPACT ON STATEWIDE GAMING REVENUES & AGR (\$16,896,251)

Cost of Implementation:

This legislation requires a large data base to be maintained, potentially involving record storage for more than 1 million records initially and add on and deletions on a daily basis. Based on past purchasing, the MGC estimates the following additional server and storage space needed to be \$77,000 [Equallogic SAN \$35,000 X 2 = \$70,000 (one in Jefferson City and one in Kansas City for back-up/redundancy) + 1 rackmount server \$5,000 + 1 Windows server licence \$2,000 = \$77,000).

Oversight notes potential losses in gaming admission fees will be passed to the Vets, National Guard, Access Missouri Assistance, and Early Childhood Programs through reduced transfers from the Gaming Commission Fund. In addition, **Oversight** notes local school districts and home dock cities could be impacted by this proposal as there may be a reduction in admission fees and adjusted gross receipts tax collected and distributed to these local governments. However, **Oversight** is unsure how the MGC will obtain information to identify recipients of public assistance benefits and restrict them from engaging in gaming activities since it appears the Department of Social Services is prohibited from providing applicant and participant information to the MGC due to federal Medicaid laws.

Oversight obtained additional information from MGC officials. MGC officials stated the average loss per person visiting gaming establishments in of Missouri was \$68 per visit. For Missouri revenue losses to exceed \$100,000 annually as a result of this proposal, there would have to be a reduction of 1,471 visits annually by persons receiving public assistance (\$100,000/\$68 average loss = 1,471). If 1,471 persons receiving public assistance visited a

ASSUMPTION (continued)

casino one time, this represents approximately 0.13% of the population that receives public assistance in this state. There is no data available on the percentage of individuals receiving public assistance that also visit gaming establishments. Therefore, for fiscal note purposes only, **Oversight** assumes the fiscal impact of this proposal on the Gaming Commission Fund will be an unknown loss exceeding \$77,000 for FY 13 and unknown losses for FY 14 and FY 15; local home dock cities and school districts will have unknown revenue reductions each year of the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GAMING COMMISSION FUND			
§208.350			
<u>Costs - Missouri Gaming Commission</u>			
Additional computer servers and record storage space	<u>(\$77,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Loss - Missouri Gaming Commission</u>			
Reduction in admission fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GAMING COMMISSION FUND	<u>(Unknown greater than \$77,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
§208.350			
<u>Loss - Home Dock Cities</u>			
Reduction in admission fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Reduction in gross receipts tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Loss - School Districts</u>			
Reduction in adjusted gross receipts tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal provides that no person receiving food stamps assistance, temporary assistance for needy families benefits, low income home energy assistance or MO HealthNet services shall be permitted entry into any portion of a riverboat gaming floor except if such person is employed by the gaming facility and is on the premises to perform the duties of the employment.

The Department of Social Services shall submit the names of persons receiving such public assistance to the Missouri Gaming Commission to be placed on the List of Disassociated Persons under Missouri's Voluntary Self-Exclusion Program for problem gamblers. Any rules promulgated for the voluntary self-exclusion program shall apply to the disqualified persons under this proposal.

The gaming commission shall remove a person from the list under this proposal when such person no longer receives any of the public assistance programs listed above. The department shall notify the Gaming Commission when a disqualified person no longer receives such assistance.

Any person under this proposal who is identified on a Missouri gaming floor shall be guilty of trespass and all chips, tokens and electronic credits in such person's possession at the time of discovery shall be subject to forfeiture.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

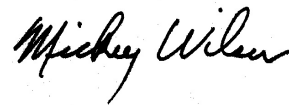
SOURCES OF INFORMATION

Office of Administration -
Information Technology Services Division, DSS
Department of Mental Health
Department of Health and Senior Services
Department of Social Services -
MO HealthNet Division
Family Services Division
Division of Legal Services

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SOURCES OF INFORMATION (continued)

Missouri Gaming Commission
Office of Prosecution Services
Office of State Public Defender

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 18, 2012