

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1616-03
Bill No.: SB 327
Subject: Gambling; Taxation and Revenue - Income; Corporations
Type: Original
Date: February 25, 2019

Bill Summary: This proposal modifies provisions relating to gaming.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
General Revenue	\$0	\$0	Unknown to (Unknown) or (\$69,616,172)	Unknown to (Unknown) or (\$139,232,345)
Total Estimated Net Effect on General Revenue	\$0	\$0	Unknown to (Unknown) or (\$69,616,172)	Unknown to (Unknown) or (\$139,232,345)

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 32 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
State Lottery Fund	\$829,292	\$601,478	\$601,478	\$2,163,638
Lottery Proceeds (0291)	Less than \$22,692,754	Less than \$53,921,697	Less than \$87,855,603	Less than \$103,918,932
Compulsive Gamblers (0249)	\$0	\$0	\$0	\$0
Veterans Commission Capital Improvement Trust (0304)	\$780,510	\$2,532,160	\$2,532,160	\$970,000
Gaming Commission Fund (0286)	\$180,000 to (Unknown)	\$25,000 to (Unknown)	\$25,000 to (Unknown)	\$25,000 to (Unknown)
Gaming Proceeds for Education Fund (0285)	\$1,929,386 to \$11,340,000 to (Unknown)	\$1,929,386 to \$11,340,000 to (Unknown)	\$1,929,386 to \$11,340,000 to (Unknown)	\$1,929,386 to \$11,340,000 to (Unknown)
Sports Wagering Fund	(\$250,217)	(\$177,130)	(\$177,130)	(\$47,130)
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$26,161,725 to \$35,572,339	Less than \$58,832,591 to \$68,420,335	Less than \$92,766,497 to \$102,177,111	Less than \$108,959,826 to \$118,370,440

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Lottery Proceeds (0291)	19 FTE	19 FTE	19 FTE	19 FTE
Sports Wagering	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	21 FTE	21 FTE	21 FTE	21 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 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Local Government	Less than \$4,339,376 to \$5,385,000	Less than \$8,464,376 to \$9,510,000	Less than \$12,714,376 to \$13,760,000	Less than \$16,814,376 to \$17,860,000

FISCAL ANALYSIS

ASSUMPTION

VIDEO LOTTERY

§313.425 - §313.437 Video Lottery Control Act

Officials from the **Missouri Lottery Commission (Commission)** assume the following:

§313.429.1

The Commission shall implement a system of video lottery game terminals utilizing a licensing structure for processing license applications and issuing licenses to manufacturers, distributors, operators, handlers and retailers of video lottery, following specific requirements for eligibility.

- It is assumed three (3) additional admin office support assistant positions at a salary of \$31,608 each will be needed to process applications and renewals, which includes completing background checks on owners and handlers and determining eligibility.
- The Commission may impose initial application fees and provisional license fees that will cover initial background checks. Renewal fees and penalties may also be assessed by the Commission. The Commission estimates \$1.6 million in application fees in FY 2020 and \$1.9 million every year thereafter. The renewal fees are estimated at \$1.2 million starting in FY 2021.
- It is assumed revenues from initial application and provisional license fees will total \$7.8 million spread over a 4-year ramp-up period, which will be offset by the cost of background checks for operators, manufacturers, distributors, retailers and handlers of approximately \$115,000 per year (background checks are estimated to be \$45 per person, and each operator, manufacturer, distributor and retailer is assumed to have at least two owners requiring a check, with each handler requiring one check).
- Cost of background checks beyond the fiscal note period will continue at approximately \$100,000 per year, with approximately \$1.2 million in revenues assumed from the first year of renewal fees, ramping up to approximately \$4.8 million in year 4 and beyond.

Oversight will show the FTE and fees as estimated by the Commission.

§313.429.3

The Commission noted that the video lottery terminals must be connected to a centralized system that uses industry protocols approved by the Commission that allows the Commission to activate or deactivate a terminal from a remote location and capable of monitoring and auditing plays.

ASSUMPTION (continued)

The Commission will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers.

§313.429.6

Video lottery game terminals shall meet independent testing standards approved by the Commission and shall be inspected and approved by the Commission prior to being sold, leased or transferred.

§313.429.7-8

Operators must follow guidelines for plays and payouts, where terminals can be operated, number of terminals operated per establishment, responsible gambling and refrain from advertising. Retailers may participate in an advertising program that is promoted through and sponsored by the Lottery.

§313.429.9

Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the video lottery terminals (VLT). Recorded video must be reviewed by video lottery game operators for compliance with law, rules and regs and fines may be assessed by the Commission for violations and for failing to review or report violations.

Eight Lottery Security Specialists at an annual salary of \$48,852 each are needed to ensure the centralized system uses industry protocols, to activate or deactivate terminals, to monitor and audit plays, and ensure operators are following requirements for plays and payouts, where terminals can be operated, number of terminals operated per establishment, advertising, posting age requirement and the problem gambling helpline, and reviewing video surveillance and assessing fines for noncompliance. Four additional Lottery Security Specialists at an annual salary of \$48,852 are needed to facilitate and document VLT investigations, review cases/video surveillance and recommend fines for noncompliance to the Commission. Video lottery game terminals must also meet independent testing standards approved by the Commission and must be inspected and approved by the Commission prior to being sold, leased or transferred.

One (1) gaming public information coordinator is needed at an annual salary of \$38,304 to educate operators and retailers on problem gambling and manage the self-exclusion program.

Advertising, promotions and point-of-sales costs associated with the program are estimated to be \$1,500,000 per year.

Oversight will show the FTE and advertising costs as estimated by the Commission.

ASSUMPTION (continued)

§313.429.10 36% Adjusted Gross Receipts

Video lottery game operators shall pay the Commission 36% of the video lottery adjusted gross receipts, which, except for administrative expenses, is to be transferred to the lottery proceeds fund. The Commission must compensate the municipality where a licensed video lottery retailer maintains an establishment 4% of the 36% to cover administrative costs. Appropriation authority will be needed to remit the 4% compensation to the municipalities.

The Lottery assumes approximately \$4.1 million, \$8.3 million and \$12.5 million per year will be remitted to municipalities where video lottery establishments are located in 2020, 2021 and 2022, respectively, ramping up to \$16.6 million annually after year four.

The Commission assumes two (2) Accounting Generalists I are needed at an annual salary of \$42,780 each to collect license fees, verify and collect Lottery's share of video lottery adjusted gross receipts, and remit payments to municipalities.

Oversight will show 4% of gross receipts from video lottery terminals as income to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Oversight notes this proposal requires 32% of the 36% gross receipts to be transferred to the Lottery Proceeds Fund. This proposal requires the first \$100 million to be appropriated to public institutions of higher education and any remaining funds to be appropriated to public elementary and secondary education.

Officials from the **Department of Higher Education (DHE)** assume there is no cost to DHE; however, there is potential for higher education funding, subject to appropriations.

In response to similar legislation filed this year, SB 43, officials from the **Department of Elementary and Secondary Education (DESE)** stated that the potential amount of adjusted gross receipts resulting from video lottery cannot be estimated. Net proceeds transferred to the lottery proceeds fund shall be appropriated to public elementary and secondary education and public institutions of higher education.

Oversight will show 32% of gross receipts from video lottery terminals as income to the State Lottery Fund, and then will show a Transfer to the Lottery Proceeds Fund to be appropriated to public institutions of higher education. Oversight assumes the General Assembly will then determine how it is appropriated.

ASSUMPTION (continued)

§313.429.11 Compulsive Gamblers Funding

Officials from the **Missouri Lottery Commission** assume up to one percent (1%) of license fees and reimbursements deposited in the State Lottery Fund may, subject to appropriation, be deposited into the credit of the Compulsive Gamblers Fund.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$16,000 in FY 2020 and \$32,000 in FY 2021 and beyond. (Currently the legislation reads "one percent of...license fees and reimbursements"; however, the Lottery is requesting via a Comment Memo that this be modified to license fees only, since the reimbursements are meant to "reimburse" the Lottery for the cost of the centralized monitoring system).

In response to similar legislation filed this year, SB 222, officials from the **Department of Mental Health (DMH)** assumed, subject to appropriation, up to one percent of license fees and reimbursements deposited into the State lottery fund may be deposited to the compulsive gamblers fund created under Section 313.842. Therefore, no State general revenue would be required for the below assumptions.

DMH assumes this would increase the need for and utilization of compulsive gambling (CG) treatment. Based on the current number of consumers served, DMH estimates treatment for 350 additional consumers with an average cost of \$1,428 per treatment episode for a total treatment cost of \$499,800 in FY 2020. Currently, DMH has 11 certified compulsive gambling treatment providers; this number would likely increase over time along with the need for additional compulsive gambling counselors. DMH estimates 25 new compulsive gambling counselors will be needed throughout the state, with initial cost for training new counselors estimated at \$160 per person for a total of \$4,000 in FY 2020. DMH anticipates annual cost for advertising with public service announcements for help with compulsive gambling at \$166,400. Total cost to DMH would be estimated at \$558,500 in FY 2020. For FY 2021 and beyond the amount would be \$670,200 or more based upon the need for compulsive gambling services.

Oversight notes the balance of the Compulsive Gamblers Fund (0249) was \$65,828 on January 31, 2019 and \$17,320 on June 30, 2018. Therefore, Oversight assumes DMH will only be allowed to spend the anticipated income into the fund on mental health services. Therefore, Oversight will reflect DMH utilizing all of the proceeds into the fund as estimated by LOT.

§313.429.11 Veterans Commission Capital Improvements Fund

Officials at the **Missouri Lottery Commission** assume beginning January 1, 2020, 80% of license fees collected by the commission must be distributed to the Veterans Commission Capital Improvements Trust fund (0304). Appropriation authority will be needed to distribute monies to

ASSUMPTION (continued)

the veterans commission capital improvements trust fund. Transfers to the veterans commission capital improvements trust fund are estimated to be \$780,510 the first year, \$2,532,160 in years two through four, then \$970,000 in year 5 and after.

Oversight will show the estimate provided by LOT in the fiscal note.

§313.429.12 Contracting with Law Enforcement

Officials from the **Missouri Lottery Commission** assume the commission may contract with a state law enforcement entity to assist in conducting investigations. Licensees suspected of violations shall be afforded an administrative hearing.

The Commission assumes \$500,000 per year is the estimated cost to contract with state law enforcement. 1 paralegal FTE at an annual salary of \$50,331 is assumed to assist with additional legal work involved with administrative hearings and promulgating rules.

Oversight assumes that the Commission may or may not contract with a state law enforcement entity and therefore will reflect a \$0 (the Commission does not contract with state law enforcement) to \$416,667 in FY 2020, \$512,500 in FY 2021 and \$525,313 in FY 2022 (the Commission does contract with state law enforcement).

§313.429.13

The Commission shall adopt rules for implementing video lottery.

§313.431.1

The Commission shall make license applications available for manufacturers, distributors, operators, retailers and handlers, by December 15, 2019 and issue provisional licenses to applicants meeting criteria for licensure within 60 days of receipt of satisfactory applications.

LOT Summary

Fringe benefits for the 19 additional FTE are estimated to be \$265,000 per year. Equipment and vehicle cost for the new FTE is estimated to be \$296,000. Annual office supplies, fuel and ongoing IT cost for the new FTE is estimated to be \$20,000 per year.

The Lottery assumes 3,365 retailers will operate 14,247 terminals after a 4-year ramp up period. Additional proceeds to the state and municipalities from video lottery sales are anticipated to be \$37 million in year one and grow to \$112 million in year three, offset by lost profits from Pull-Tabs and Keno of approximately \$7 to \$9 million per year. Pull-Tab sales at fraternal are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be

ASSUMPTION (continued)

cannibalized by 31.3%.

Net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$23.5 million in FY 2020, \$54.5 million in FY 2021 and \$88.5 million in FY 2022, the first \$100 million of which shall be appropriated to institutions of higher education. It is assumed the first \$100 million allocation is annual, in which case all of the proceeds will be allocated to higher education in the first three years.

<u>State Revenue Impact</u>			
Provision	FY 2020	FY 2021	FY 2022
Initial Application Fee	\$1,626,063	\$1,951,275	\$1,951,375
Renewal Fee	\$0	\$1,213,925	\$1,213,925
*VLT Proceeds (32% AGR Tax)	\$33,000,000	\$66,000,000	\$100,000,000
Total State Impact	\$34,626,063	\$69,165,200	\$69,165,200
<u>Local Revenue Impact</u>			
**Dock Cities/Counties (4% AGR Tax)	\$4,125,000	\$8,250,000	\$12,500,000

* 32% of the 36% AGR Tax

**4% of the 36% AGR Tax

Officials at the **University of Missouri Economic & Policy Analysis Research Center** (EPARC) assume that this proposal would establish the “Missouri Video Lottery Control Act,” a regulatory framework for the use of player-activated video terminals for the conduct of lottery games. As revenues from this source increase, the author intends to reduce the corporate income tax rate at a commensurate rate.

Unfortunately, we do not possess data that could assist us in estimating the amount of revenue possible from these player-activated video lottery terminals. Therefore, we are unable to estimate the impact this bill may have on Net General Revenue.

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission** state that as a new form of entertainment, it is assumed the video lottery terminals would be in direct competition with state-sanctioned gaming resulting in a reduction in state taxes to education from riverboat casinos and bingo halls. It would also result in a reduction of state admission fees for Veteran's, National Guard, and Access Missouri programs, and casino taxes and admission fees to local government in home dock cities.

The extent of the reduction in revenue in both state and local taxes from riverboat gaming casinos and charitable bingo is unknown but significant, as has been the case in other states which have authorized video lottery terminals.

Oversight will show an unknown loss to the Lottery Proceeds Fund and the Gaming Proceeds for Education Fund for the direct competition.

SPORTS BETTING

§313.1000 - §313.1022 Sports Betting

Officials from the **Missouri Gaming Commission (MGC)** assume this proposal repeals the prohibition on gambling on sporting events.

In response to similar legislation filed this year, SB 222, officials at the **MGC** stated there are five parent companies, referred to as Class A Licensees, that own casinos in Missouri. Each Class A Licensee owns between one and five of the 13 Missouri casinos. Each casino will be the holder of a Certificate of Authority. MGC anticipates each Class A Licensee will select at least one Sports Wagering Platform Licensee to operate their sports wagering activities in the casinos that they own. Therefore, MGC anticipates issuing five Sports Wagering Platform Licenses. (Based on experience in other states, it is possible that each Class A Licensee may contract with up to four different Sports Wagering Platform Licensees, which would then increase the amount of license fees received accordingly.)

Since the number of casinos applying is unknown, **Oversight** will use the MGC estimated number Sports Wagering Platform Licenses (5) and estimated number of licensed applicants and certificate holders of (13), but it should be noted that the number of applicants (and therefore revenues generated) could be different.

§313.1006 & §313.1010 Application Fees

Officials from the **MGC** state that the bill allows for an application fee (\$10,000), an initial application fee for interactive sports wagering platform license (\$10,000) and annual renewal fee for interactive sports wagering platform license (\$5,000) but the proposed legislation does not state where those moneys are to be deposited. MGC estimates \$130,000 in initial application

ASSUMPTION (continued)

fees and \$50,000 in interactive sports wagering platform license fees in FY 2020. The renewal fees for the interactive sports wagering platform would be estimated at \$25,000 annually.

For fiscal note purposes, **Oversight** will reflect a revenue generated from these fees into the Gaming Commission Fund to stay consistent with how funds are appropriated in Chapter 313.

§313.1022.5 Administrative and Reinvestment Fees

Officials at the **MGC** state this proposal in §313.1022.5, requires the Certificate Holder to pay an annual administrative fee of \$5,000 and a \$10,000 Certificate Holder Reinvestment Fee every five years and those fees are to be deposited into the Sports Wagering Fund. MGC estimates that 13 entities would be paying these fees equaling \$65,000 ($\$5,000 \times 13$) starting in FY 2021 and \$130,000 ($\$10,000 \times 13$) in FY 2024.

Oversight will show in the Sports Wagering Fund the estimates provided by MGC. Oversight will reflect the revenue generated from the Certificate Holder Reinvestment Fee starting in FY 2024.

§313.1022.1 Wagering Tax

Officials at the **MGC** notes this creates a wagering of 6 1/4% imposed on the adjusted gross receipts and shall be deposited in the gaming proceeds for education fund under §313.822. MGC estimates this proposal would increase total state revenue by approximately \$7.2 million annually. MGC bases those estimates off of comparison to Mississippi's Sports Betting experience for the past 4 months, Rubin Brown and an Oxford Study. Based on MGC calculations (Oxford and Ruben Brown study), adjusted gross receipts under this proposal could be approximately \$34 million. At a tax rate of 6.25%, revenues generated from the tax could be approximately \$2.14 million (distributed 90/10 between the state and local governments).

MGC states they annualized the state of Mississippi's Total Revenue from sports betting by taking their total revenue in September through December of 2018 dividing by four and multiplied by 12 ($(\$14,530,610.51/4) \times 12 = \$43,591,831.53$). MGC then determined their sports betting revenue was 2% of their total gaming revenue. This was calculated by taking \$43,591,831.53 and dividing by \$2,120,060,000 ($\$43,591,831.53/\$2,120,060,000 = .02$ or 2%). We then could assume Missouri's sports betting revenue would also be 2% of our total gaming revenue of \$1,715,010,000 ($\$1,715,010,000 \times 2\% = \$34,300,200$). MGC based their estimated revenue from this bill off of an anticipated Adjusted Gross Receipts of \$34.3 million.

Oversight notes that estimates used to calculate revenue for this proposal differs greatly from a similar proposal from last year (SB 1013) (assumed AGR of \$141.6 million in 2018 versus \$34.3

ASSUMPTION (continued)

million in 2019).

§313.1022 Royalty Fee

Officials at the **MGC** note this proposal requires the Certificate Holder to submit to MGC a royalty fee of 3/4 of 1% of the amount wagered on sporting events. MGC is to disburse the funds to the registered sports governing body in a pro rata proportion.

Oversight notes this proposal does not indicate which fund will be used to collect and disburse the royalty fee. Oversight will show the impact as could exceed \$100,000 for each fiscal year. For fiscal note purposes, Oversight will reflect the revenue generated from the royalty fee in the Gaming Commission Fund.

State Impact - Estimated by MGC						
Provision	FY20	FY21	FY22	FY23	FY24	FY25
Initial License Fee	\$130,000	\$0	\$0	\$0	\$0	\$0
Certificate Holder Admin Fee	\$0	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Certificate Holder Reinvestment Fee	\$0	\$0	\$0	\$0	\$130,000	\$0
Interactive Sports Wagering Platform Initial License Fee	\$50,000	\$0	\$0	\$0	\$0	\$0
Interactive Sports Wagering Platform Initial Renewal Fee	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
AGR tax (90%)*	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386
Total State Impact	\$2,109,386	\$2,019,386	\$2,019,386	\$2,019,386	\$2,149,386	\$2,019,386
Local Impact						
Dock* Cities/Counties (10% AGR tax)	\$214,376	\$214,376	\$214,376	\$214,376	\$214,376	\$214,376

*6.25% of \$58,310,340 AGR

ASSUMPTION (continued)

Total State Impact by Fund - Estimated by MGC						
Fund	FY20	FY21	FY22	FY23	FY24	FY25
General Revenue	\$0	\$0	\$0	\$0	\$0	\$0
Gaming Commission Fund	\$180,000	\$0	\$0	\$0	\$0	\$0
Gaming Proceeds for Education Fund	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386	\$1,929,386
Sports Wagering Fund	\$0	\$90,000	\$90,000	\$90,000	\$220,000	\$90,000
Total State Impact	\$2,109,386	\$2,019,386	\$2,019,386	\$2,019,386	\$2,149,386	\$2,019,386

In response to similar legislation filed this year, SB 222, officials from the **Department of Revenue (DOR)** using the Oxford Economics report titled "Economic Impact of Legalized Sports Betting," the Department believes Total State Revenue will increase an estimated \$11.3-14.2 million. This report breaks out the possible revenue impacts into three categories. They are Limited Availability, Moderate Availability, and Convenient Availability. For the purpose of this fiscal note response, the Department utilized the Moderate Availability, due to the proposed legislation allowing sports wagering to occur in any of our casinos, and online. If online would have not been permitted, the Department would have used the Limited Availability number, and if it were to be treated like the lottery, Convenient Availability would have been used.

\$202,200,000 - \$253,300,000 (Moderate Availability AGR Estimate per Oxford report)
 \$12,600,000 - \$15,800,000 (6.25% tax imposed on AGR)

Breakout of the 6.25% per Section 313.822 RSMo.

\$12,600,000 - \$15,800,000 (6.25% tax imposed on AGR)

10% to Dock Cities (Local) - \$1,260,000 - \$1,580,000

90% to Gaming Proceeds for Education Fund - \$11,340,000 - \$14,220,000

Oversight currently does not have the data or resources available to produce independent revenue projections, including an Economist to estimate the elasticity of demand for sports

ASSUMPTION (continued)

wagering in relation to other games of chance offered at casinos or the Missouri Lottery. Therefore, for purposes of this fiscal note, Oversight will range the anticipated revenue from MGC estimates to the “low” estimates of DOR.

	MGC	DOR (low)	DOR (high)
Sports Betting Adjusted Gross Receipts	\$34,300,000	\$202,200,000	\$253,300,000
6.25% tax on AGR (state portion - 90%)	\$1,929,386	\$11,340,000	\$14,220,000
6.25% tax on AGR (local portion - 10%)	\$214,376	\$1,260,000	\$1,580,000

Officials from the **MGC** state that the fees collected in the Gaming Fund (0286) for sports wagering based on the language in this proposal are not sufficient to cover the expenditures of this proposal. MGC estimates a cost of approximately \$705,000 (2.5% of MGC existing budget) each year. This cost is the average hours and expenses (current background investigators, financial investigators, compliance auditors and tax auditors) the MGC staff would spend on licencing and regulating sports wagering. MGC would need a revenue source to cover this allotment. MGC notes that if more revenue is not collected for the purpose of sports wagering the admission fees collected from the riverboat casinos will be used to cover MGC's expenditures related to sports wagering and as a result the transfer to the Veteran's Commission Capital Improvement funds will be less.

The MGC will be able to use two current allocated vacant FTE positions to fill the FTE this proposal will require. (Information Technology Specialist I (\$71,726/annually) and a Public Safety Manager Band 1 (\$65,976/ annually). 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. As a result, the MGC need to request an additional \$50,040.87 in spending authority the first year and \$41,954.37 thereafter.

Oversight assumes an annual direct fiscal impact of \$137,702 plus fringes and notes MGC has stated they are reallocating \$87,661 and 2 FTE of excess existing appropriation authority and are only requesting \$50,041 for this program in the FY 2020 budget.

Oversight notes in §313.1022.6 that all costs incurred by MGC to administer this program are to be paid out of the Sports Wagering Fund.

ASSUMPTION (continued)

CORPORATE TAX RATE

§143.071 Corporate Tax Rate Reduction

Oversight notes that currently the corporate tax rate is 6.25%. Beginning January 1, 2020 the corporate rate is set to be 4%. This proposal would allow for additional reductions in the corporate rate based on the revenue generated from video lotteries and sports betting.

Officials at the **Department of Revenue (DOR)** assume this proposal states that there may be a reduction in the corporate income tax rate in increments of one percent. A reduction shall only be made if revenue collections received under the provisions of §313.425 to §313.437 and sections §313.1000 to §313.1022 in a single fiscal year equals or exceeds fifty millions dollars. For each fifty million dollars of revenue collected under the provisions of §313.425 to §313.437 and sections §313.1000 to §313.1022 in excess of fifty million dollars during the same fiscal year, the corporate income tax rate shall be further reduced by one percent. No reduction under this section shall be made that reduces the corporate income tax rate less than two percent. The modification of the tax rate shall only apply to tax years that begin on or after the date the modification take effect.

In order to determine the potential revenues collected under the provisions of sections §313.1000 to §313.1022, the Department utilized the response submitted for SB 222/ LR 1245-02 (2019). In order to determine the potential revenues collected under the provisions of sections §313.425 to §313.437, the Department deferred to the Missouri Lottery Commission's estimated revenue collections submitted for this bill. The respective estimations are shown below in millions of dollars.

	FY20	FY21	FY22
DOR	11.3-14.2	11.3-14.2	11.3-14.2
LOT	23.5	54.5	88.5
Total	34.8-37.7	65.8-68.7	99.8-102.7

Based on this information, the Department assumes that the first reduction in the corporate income tax rate would not occur until FY 2021, and the next and final reduction would occur in FY 2022.

The Department utilized TY 2018 corporate income tax collections of \$435,101,077 to determine the fiscal impact of the corporate tax sections of this bill. The Department determined the estimated amount of corporate taxes to be collected in TY 2021 at 4%, since this will be the applicable corporate income tax rate for all tax years beginning on or after January 1, 2020. In TY 2021, the Department estimates corporate income tax collections at 4% will be

ASSUMPTION (continued)

\$278,464,689. This amount is what we used in order to determine the fiscal impact. The Department assumed the triggers were met for each year to allow for the reduction in the corporate income tax rate. The fiscal impact of these reductions are shown in the chart below.

Corporate Income Tax Rates		Estimated Amount Collected	Estimated loss in State Revenues
TY21	4.00%	\$278,464,689	\$0.00
TY22	3.00%	\$208,848,517	(\$69,616,172)
TY23	2.00%	\$139,232,345	(\$139,232,345)

The chart below reflects the impact to Total State Revenue.

Year	Collections from Gaming and Lottery	Reduction	Year in which reduction takes effect	FY20	FY21	FY22	FY23	FY24
FY20	34.8-37.7							
FY21	65.8-68.7	1%	Jan. 2022			(\$34,808,086)	(\$34,808,086)	
FY22	99.8-102.7	1%	Jan. 2023				(\$69,616,173)	(\$69,616,173)
			Subtotal			(\$34,808,086)	(\$104,424,259)	(\$69,616,173)
			Collections	\$34.8-\$37.7	\$65.8-\$68.7	\$99.8-\$102.7	\$99.8-\$102.7	\$99.8-\$102.7
			Total	\$34.8-\$37.7	\$65.8-\$68.7	\$65.0-\$67.9	(\$4.6-\$1.7)	\$30.2-\$33.1

Oversight currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

Oversight notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact

ASSUMPTION (continued)

future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect DOR's revenue estimates.

Bill as a Whole

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

Oversight notes that the Office of the State Treasurer has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for that office.

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

ASSUMPTION (continued)

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 require additional resources.

<u>FISCAL IMPACT -</u>				Fully
<u>State Government</u>	FY 2020	FY 2021	FY 2022	Implemented
	(6 Mo.)			(FY 2024)

**GENERAL
REVENUE**

<u>Revenue Reduction -</u>				
DOR §143.071				
reduction in				
corporate tax rate	\$0	\$0	(\$69,616,172)	(\$139,232,345)

**ESTIMATED NET
EFFECT ON
GENERAL
REVENUE**

	<u>\$0</u>	<u>\$0</u>	<u>(\$69,616,172)</u>	<u>(\$139,232,345)</u>
--	------------	------------	-----------------------	------------------------

* Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.

**STATE LOTTERY
FUND**

<u>Revenue -LOT</u>				
§313.429.1 Initial				
application fees	\$1,626,063	\$1,951,275	\$1,951,275	\$1,951,275

<u>Revenue - LOT</u>				
§313.429.1				
Renewal Fees	\$0	\$1,213,925	\$1,213,925	\$1,213,925

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
STATE LOTTERY FUND (continued)				
<u>Revenue</u> -LOT §313.429.10 VLT Proceeds (36% of AGR)	\$37,125,000	\$74,250,000	\$112,500,000	\$132,800,000
<u>Transfer Out</u> - LOT §313.429.10 to municipalities 4% of AGR of VLT game to cover admin. costs	(\$4,125,000)	(\$8,250,000)	(\$12,500,000)	(\$16,600,000)
<u>Transfer Out</u> - LOT §313.429.10 to Lottery Proceeds Fund (32% of AGR)	(\$33,000,000)	(\$66,000,000)	(\$100,000,000)	(\$116,200,000)
<u>Transfer Out</u> - LOT §313.429.11 to Compulsive Gamblers Fund (1% of fees collected	(\$16,261)	(\$31,562)	(\$31,562)	(\$31,562)
<u>Transfer Out</u> - LOT §313.429.11 to Veterans Commission Capital Improvement Fund 80% of application & renewal fees	(\$780,510)	(\$2,532,160)	(\$2,532,160)	(\$970,000)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
<u>Loss</u> - LOT direct competition with gaming	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE STATE LOTTERY FUND	<u>\$829,292</u>	<u>\$601,478</u>	<u>\$601,478</u>	<u>\$2,163,638</u>
LOTTERY PROCEEDS FUND				
<u>Transfer In</u> - LOT §313.429.10 from State Lottery Fund to be appropriated to DHE & DESE	\$33,000,000	\$66,000,000	\$100,000,000	\$116,200,000
<u>Cost</u> - LOT §313.429 3 SAO, 12 LSS, 1 PIC, 1 PL, 2 AGI				
Personal Service	(\$712,703)	(\$863,795)	(\$872,433)	(\$889,969)
Fringe Benefits	(\$217,161)	(\$263,198)	(\$265,830)	(\$271,173)
Equip and Expense	<u>(\$319,320)</u>	<u>(\$28,854)</u>	<u>(\$29,576)</u>	<u>(\$31,073)</u>
<u>Total Cost</u> -	(\$1,249,184)	(\$1,155,847)	(\$1,167,839)	(\$1,192,215)
FTE Change	19 FTE	19 FTE	19 FTE	19 FTE
<u>Cost</u> - LOT §313.429 background checks	(\$92,728)	(\$114,056)	(\$116,907)	(\$122,826)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
LOTTERY PROCEEDS FUND (continued)				
<u>Cost - LOT</u> §313.429.9 Advertising, promotions and point-of-sale	(\$1,250,000)	(\$1,537,500)	(\$1,575,938)	(\$1,655,720)
<u>Cost - LOT</u> §313.429.12 Contract with State Law Enforcement	\$0 or (\$416,667)	\$0 or (\$512,500)	\$0 or (\$525,313)	\$0 or (\$551,907)
<u>Loss - LOT</u> §313.429 Lost profits from Keno & Pull-Tab Sales	(\$7,298,667)	(\$8,758,400)	(\$8,758,400)	(\$8,758,400)
<u>Loss - LOT direct</u> competition with gaming	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND	<u>Less than</u> <u>\$22,692,754</u>	<u>Less than</u> <u>\$53,921,697</u>	<u>Less than</u> <u>\$87,855,603</u>	<u>Less than</u> <u>\$103,918,932</u>
Estimated Net FTE to the Lottery Proceeds Fund	19 FTE	19 FTE	19 FTE	19 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
COMPULSIVE GAMBLERS FUND				
<u>Transfer In</u> - from the State Lottery Fund (\$313.429.11)	\$16,261	\$31,652	\$31,652	\$31,652
<u>Cost</u> - DMH - Administrative cost for treating additional consumers	<u>(\$16,261)</u>	<u>(\$31,652)</u>	<u>(\$31,652)</u>	<u>(\$31,652)</u>
ESTIMATED NET EFFECT ON THE COMPULSIVE GAMBLERS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND				
<u>Transfer In - LOT</u> §313.429.11 State Lottery Fund 80% of application & renewal fees	<u>\$780,510</u>	<u>\$2,532,160</u>	<u>\$2,532,160</u>	<u>\$970,000</u>
ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENT FUND	<u>\$780,510</u>	<u>\$2,532,160</u>	<u>\$2,532,160</u>	<u>\$970,000</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
GAMING COMMISSION FUND				
<u>Revenue - MGC</u> §313.1006.1(2) Initial License Fee - \$10,000	\$130,000	\$0	\$0	\$0
<u>Revenue - MGC</u> §313.1010(2) Interactive Sports Wagering Platform License Fee \$10,000	\$50,000	\$0	\$0	\$0
<u>Revenue - MGC</u> §313.1010.3 Renewal Interactive Sports Wagering Platform Fee \$5,000	\$0	\$25,000	\$25,000	\$25,000
<u>Revenue - MGC</u> §313.1020 Royalty Fee	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Disbursed - MGC</u> §313.1020 royalty fee paid to registered receivers	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

FISCAL IMPACT -
State Government
 (continued)

FY 2020
 (10 Mo.)

FY 2021

FY 2022

Fully
 Implemented
 (FY 2024)

**GAMING
 COMMISSION
 FUND (continued)**

Loss - MGC direct
competition with
lottery

(Unknown)

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET
 EFFECT TO THE
 GAMING
 COMMISSION
 FUND**

\$180,000 to
(Unknown)

\$25,000 to
(Unknown)

\$25,000 to
(Unknown)

\$25,000 to
(Unknown)

**GAMING
 PROCEEDS FOR
 EDUCATION
 FUND**

Revenue - MGC
 §313.1020.1 - 90%
 of the 6.25%
 Wagering Tax

\$1,929,386 to
 \$11,340,000

\$1,929,386 to
 \$11,340,000

\$1,929,386 to
 \$11,340,000

\$1,929,386 to
 \$11,340,000

Loss - MGC direct
competition with
lottery

(Unknown)

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET
 EFFECT TO THE
 GAMING
 PROCEEDS FOR
 EDUCATION
 FUND**

\$1,929,386 to
\$11,340,000 to
(Unknown)

\$1,929,386 to
\$11,340,000 to
(Unknown)

\$1,929,386 to
\$11,340,000 to
(Unknown)

\$1,929,386 to
\$11,340,000 to
(Unknown)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
SPORTS WAGERING FUND				
<u>Revenue - MGC</u> §313.1018.5 Certificate Holder \$5,000 Admin Fee	\$0	\$65,000	\$65,000	\$65,000
<u>Revenue - MGC</u> §313.1018.5(2) Certificate Holder \$10,000 Reinvestment Fee	\$0	\$0	\$0	\$130,000
<u>Cost - MGC</u> Salaries	(\$137,702)	(\$137,702)	(\$137,702)	(\$137,702)
Fringe Benefits	(\$62,474)	(\$62,474)	(\$62,474)	(\$62,474)
Equip and Exp	(\$50,041)	(\$41,954)	(\$41,954)	(\$41,954)
<u>Total Cost -</u> FTE Change	<u>(\$250,217)</u> 2 FTE	<u>(\$242,130)</u> 2 FTE	<u>(\$242,130)</u> 2 FTE	<u>(\$242,130)</u> 2 FTE
ESTIMATED NET EFFECT TO THE SPORTS WAGERING FUND	<u>(\$250,217)</u>	<u>(\$177,130)</u>	<u>(\$177,130)</u>	<u>(\$47,130)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue - LOT</u> §313.429.10				
Compensation paid to locals - 4% AGR	\$4,125,000	\$8,250,000	\$12,500,000	\$16,600,000
<u>Revenue - MGC</u> §313.1022.1 10% of the 6.25% Wagering Tax	\$214,376 to \$1,260,000	\$214,376 to \$1,260,000	\$214,376 to \$1,260,000	\$214,376 to \$1,260,000
<u>Loss - of MGC</u> revenue from competition with video lottery	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Less than</u> <u>\$4,339,376 to</u> <u>\$5,385,000</u>	<u>Less than</u> <u>\$8,464,376 to</u> <u>\$9,510,000</u>	<u>Less than</u> <u>\$12,714,376 to</u> <u>\$13,760,000</u>	<u>Less than</u> <u>\$16,814,376 to</u> <u>\$17,860,000</u>

FISCAL IMPACT - Small Business

Small businesses that offer video lottery will be impacted.

FISCAL DESCRIPTION

This act modifies several provisions relating to gaming.

CORPORATE INCOME TAXES - Current law imposes a corporate income tax rate of 6.25%, with such rate to be reduced to 4.0% for all tax years beginning on or after January 1, 2020. This act allows for a further reduction of such rate for all tax years beginning on or after January 1, 2020. Reductions shall be in increments of 1% and shall only be made if the aggregate amount of revenue received in a single fiscal year under the Video Lottery Control Act and from sports wagering, established under this act, equals or exceeds \$50 million. For each \$50 million of revenue received above the threshold in the same fiscal year, the rate shall be further reduced by 1%. The reductions provided for in this act shall not reduce the corporate income tax below 2.0% (§143.071)

VIDEO LOTTERY CONTROL ACT - This act establishes the Missouri Video Lottery Control Act. This act requires the State Lottery Commission to implement a system of video lottery game terminals and to issue licenses to video lottery game manufacturers, distributors, operators, handlers, and retailers, as defined in the act. The Commission shall not allow a single vendor or licensee to be responsible for implementing the program, nor shall it allow a single vendor or licensee to control or operate more than thirty-three percent of video lottery game terminals in the state.

The Commission may impose a non-refundable application fee, as described in the act. Manufacturers, operators, distributors, handlers, and retailers shall be required to remit a license renewal fee. The first such fee shall be remitted after the first year. All subsequent license renewal fees shall be remitted every four years. In addition to the application and license renewal fees, video lottery game operators shall pay the Commission an annual license fee of \$200 for each video lottery game terminal placed in service.

Video lottery game operators shall pay to the Commission thirty-two percent of any unclaimed cash prizes associated with winning tickets that have not been redeemed within one year of issue.

Video lottery game operators shall pay to the Commission thirty-six percent of the video lottery game adjusted gross receipts. The net proceeds of the sale of video lottery game tickets shall be appropriated for educational institutions in this state, with the first \$100 million appropriated to public institutions of higher education, and the remainder appropriated to public elementary and secondary education. The Commission shall compensate the administrative costs of the city or county in which a video lottery retailer maintains an establishment in an amount equal to four percent of the video lottery game adjusted gross receipts.

FISCAL DESCRIPTION (continued)

Sixty-four percent of video lottery game adjusted gross receipts shall be retained by video lottery game operators and shall be split evenly between video lottery game operators and video lottery game retailers as provided under an agreement.

All revenues collected by the Commission from license renewal fees and any reimbursements associated with the enforcement of the act shall be considered administrative expenses and shall be deposited in the State Lottery Fund. Until December 31, 2019, one hundred percent of such administrative fees shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of the act. Beginning January 1, 2020, twenty percent of such administrative fees shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of the act, and the remaining amount shall be transferred to the Veterans' Commission Capital Improvement Trust Fund.

The Commission shall issue provisional licenses to applicants as described in the act.

Participation in the state lottery under this act shall not be construed to be a lottery or gift enterprise in violation of Article III, Section 39 of the Constitution of Missouri, and shall not constitute a valid reason for the denial or revocation of a permit to sell liquor.

This act allows a municipality or county to adopt an ordinance prohibiting video lottery game terminals within the municipality or county.

SPORTS WAGERING - This act authorizes sports wagering, and modifies the definition of "gambling game" to include sports wagering.

Sports wagering shall only be authorized to be conducted on an excursion gambling boat or over the internet to persons physically located in this state. Such licensed facilities shall apply to the Missouri Gaming 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. (§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. (§313.1008)

FISCAL DESCRIPTION (continued)

Certificate holders shall 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. (§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. (§313.1008)

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. (§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.

Certificate holders shall not offer proposition wagers on any collegiate athletic or sporting event, or on the individual performance statistics of an athlete in a collegiate athletic or sporting event. (§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. Certificate holders shall prohibit certain individuals from placing sports wagers, as described in the act.

A sports governing body may notify the Commission that it desires to restrict, limit, or exclude tier two sports wagers, as defined in the act, on its sporting events, including restrictions on sources of data and associated video upon which an operator may rely in offering and paying wagers. The Commission may deny such request if it determines that it is arbitrary and capricious. Within thirty days of a sports governing body notifying the Commission of its desire to supply official league data to certificate holders for determining the results of tier two wagers, as defined in the act, certificate holders shall only use official league data to determine the results of such wagers.

FISCAL DESCRIPTION (continued)

The Commission and certificate holders shall cooperate with investigations conducted by sports governing bodies, law enforcement agencies, and universities located in this state. (§ 313.1014)

A certificate holder shall maintain records of all bets and wagers placed for at least three years after the sporting event occurs, 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 of in-person wagers. (Section §313.1016)

Within thirty days of the end of each calendar quarter, a certificate holder shall remit to the Commission a royalty fee of 0.75% of the amount wagered on sporting events conducted during the previous calendar quarter by sports governing bodies that have registered with the Commission, as described in the act. No later than April 30 of each year, a registered sports governing body may submit a request for disbursement of funds remitted by certificate holders in the previous calendar year. The Commission shall disburse the funds to the registered sports governing body in pro rata proportion of the total amount wagered on its sporting events. Any unclaimed royalty fees shall be distributed to certificate holders that timely remitted such fees. (§313.1019)

Within thirty days of the end of each calendar quarter, a certificate holder shall remit to the Commission a royalty fee of 0.75% of the amount wagered on sporting events involving at least one NCAA Football Bowl Subdivision football team or at least one NCAA Division I basketball team. No later than April 30 of each year, the Commission shall disburse such royalty fees evenly among the public universities in this state that sponsor an NCAA Football Bowl Subdivision football team or NCAA Division I basketball team. The royalty fees received by public universities under this act shall be used solely for athletics compliance. (§313.1020)

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. (§313.1022)

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

Department of Elementary and Secondary Education
Department of Higher Education
Department of Mental Health
Department of Revenue
Joint Committee on Administrative Rules
Missouri Gaming Commission
Missouri Lottery
Office of the Secretary of State
Office of the State Treasurer
University of Missouri Economic & Policy Analysis Research Center



Kyle Rieman
Director
February 25, 2019

Ross Strobe
Assistant Director
February 25, 2019