

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6289-02
Bill No.: SB 1009
Subject: Gambling
Type: Original
Date: February 27, 2018

Bill Summary: This proposal authorizes sports wagering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Gaming Proceeds for Education Fund	\$0 or Up to \$9,000,000	\$0 or Up to \$9,000,000	\$0 or Up to \$9,000,000
Sports Wagering Fund	\$0 or (Could exceed \$78,332)	\$0 or (Could exceed \$139,992)	\$0 or (Could exceed \$139,992)
Total Estimated Net Effect on Other State Funds	\$0 or Less than \$8,921,668	\$0 or Less than \$8,860,008	\$0 or Less than \$8,860,008

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Sports Wagering Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** state that as noted in the proposed legislation, implementation of sports betting in Missouri is contingent on a favorable United States Supreme Court decision, which would allow states to begin accepting wagers. Based on the language in the bill, the thirteen riverboat casinos could allow sports wagering, but there are a number of variables that make it difficult to project accurate revenues for taxation.

A wagering tax of six and one-quarter percent will be imposed on the adjusted gross receipts. With the number of states proposing similar sports betting bills, sports wagering in Nevada, and the total legal and illegal sport wagering in the U.S., up to \$9 million tax would be generated in Missouri that would be deposited in the Gaming Proceeds for Education Fund. The \$9 million is based on the assumption that all players would immediately wager from legal sites and not illegal sites.

It is anticipated that there will be one to six interactive sports wagering platform and or sports wagering operators in Missouri. Any casino applying for a certificate of authority could use the same interactive sports wagering platform. The six number is based on six licensed class A (corporate companies).

The bill allows for a \$10,000 application fee and an annual \$5,000 administration fee for Certificated Holders (riverboat casinos). This bill also allows for a \$10,000 sports wagering platform licenses application fee and \$5,000 renewal fee. If all thirteen riverboat casinos applied it would generate \$140,000 the first year, \$70,000 annually and an additional \$200,000 every five years. It is estimated that the fees will not cover the on-going costs to MGC relating to certificate holder and interactive sports wagering platform approval, testing devices, and adopting rules.

Based on the application and annual fees, there is insufficient funding to license, audit, investigate complaints/violations and monitor sports wagering. Additional funding will be required to comply with the proposed legislation.

MGC has determined that two FTE, an Information Technology Specialist II (\$72,636/annually) and a Public Safety Manager Band 1 (\$65,276/ annually) plus equipment/expenses would be required to initially meet the legislation.

ASSUMPTION (continued)

Since implementation of sports betting in Missouri is contingent on a favorable United States Supreme Court decision, **Oversight** will reflect a revenue of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or Up to \$9,000,000 (6.25% Wagering Tax) to the Gaming Proceeds for Education Fund.

Since the number of casinos applying is unknown, **Oversight** will reflect a revenue of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or Up to \$140,000 (13 (all Riverboat Casinos applied) in FY 2019 and Up to \$70,000 in FY 2019 and FY 2020 to the Sports Wagering Fund.

Note: For fiscal note purposes, **Oversight** assumes the all fees (Certificate of Authority Application Fee (initial), Certificate Holder Administrative Fee (annual after first year), Certificate Holder Reinvestigation Fee (in the 5th year) and the Sports Wagering Platform License Application Fee (initial and renewal), will all be deposited into the Sports Wagering Fund.

Oversight will also reflect a cost of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or \$114,239 in FY 2019 and \$110,069 in FY 2020 and FY 2021 for MCG FTE cost to the Sports Wagering Fund.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the Secretary of State's Office for Administrative Rules is less than \$2,500.

The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we 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 our office can sustain with our core budget. Therefore, we 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Revenue - MCG</u> 6.25% Wagering Tax	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>
SPORTS WAGERING FUND			
<u>Revenue - MCG</u> Riverboat Casino Fees	\$0 or Up to \$140,000	\$0 or Up to \$70,000	\$0 or Up to \$70,000
<u>Cost - MCG</u> Personal Service	\$0 or (\$137,912)	\$0 or (\$137,912)	\$0 or (\$137,912)
Fringe Benefits	\$0 or (\$62,536)	\$0 or (\$62,536)	\$0 or (\$62,536)
Equipment and Expense	<u>\$0 or (\$17,884)</u>	<u>\$0 or (\$9,544)</u>	<u>\$0 or (\$544)</u>
<u>Total Cost - MCG</u>	<u>\$0 or (\$218,332)</u>	<u>\$0 or (\$209,992)</u>	<u>\$0 or (\$209,992)</u>
FTE Change - MCG	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
ESTIMATED NET EFFECT TO THE SPORTS WAGERING FUND	\$0 or (Could exceed <u>\$78,332</u>)	\$0 or (Could exceed <u>\$139,992</u>)	\$0 or (Could exceed <u>\$139,992</u>)
Estimated Net FTE Change to the Sports Wagering Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Sports wagering shall only be authorized under this act when the Missouri Gaming Commission determines that federal statutes prohibiting sports wagering have been repealed or amended to allow such wagering, or if the U.S. Supreme Court rules that such federal statute is unconstitutional.

Sports wagering shall only be authorized to be conducted on an excursion gambling boat. Such licensed facilities shall apply to the Commission for authorization to conduct sports wagering, and shall pay an application fee of \$10,000. If granted a certificate of authority, a certificate holder shall be authorized to conduct sports wagering in a licensed facility, through a limited mobile gaming system, or through an interactive sports wagering platform, as defined in the act. (Section 313.1006)

Certificate holders shall designate an area within the licensed facility for conducting sports wagering. In addition to such designated area, sports wagering may be conducted in a gaming or other betting area of the licensed facility through the use of a limited mobile gaming system, or in a hotel, restaurant or other amenity operated by the certificate holder and subject to the authority of the Commission. (Section 313.1008)

Certificate holders shall ensure the security and integrity of sports wagers accepted under a limited mobile gaming system, ensure that the certificate holder's surveillance system covers all areas in which sports wagering is conducted, allow the Commission to be present through gaming agents during the hours sports wagering is conducted, ensure that individuals under the age of 21 are not making sports wagers, provide certain information to sports wagering patrons, and post a sign indicating the minimum and maximum amounts that may be wagered. (Section 313.1004)

Subject to the approval of the Commission a certificate holder may contract with a third party to conduct sports wagering at the certificate holder's licensed facility. (Section 313.1008)

FISCAL DESCRIPTION (continued)

An interactive sports wagering platform, as defined in the act, may apply to the Commission for authority to offer sports wagering on behalf of a certificate holder. Such interactive sports wagering platform shall submit an application fee of \$10,000. Each year after licensure, an interactive sports wagering platform shall submit an annual license renewal fee of \$5,000. (Section 313.1010)

The Commission shall promulgate rules for a sports wagering self-exclusion program, as described in the act. The Commission shall also promulgate rules to ensure that advertisements for sports wagering do not target minors or other persons who are ineligible to place wagers, problem gamblers, or other vulnerable persons. (Section 313.1012)

The Commission shall conduct background checks on individuals seeking licenses under the act. Such background checks shall include a search for criminal history and any charges or convictions involving corruption or manipulation of sporting events.

The Commission and certificate holders shall cooperate with investigations conducted by sports governing bodies or law enforcement agencies. (Section 313.1014)

A certificate holder shall maintain records of all bets and wagers placed, including personally identifiable information of the bettor, the amount and type of bet, the time the bet was placed, the location of the bet, the outcome of the bet, records of abnormal betting activity, and video camera recordings in the case of in-person wagers, for at least three years after the sporting event occurs. (Section 313.1016)

A tax is imposed at a rate of 6.25% on the adjusted gross receipts received from sports wagering conducted by a certificate holder. Such tax shall be remitted by the last business day of each month. Revenues received from the tax shall be deposited in the Gaming Proceeds for Education Fund.

A certificate holder shall also pay to the Commission an annual administrative fee of \$5,000. In addition to such administrative fee, a certificate holder shall pay to the Commission a fee of \$10,000 every five years for a reinvestigation of the certificate holder. Such fees shall be deposited in the Sports Wagering Fund, which is created by the act, and shall be used to pay the costs incurred by the Commission to administer the provisions of the act. (Section 313.1020)

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

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SOURCES OF INFORMATION

Department of Public Safety
Missouri Gaming Commission
Office of the Secretary of State

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
February 27, 2018