

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5770-03
Bill No.: Perfected HCS for HB 1731
Subject: Gambling; Boards, Commissions, Committees, Councils
Type: Original
Date: February 28, 2012

Bill Summary: This proposal changes the distribution of moneys from the gaming moneys.

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Lottery Proceeds	\$0	\$0	\$0
Early Childhood Development Education and Care	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000
Various Education Funds	\$0	\$0	\$0
Gaming Commission	\$0	\$0	\$0
Veterans Commission Capital Improvement	\$26,279,811	\$27,141,361	\$28,020,142
Missouri National Guard	\$1,500,000	\$1,500,000	\$1,500,000
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000

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

*Lottery Proceeds to Local School Districts

FISCAL ANALYSIS

ASSUMPTION

Section 313.321

Officials at the **Missouri Lottery Commission (LOT)** assumes this section requires a minimum of 32% of the money received from the sale of lottery tickets be appropriated to education (27% to general education and 5% to early childhood development).

LOT assumes this section would impact approximately 5,000 lottery retailers throughout the state as lottery retailers will see a reduction in lottery compensation and lottery ticket sales, however the amount of reduction and sales is unknown.

LOT assumes a reduction in lottery ticket sales could result in a reduction in sales for other taxable items such as gas, food, and beverages within lottery retailers

LOT states currently transfers to education are on average 27% annually. This proposal represents a 5% increase in lottery proceeds to education over current amounts.

LOT assumes the 5% increase would be absorbed through the reduction of the prize payout percentage to players.

LOT states for every 1% decrease in a prize payout percentage, weekly per capita sales decrease by \$.20.

LOT assumes income tax revenue on prizes won over \$600 will be negatively impacted with the decrease in prize payouts.

LOT states most players reinvest much of their winnings at retail on other taxable items such as gas, food and beverages.

LOT assumes this proposal would have an unknown negative fiscal impact to sales and profits of the Missouri Lottery.

Oversight assumes this proposal would require at least 30.5%, in the aggregate, of proceeds received from the sale of lottery tickets be appropriated to education. With 27% to general education and 3.5% to early childhood education.

ASSUMPTION (Continued)

Oversight assumes the LOT currently distributes 62.9% of every \$1 on prizes, 26.4% on education, 4.5% on administrative costs, 6.2% on retailers.

Oversight assumes the increase in lottery proceed percentages paid to general education and early childhood development would be absorbed from the proceeds percentages paid to prizes, retailers, and administration.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this section of the proposal directs the distribution of lottery funding such that at least 30.5% in the aggregate, of the money received from the sale of lottery tickets shall be appropriated to education, with 27% to general education and 3.5% to early childhood development.

DESE states according to the Missouri State Lottery Commission's Comprehensive Annual Financial Report for fiscal year ending June 30th, 2011, ticket sales for the year totaled \$1,000,678,406. Based on this proposal, 30.5% of ticket sales or \$305,206,913.83 would have been appropriated to education.

$$\$1,000,678,406 \quad \times \quad 30.5\% \quad = \quad \mathbf{\$305,206,913.83}$$

DESE states this proposal would have distributed the funds to education in the following way:

$$\begin{array}{rclcl} \$1,000,678,406 & \times & 27\% & = & \$270,183,169.62 \text{ Amount to General Education} \\ \$1,000,678,406 & \times & 3.5\% & = & \underline{\$35,023,744.21} \text{ Amount to Early Childhood Development} \\ & & & & \mathbf{\$305,206,913.83 \text{ Total}} \end{array}$$

DESE states funds for early childhood development currently support First Steps, Parents as Teachers (PAT), and the Missouri Preschool Program (MPP). During FY 2011, the ECDEC fund received \$30,602,202. Under this proposal, it appears the ECDEC fund would have received \$35,023,744 an increase of \$4,421,542.

$$\$35,023,744 \quad - \quad \$30,602,202 \quad = \quad \$4,421,542$$

Officials at the **Department of Social Services (DSS)** assume this proposal will direct 3.5% of the sales from lottery tickets to Early Childhood Development

DSS assumes this proposal would impact programs who receive funding from the Early Childhood Development Education and Care Fund (ECDEC). This fund provides funding, technical assistance and training to child care providers across the state.

ASSUMPTION (Continued)

Section 313.835

Officials at the **Missouri Gaming Commission (GAM)** assumes this proposal provides funding to various funds from Lottery Proceeds and changes the formula of transfers from the Gaming Commission Fund (0286) to certain other funds. For the purpose of the fiscal note GAM is only addressing transfers from the Gaming Fund.

GAM states this section as it pertains to the Gaming Fund does not add revenue to the fund it simply redistributes the fund. Under current law the Veterans Commission Capital Improvement Trust Fund (VCCIT)(0304), Missouri National Guard Trust Fund (MNGT)(0900), Access Missouri Financial Assistance Fund (MFAF)(0791), Early Childhood Development Education and Care Fund (ECDEC)(0859), and the Compulsive Gamblers Fund (CG)(0249) all receive fund transfers from the Gaming Commission Fund (0286).

GAM states the following table provides the actual FY 2011 fund transfers from the Gaming Fund and the fund transfers from the Gaming Fund had HCS for HB 1731 been law in FY 2011.

Table 1: Fund Transfers from Gaming Fund FY 2011

FY 11	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Actual	\$6,600,000	\$4,000,000	\$5,000,000	\$30,602,202	\$297,684	\$46,499,886
HB 1731	\$35,702,202	\$5,500,000	\$5,000,000	\$0	\$297,684	\$46,499,886
Difference	\$29,102,202	\$1,500,000	\$0	(\$30,602,202)	\$0	\$0

Source: Missouri Gaming Commission

GAM states table 2 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2013.

Table 2: Fund Transfers from Gaming Fund FY 2013

FY 13	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$27,779,811	\$297,684	\$43,077,495
HB 1731	\$32,279,811	\$5,500,000	\$5,000,000	\$0	\$297,684	\$43,077,495
Difference	\$26,279,811	\$1,500,000	\$0	(\$27,779,811)	\$0	\$0

Source: Missouri Gaming Commission

ASSUMPTION (Continued)

GAM states table 3 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2014.

Table 3: Fund Transfers from Gaming Fund FY 2014

FY 14	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$28,641,361	\$297,684	\$43,939,045
HB 1731	\$33,141,361	\$5,500,000	\$5,000,000	\$0	\$297,684	\$43,939,045
Difference	\$27,141,361	\$1,500,000	\$0	(\$28,641,361)	\$0	\$0

Source: Missouri Gaming Commission

GAM states table 4 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should HB 1731 become law in FY 2015.

Table 4: Fund Transfers from Gaming Fund FY 2015

FY 15	VCCIT	MNGT	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$29,520,142	\$297,684	\$44,817,825
HB 1731	\$34,020,142	\$5,500,000	\$5,000,000	\$0	\$297,684	\$44,817,825
Difference	\$28,020,142	\$1,500,000	\$0	(\$29,520,142)	\$0	\$0

Source: Missouri Gaming Commission

GAM assumes the estimates for FY 2013 - FY 2015 for the ECDEC change each year because the number of admission fees that make up the majority of the Gaming Commission Fund are expected to fluctuate from -3.5% for 2013 to a positive 2% for FY 2014 and 2015 due to economic considerations and the recent opening of a new casino in Kansas and the anticipated new casino opening in Cape Girardeau, MO this coming December.

Officials at the **Department of Elementary and Secondary Education (DESE)** assumes this section restructures the distribution of gaming fees such that the Missouri National Guard Trust Fund (MNGT) receives an additional \$1.5 million beyond its annual distribution which was \$4 million during FY 2011.

DESE assumes this section removes the distribution of gaming fees to the Early Childhood Development, Education and Care Fund (ECDEC) and distributes those funds (less the \$1.5 million to the MNGT) to the VCCIT. This fund received \$30,602,202.47 during FY 2011.

ASSUMPTION (Continued)

Officials at the **Department of Social Services (DSS)** assumes this section will stop all gaming proceeds from the \$1 admission fee to enter a riverboat casino from being distributed to the ECDEC. This fund is currently used for 4 programs within DSS. These programs include:

- Start-up & Expansion grants for child care providers
- Accreditation Facilitation - grants for organizations that assist providers to become accredited, along with a child care subsidy rate enhancement for child care providers who are accredited.
- Missouri Early Head Start
- Stay at Home Parent - Home visitation program for at risk families with children under the age of 3.

DSS states the ECDEC is currently the only funding source for these 4 programs.

DSS states gaming distributions from the casino admission fee are the only funds currently transferred into the ECDEC.

DSS assumes in FY 11, revenue for the ECDEC was \$30,998,623, according to GAM. If this proposal were current law, and lottery sales were to remain the same, the fund would have received \$35,023,744 from the 3.5% of the \$1,000,678,406 reported in total sales in the Missouri Lottery Comprehensive Annual Financial Report.

DSS states appropriations for the Department of Social Services from the Early Childhood Development, Education and Care Fund in 2011 totaled \$14,917,036.

DSS states under this assumption DSS would receive a 13% increase into the ECDEC fund from this proposal. If appropriations to the ECDEC fund were to receive a 13% increase, they would total \$16,856,250, an increase of \$1,939,214.

ASSUMPTION (Continued)

Bill as a Whole

Officials at the **Department of Elementary and Secondary Education (DESE)** state during FY 2011 the department received \$163,619,956 in lottery funds and \$30,602,202.47 in gaming funds.

DESE states based on the calculations below (see table 5), DESE would appear to see an increase in distributions under this proposal. For FY 2011, had this proposal been effective, the department assumes it would have seen an increase in distributions totaling \$110,984,755

Table 5 : Lottery and Gaming Distributions to Education per this Proposal

Lottery	Gaming	Total	Distribution
\$163,619,956	\$30,602,202	\$194,222,158	FY 2011
\$305,206,914	\$0.00	\$305,206,914	Per Bill in FY 2011
		\$110,984,755	Increase per this bill

Source: Department of Elementary and Secondary Education

DESE states according to the Missouri State Lottery Commission’s Comprehensive Annual Financial Report for fiscal year ending June 30th, 2011; currently 26.4 cents of every dollar is spent on education, with 62.9 cents spent on prizes, 6.2 cents spent on retailers, and 4.5 cents spent on administration.

DESE assumes under the terms of this proposal, dollars spent on education will increase; therefore, dollars spent on prizes, retailers, and administration will likely decrease. Should dollars spent on prizes decrease, this could impact the number of tickets sold. Since education funding would be dependant upon ticket sales, any negative factor influencing ticket sales would have a negative impact on education.

Officials at the **Department of Social Services (DSS)** assumes the long range implications of this proposal are unknown. However, the programs receiving funding from the ECDEC are currently not providing funding or services to the number of child care programs and families that have need.

DSS assumes an unknown fiscal impact to ECDEC but is estimated to increase.

ASSUMPTION (Continued)

Officials at the **Office of Administration - Division of Budget and Planning (BAP)** assumes this proposal stipulates at least 31.5% of lottery ticket sales go to the funding of education (27% to general education and 3.5% to early childhood development).

BAP assumes the increase in lottery funds for education would come from lower payments to retailers, prizes, and administrative costs. It is unknown what impact reductions in these areas may have on sales. Based on FY11 actual Missouri Lottery sales, this would provide over \$270 million to general education, and \$35 million to early childhood development.

BAP assumes this proposal will have no impact on general or total state revenue.

BAP assumes this proposal will increase the Missouri Gaming Commission Fund transfers to the Missouri National Guard Trust Fund and the Veterans' Commission Capital Improvement Trust Fund, while transfers to early childhood development are eliminated.

BAP defers to the Missouri State Lottery Commission and the Missouri Gaming Commission for exact estimates on fiscal impacts to these funds.

Oversight assumes the Lottery Proceeds Fund will see a savings in expenses paid to prizes, retailers, or administration.

Oversight assumes a transfer of 27% of lottery sales to various education funds and a transfer of 3.5% of lottery sales to Early Childhood Development.

Oversight assumes 3.5% of the proceeds, in the aggregate, from the sale of lottery tickets will be transferred to the ECDEC fund for an unknown positive fiscal impact to Early Childhood Development expected to exceed \$1,000,000 dependent upon the number of lottery tickets sold.

Oversight assumes the transfer of funds to the ECDEC from the Gaming Commission Fund will stop.

Oversight assumes a net positive fiscal impact to the ECDEC fund of unknown could exceed \$1,000,000.

Oversight assumes Various Education Funds will receive a transfer in of lottery ticket sales from the Lottery Proceeds Fund of 27% to general education.

ASSUMPTION (Continued)

Oversight assumes disbursements from the Various Education Funds will be used to support education programs within the Department of Elementary and Secondary Education and Department of Higher Education.

Oversight assumes this proposal does not impact the total revenue in the Gaming Commission Fund but does change how the revenue in the fund is distributed.

Oversight assumes the VCCIT fund will receive an increase in funds transferred from the Gaming Commission Fund of \$26,279,811 in FY13, \$27,141,361 in FY14 and \$28,020,142 in FY15.

Oversight assumes an increase of transferred funds from the Gaming Commission Fund of \$1,500,000 for FY13 - FY15 to the Missouri National Guard Trust Fund.

Oversight assumes this proposal will have no impact on the Access Missouri Financial Assistance Fund.

Oversight assumes this proposal will have no impact on the Compulsive Gamblers Fund

Oversight assumes an unknown positive fiscal impact on local school districts and local child care providers receiving funding from ECDEC.

Officials at the **Missouri Veterans' Commission** defer to the Missouri Gaming Commission for any fiscal impact related to this proposal.

Officials at the **Department of Higher Education** and **State Treasurer's Office** each assumes there is no fiscal impact from this proposed legislation.

Officials from the **Department of Public Safety** and **Office of the Attorney General** did not respond to the request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOTTERY PROCEEDS FUND			
<u>Savings</u> - Reduction in Expenses Paid to Prizes, Retailers, or Administration	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000
<u>Transfer Out</u> - 3.5% of lottery sales to Early Childhood Education	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)
<u>Transfer Out</u> - 27.% of lottery sales to Various Education Funds	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)
ESTIMATED NET EFFECT ON LOTTERY PROCEEDS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 EARLY CHILDHOOD DEVELOPMENT EDUCATION CARE FUND			
<u>Transfer In</u> - 3.5% of lottery sales	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000	Unknown expected to exceed \$1,000,000
<u>Loss</u> - Transfer of funds from Gaming Commission Fund _____	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)	(Unknown expected to exceed \$1,000,000)
ESTIMATED NET EFFECT ON EARLY CHILDHOOD DEVELOPMENT CARE FUND	<u>Unknown expected to exceed \$1,000,000</u>	<u>Unknown expected to exceed \$1,000,000</u>	<u>Unknown expected to exceed \$1,000,000</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2013 (10 Mo.)	FY 2014	FY 2015
VARIOUS EDUCATION FUNDS			
<u>Transfer In</u> - 27% of lottery sales	Unknown	Unknown	Unknown
<u>Disbursements</u> - Education Programs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON VARIOUS EDUCATION FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GAMING COMMISSION FUND			
<u>Savings</u> - Elimination of transfer to Early Childhood Development	\$27,779,811	\$28,641,361	\$29,520,142
<u>Transfer Out</u> - Veterans Commission Capital Improvement Trust Fund	(\$26,279,811)	(\$27,141,361)	(\$28,020,142)
<u>Transfer Out</u> - Missouri National Guard Fund	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>
ESTIMATED NET EFFECT ON GAMING COMMISSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
VETERANS COMMISSION CAPITAL IMPROVEMENT FUND			
<u>Transfer In</u> - Increase in funds transferred from Gaming Commission Fund	<u>\$26,279,811</u>	<u>\$27,141,361</u>	<u>\$28,020,142</u>
ESTIMATED NET EFFECT ON VETERANS COMMISSION CAPITAL IMPROVEMENT FUND	<u>\$26,279,811</u>	<u>\$27,141,361</u>	<u>\$28,020,142</u>

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
(Continued)	(10 Mo.)		

MISSOURI NATIONAL GUARD FUND

<u>Transfer In</u> - Increase in funds transferred from Gaming Commission Fund	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>
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ESTIMATED NET EFFECT ON MISSOURI NATIONAL GUARD FUND	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013	FY 2014	FY 2015
	(10 Mo.)		

LOCAL GOVERNMENT

<u>Transfer In</u> - Increase in Lottery Proceeds to Education and Early Childhood for Local School Districts and Child Care Centers	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

Direct fiscal impact to small business lottery retailers could be expected as a result of this proposal.

Direct fiscal impact on small businesses that provide early childhood development assistance and receive funding from the ECDEC fund could be impacted. The ECDEC fund provides funding for technical assistance and training to local child care providers across the state.

FISCAL DESCRIPTION

This substitute changes the laws regarding the distribution of gaming moneys. At least 30.5% of the money received from the sale of lottery tickets must be appropriated to education, with 27% to general education and 3.5% to early childhood development.

The substitute also increases, from \$3 million to \$5.5 million, the portion of any remaining net proceeds in the Gaming Commission Fund that is to be transferred to the Missouri National Guard Trust Fund and moves the distribution of certain remaining net proceeds in the Gaming Commission Fund from the Early Childhood Development, Education and Care Fund to the Veterans' Commission Capital Improvement Trust Fund.

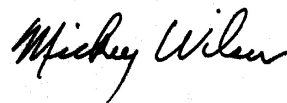
This legislation is not federally mandated, would not duplicate any other program, and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Gaming Commission
Missouri Veterans' Commission
Missouri Lottery Commission
State Treasurer's Office
Department of Elementary and Secondary Education
Department of Social Services
Department of Higher Education
Office of Administration -
 Division of Budget and Planning

NOT RESPONDING

Department of Public Safety
Office of the Attorney General



Mickey Wilson, CPA
Director
February 28, 2012