

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6397-04  
Bill No.: SB 1013  
Subject: Gambling  
Type: Original  
Date: February 27, 2018

Bill Summary: This proposal authorizes sports wagering.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Gaming Proceeds for Education Fund	\$0 or Up to \$15,300,000	\$0 or Up to \$15,300,000	\$0 or Up to \$15,300,000
Gaming Commission Fund	\$0 or (\$158,332)	\$0 or (\$179,992)	\$0 or (\$179,992)
VCCITF	\$0 or Up to \$2,900,000	\$0 or Up to \$2,900,000	\$0 or Up to \$2,900,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or Less than \$18,041,668</b>	<b>\$0 or Less than \$18,020,008</b>	<b>\$0 or Less than \$18,020,008</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

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

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

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or Up to \$1,700,000</b>	<b>\$0 or Up to \$1,700,000</b>	<b>\$0 or Up to \$1,700,000</b>

## 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 twelve percent will be imposed on the adjusted gross receipts. . The American Gaming Association (AGA) estimates over \$145 billion dollars are wagered annually on sports in the U.S. 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 \$17 million tax would be generated in Missouri that would be remitted to the Education Fund pursuant to section 313.822. The \$17 million is the top range and is based on the assumption that all players would immediately wager from legal sites and not illegal sites.

An administrative fee shall be deposited in the gaming commission fund and 100% would be transferred to the veteran's trust fund. Again, based on AGA estimates up to \$2.9 million would be generated.

Section 313.870.3 requires sports wagering operators to remit a 1% integrity fee of the gross amount wagered.

**Oversight** assumes the 1% integrity fee paid from the sports wagering operating will be remitted to relevant sports governing board. Since sports wagering operators and sports governing boards are not state government, Oversight will not reflect a fiscal impact.

**MGC** states the bill allows for a \$10,000 application fee and an annual \$5,000 administration fee for interactive sports wagering platform licenses and allows the commission to recoup the cost of the investigation prior to a license being issued, up to \$50,000. It is estimated that there could be up to six interactive sports wagering platform applicants, but expect there could be as few as one. (six number based on the number of Class /parent companies in Missouri having casinos). Based on this assumption, there could be a revenue of up to \$60,000 in the first year and up to \$30,000 in the years following.

ASSUMPTION (continued)

It is estimated that the fees would cover the initial investigative expenses but not cover the on-going costs to MGC relating to interactive sports wagering platform approval, testing devices, adopting rules, and regulating sports wagering operators.

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.

Section 313.875 allows for a penalty for violation of sports wagering of \$5,000 for each violation and not to exceed \$50,000 for violation arising out of the same transaction. It also allows any violation shall be subject to penalties under subdivision (6) of 313.805.

**Oversight** assumes the 12% Wagering tax will be will be distributed pursuant to Section 313.822, which splits 90% of the tax to the Gaming Proceeds for Education Fund and 10% to the home dock city or county.

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 the MGC estimates.

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 \$60,000 (6 Riverboat Casinos applied) in FY 2019 and Up to \$30,000 in FY 2019 and FY 2020 to the Gaming Commission 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 Gaming Commission Fund.

For fiscal note purposes, **Oversight** will assume the legislation intends to remit penalties for violations of sports wagering to the school district in which the violation occurs and will show a \$0 or positive unknown to local school districts.

ASSUMPTION (continued)

In response to a similar proposal (SB 1009), officials from the **Office of the Secretary of State (SOS)** assumed 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.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Revenue** estimates a minimal to unknown impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<u>Revenue - MCG</u> 90% of the 12% Wagering Tax	\$0 or Up to <u>\$15,300,000</u>	\$0 or Up to <u>\$15,300,000</u>	\$0 or Up to <u>\$15,300,000</u>
<b>ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<b>\$0 or Up to <u>\$15,300,000</u></b>	<b>\$0 or Up to <u>\$15,300,000</u></b>	<b>\$0 or Up to <u>\$15,300,000</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GAMING COMMISSION FUND</b>			
<u>Revenue - MGC</u>	\$0 or Up to	\$0 or Up to	\$0 or Up to
2% Administrative Fee	\$2,900,000	\$2,900,000	\$2,900,000
Riverboat Casino Fees	\$0 or Up to <u>\$60,000</u>	\$0 or Up to <u>\$30,000</u>	\$0 or Up to <u>\$30,000</u>
<u>Total Revenue - MGC</u>	\$0 or Up to <u>\$2,960,000</u>	\$0 or Up to <u>\$2,930,000</u>	\$0 or Up to <u>\$2,930,000</u>
<u>Cost - MGC</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</u> <u>(\$17,884)</u>	<u>\$0 or</u> <u>(\$9,544)</u>	<u>\$0 or</u> <u>(\$544)</u>
<u>Total Cost - MGC</u>	<u>\$0 or</u> <u>(\$218,332)</u>	<u>\$0 or</u> <u>(\$209,992)</u>	<u>\$0 or</u> <u>(\$209,992)</u>
FTE Change - MGC	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
<u>Transfer Out - to VCCITF</u>	(Up to	(Up to	(Up to
2% Administrative Fee	<u>\$2,900,000)</u>	<u>\$2,900,000)</u>	<u>\$2,900,000)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<b><u>\$0 or</u></b> <b><u>(\$158,332)</u></b>	<b><u>\$0 or</u></b> <b><u>(\$179,992)</u></b>	<b><u>\$0 or</u></b> <b><u>(\$179,992)</u></b>
Estimated Net FTE Change to the Gaming Commission Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

FISCAL IMPACT - State Government                      FY 2019                      FY 2020                      FY 2021  
 (continued)                      (10 Mo.)

**VETERANS COMMISSION  
 CAPITAL IMPROVEMENT TRUST  
 FUND**

Transfer In - from Gaming Commission                      \$0 or Up to                      \$0 or Up to                      \$0 or Up to  
 Fund                      \$2,900,000                      \$2,900,000                      \$2,900,000  
 2% Administrative Fee

**ESTIMATED NET EFFECT ON THE**                      **\$0 or Up to**                      **\$0 or Up to**                      **\$0 or Up to**  
**VETERANS COMMISSION**                      **\$2,900,000**                      **\$2,900,000**                      **\$2,900,000**  
**CAPITAL IMPROVEMENT TRUST**  
**FUND**

FISCAL IMPACT - Local Government                      FY 2019                      FY 2020                      FY 2021  
 (10 Mo.)

**LOCAL POLITICAL SUBDIVISIONS**

Revenue - Home Dock City or County                      \$0 or Up to                      \$0 or Up to                      \$0 or Up to  
 10% of the 12% Wagering Tax                      \$1,700,000                      \$1,700,000                      \$1,700,000

**ESTIMATED NET EFFECT TO THE**                      **\$0 or Up to**                      **\$0 or Up to**                      **\$0 or Up to**  
**LOCAL POLITICAL SUBDIVISIONS**                      **\$1,700,000**                      **\$1,700,000**                      **\$1,700,000**

**LOCAL SCHOOL DISTRICTS**

Revenue - Violation of sports wagering                      \$0 or Unknown                      \$0 or Unknown                      \$0 or Unknown  
 penalty

**ESTIMATED NET EFFECT TO**                      **\$0 or Unknown**                      **\$0 or Unknown**                      **\$0 or Unknown**  
**LOCAL SCHOOL DISTRICTS**

FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

This act authorizes sports wagering, and modifies the definition of "gambling game" to include sports wagering. (Section 313.800)

Sports wagering shall only be offered in this state if the Missouri Gaming Commission determines that federal law does not prohibit such sports wagering. (Section 313.885)

Sports wagering shall only be authorized on excursion gambling boats. A gaming facility may offer sports wagering in-person at the licensed facility and over the internet via an interactive sports wagering platform to persons physically located in this state, provided that the person making the wager over the internet shall be required to activate an account in-person at the gaming facility to enable such wager.

A gaming facility may contract with an interactive sports wagering platform, as defined in the act, to administer sports wagering over the internet only if it holds a license issued by the Commission. Such licenses shall require a \$10,000 application fee. Additionally, interactive sports wagering platforms shall pay an annual license renewal fee of \$5,000. All license fees shall be deposited in the Gaming Commission Fund and distributed according to existing law. The Commission shall investigate all applicants for an interactive sports wagering platform license. If the cost of such application exceeds the cost of the investigation, the applicant shall remit the total cost of the investigation prior to the license being issued.

This act imposes a 12% tax on the adjusted gross receipts received from wagers on sporting events, and such tax shall be remitted and distributed as provided in current law. This act also imposes an administrative fee at a rate of 2% of adjusted gross receipts from wagers on sporting events. Such administrative fee shall be deposited in the Gaming Commission Fund, and one hundred percent of such administrative fee shall be transferred to the Veterans' Commission Capital Improvement Trust Fund. (Section 313.855)

Sports wagering operators shall allow individuals to restrict themselves from placing wagers with the operator, as described in the act.

The Commission shall promulgate rules to ensure that an operator's advertisements for sports wagering disclose the identity of the operator, provide information about resources relating to gambling addiction, are not false, misleading, or deceptive, and do not target minors or other ineligible individuals. (313.860)

Operators shall conduct background checks on all newly hired employees, and annual background checks on all existing employees. Operators shall employ reasonable methods to



FISCAL DESCRIPTION (continued)

prohibit the following individuals from placing wagers with the operator:

the operator and employees of the operator, along with any relative living in the same household as such person, from placing bets with the operator; athletes, coaches, referees, and other individuals associated with a sporting event (with the prohibition applying only to a sporting event overseen by that sport's governing body); individuals with access to non-public confidential information held by the operator; and persons placing wagers as agents or proxies for others.

Operators shall maintain the security of wagering data, customer data, and other confidential information from unauthorized access and dissemination.

A sports governing body may notify the Commission that it desires to restrict, limit, or exclude wagering on its sporting events by providing notice in a form required by the Commission, including restrictions on the sources of data and associated video upon which an operator may rely in offering and paying wagers and the bet types that may be offered. Upon receiving such notice, the Commission shall publish such wagering restrictions.

The Commission shall designate a state law enforcement entity to have primary responsibility for conducting, or assisting the Commission in conducting, investigations into abnormal betting activity, match fixing, or other conduct that corrupts a betting outcome. The Commission and sports wagering operators shall cooperate with investigations conducted by sports governing bodies or law enforcement agencies. Operators shall immediately report to the Commission any information relating to certain suspicious or illegal wagering activities, as described in the act. (Section 313.865)

Sports wagering operators shall maintain records of all bets and wagers placed, including personally identifiable information of the bettor, amount and type of bet, and certain other information relating to the bet as described in the act.

At least once per calendar quarter, a sports wagering operator shall remit to the relevant sports governing body a sports betting right and integrity fee of one percent of the gross amount wagered on its sporting events. (Section 313.870)

Any person who knowingly violates any procedure implemented under this act shall be liable for a civil penalty of not more than \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction or occurrence. Such person shall also be subject to actions and penalties provided under current law. (Section 313.875)

FISCAL DESCRIPTION (continued)

Any person who places, or causes to be placed, a bet or wager on the basis of non-public information relating to that bet or wager, or who knowingly engages in, facilitates, or conceals conduct that intends to improperly influence a betting outcome of a sporting event for purposes of financial gain in connection with betting or wagering on a sporting event shall be guilty of a Class E felony. (Section 313.880)

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

Ross Strobe



Acting Director  
February 27, 2018