

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3535S.02I
Bill No.: SB 643
Subject: Gambling
Type: Original
Date: March 8, 2022

Bill Summary: This proposal authorizes sports wagering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
General Revenue Fund	(\$107,324)	(\$16,840)	(\$17,177)	(\$17,521)
Total Estimated Net Effect on General Revenue	(\$107,324)	(\$16,840)	(\$17,177)	(\$17,521)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Gaming Commission Fund (0286)	(\$609,299)	(\$864,860)	(\$877,954)	(\$853,127)
Gaming Proceeds for Education Fund (0285)	\$20,275,544 to \$39,894,750	\$24,330,653 to \$47,873,700	\$24,330,653 to \$47,873,700	\$24,330,653 to \$47,873,700
State Lottery Fund (0682)*	\$0	\$0	\$0	\$0
Lottery Enterprise Fund (0657)*	\$0	\$0	\$0	\$0
Lottery Proceeds Fund (0291)	\$27,877,301	\$114,101,832	\$116,434,466	Could Exceed \$116,434,466
Compulsive Gamblers Fund (0249)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on Other State Funds	Could Exceed \$47,543,546 to \$67,162,752	Could Exceed \$137,567,625 to \$161,110,672	Could Exceed \$139,887,165 to \$163,430,212	Could Exceed \$139,911,992 to \$163,455,039

*Estimated Revenues and Cost Net to \$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
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 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Gaming Commission Fund	7 FTE	7 FTE	7 FTE	7 FTE
Lottery Enterprise Fund	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	8 FTE	8 FTE	8 FTE	8 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Local Government	<u>Could exceed</u> <u>\$2,252,838 to</u> <u>\$4,432,750</u>	<u>Could exceed</u> <u>\$2,703,406 to</u> <u>\$5,319,300</u>	<u>Could exceed</u> <u>\$2,703,406 to</u> <u>\$5,319,300</u>	<u>Could exceed</u> <u>\$2,703,406 to</u> <u>\$5,319,300</u>

FISCAL ANALYSIS

ASSUMPTION

§§313.230, 313.800, 313.1000, 313.1002, 313.1003, 313.1004, 313.1006, 313.1008, 313.1010, 313.1012, 313.1014, 313.1016, 313.1018, 313.1019, 313.1020, 313.1021, 313.1022, and 313.1024 - Sports wagering

Section 313.230

Officials from the **Missouri Lottery Commission (Commission/LOT)** state the proposal removes the prohibition on lottery games based on the outcome of sporting events and allows for electronic lottery game plays and electronically generated tickets or shares. If the Lottery begins offering parlay lottery games based on the outcome of sporting events and electronic game plays, proceeds to education are estimated to be a positive \$27.9 million to unknown the first partial year (FY 2023); a positive \$114.1 million to unknown the first full year (FY 2024); and a positive \$116.4 million to unknown the second full year (FY 2025). These amounts are net of one lottery marketing and promotions manager at a salary of \$59,405 and related fringes/E&E to manage the sports wagering program; a sports betting platform, player account management and sportsbook operation estimated at 2.5% of lottery sports wagers; prizes for lottery sports games estimated at 85% of lottery sports wagers; and retailer commissions for lottery sports games estimated at 6% of lottery sports wagers.

Sports wagers and revenue estimates are based on the forecast of revenues from Global Market Advisors (Nov 2017) and assume a 6.5% hold which is on par with the Nevada market. Distribution is assumed across the total Lottery retail network and through mobile.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated revenue generated by this section, provided by the Lottery Commission, of \$430,400,000 in FY 2023, \$1,756,700,000 in FY 2024 and \$1,792,600,000 in FY 2025 for the sale of parlay sports lottery games to the State Lottery Fund. Oversight will also reflect an unknown positive fiscal impact for the sale of electronically generated tickets or shares to the State Lottery Fund.

Officials from the **Missouri Gaming Commission (MGC)** estimate this proposal would increase sports betting revenue by approximately \$43 million annually. MGC bases this estimate off of a comparison to Mississippi's Sports Betting experience (October 2019 – September 2021), Rubin Brown and an Oxford Study. Based on MGC calculations (Oxford and Rubin Brown study), adjusted gross receipts under this proposal could be approximately \$128.7 million. At a wagering tax rate of 21% (of AGR), revenues generated from the tax could be approximately \$27 million (distributed 90/10 between the state and local governments).

MGC annualized the state of Mississippi's Total Revenue from sports betting by taking Mississippi's actual total revenue amounts from October 2019 through September 2021. MGC then determined their sports betting revenue was 2.5% of their total gaming revenue.

This was calculated by taking \$53,631,014 and dividing by \$2,141,840,000 ($\$53,631,014/\$2,141,840,000=.0250$). MGC could assume Missouri's sports betting revenue would also be 2.50% of total gaming revenue of \$1,754,470,000 ($\$1,754,470,000 \times 2.50\% = \$43,931,389$). Mississippi sports betting is limited to bets placed in person at the casinos. MGC assumes that allowing online wagering will significantly increase revenue. Based on the experience in other states, including Pennsylvania and New Jersey, MGC made the assumption that the estimated \$43 million calculated for wagers placed in person at casinos would comprise approximately 30% of the adjusted gross receipts. Therefore, sports betting revenue would be comprised of 70% mobile wagering and 30% retail wagering if the law would allow mobile wagers to be placed ($(\$43,931,389 \times 70\%)/30\% = \$102,506,572 = \text{additional revenue}$).

Total Revenue	\$146,437,962
Less Deductions	<u>\$17,704,349</u>
Adjusted Gross Receipts	\$128,733,612

Per section 313.1000(1), Adjusted Gross Receipts is calculated by starting with total revenue minus winnings, minus actual costs of prizes, minus excise taxes, minus promotional wagering, minus voided wagers and uncollectible receivables. MGC estimated Missouri's total gross revenue to be \$146,437,962 (shown above). MGC then subtracted an estimated amount (2% of total revenue) for uncollectible receivables. MGC also subtracted out excise taxes (.25% of total revenue) and an estimated amount for promotional wagers (9.84% of total revenue). This would result in a net total AGR of \$128,733,612.

Oversight notes, according to a New York Times article dated April 16, 2019, sports betting revenue has only brought in half of what Tunica officials had expected. Since sports betting is a fairly new concept for Mississippi, Oversight notes the revenue used by MGC to calculate revenue generated from this proposal could be overstated. Oversight does not currently have the resources or ability to produce an independent estimate. Therefore, Oversight will reflect the AGR estimated by MGC.

Section 313.1000(1)

MGC assumes this subdivision of the proposal defines "adjusted gross revenue" (AGR) for sports wagering as the total of all cash and cash equivalents received by a sports wagering operator from sports wagering minus the total of all cash and cash equivalents paid out as winnings, actual costs paid for property or services distributed as prizes, federal excise taxes, voided or cancelled wagers, free play or promotional credits, and uncollectible sports wagering receivables.

The AGR in section 313.800.1(1) deducts only the "winnings paid to wagerers." Allowing these deductions for AGR in Section 313.1000(1) could have an impact on the taxes collected for

proceeds to education. This amount is used to calculate the amount of wagering tax imposed by section 313.1021.

MGC estimates \$2,928,759 as the amount of uncollectible wagers, \$366,095 as the amount of federal excise taxes, and \$14,409,495 as the amount of free play or promotional credits that would be deducted from the gross receipts. This, in turn, will result in a decrease of \$3,717,913 to the “Gaming Proceeds for Education Fund.” MGC is unable to determine the amount deducted for actual costs for personal property and services distributed to patrons for prizes.

Sections 313.1000(9), (10), (11), and (28)

MGC assumes these subdivisions of the proposal define “designated entertainment district,” “designated sports and entertainment district,” “designated sports and entertainment district entity,” and “sports wagering commercial activity.”

Sections 313.1003.1, .2, and .3

MGC assumes these subsections of the proposal describe where and how sports wagering can be offered, specifically by a licensed facility (casino) in-person or through an approved limited mobile gaming system, and over the internet via an interactive sports wagering platform by patrons located in this state. It also allows certificate holders (casinos) to offer sports wagering commercial activity within any designated sports and entertainment districts if the entity (owners) waive in writing and the written waiver is delivered to the Commission.

Section 313.1006.2

MGC states this section of the proposal imposes an initial application fee for a licensed applicant of \$50,000 to be deposited in the Gaming Commission Fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1008.1

MGC states this subsection requires the MGC to “test new sports wagering devices and new forms, variations, or composite of sports wagering” but does not provide for any funding to the MGC to pay for such testing. The MGC suggests adding a provision requiring the licensee to pay for the cost of such testing and to allow that testing to be conducted by an independent testing lab as what is currently being done for gaming devices.

Section 313.1010.2

MGC states this subsection imposes an initial application fee for an interactive sports wagering platform license of \$50,000 and an annual license renewal fee of \$20,000 to be paid to the MGC and deposited in the Gaming Commission Fund and distributed according to section 313.835. MGC anticipates a minimum of eight interactive sports wagering platform providers to apply for licensure.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1010.3

MGC states this subsection imposes a license renewal fee of \$20,000 to be paid to the MGC and deposited in the Gaming Commission Fund and distributed according to section 313.835. That renewal fee is to be paid on or before the anniversary date of payment of the initial application fee. MGC recommends the payment be made on or before the date of the issuance of the temporary license. This would be consistent with current MGC licensing requirements.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1010.5

MGC states this subsection of the proposal allows the interactive sports wagering platform provider to submit a request for a temporary license along with its initial application fee, as set forth in section 313.1010.3, and immediately begin its sports wagering operations, while the commission reviews the request. In its review, the commission can consider if the applicant is licensed in other jurisdictions and if the other jurisdictions have similar regulatory requirements.

Section 313.1018.3

MGC states this section imposes civil penalties against anyone "who knowingly violates" the provisions of §§313.1000 – 313.1024 of "not more than \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction or occurrence." Those violating these sections are also subject to the penalties provided under section 313.805(6), "excluding any financial penalties in excess of those provided under this subsection."

Oversight notes that any person, firm, corporation, association, agent, or employee that violates any procedure implemented under section 313.1000 to 313.1024 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 the same transaction or occurrence. Oversight assumes if there are penalties assessed from these provisions, the fine revenue would be paid to the local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula the following year. Since the number of violations may vary, Oversight will range the revenue of these fines from \$0 (no fines are collected) to Unknown.

Officials from the **Department of Corrections (DOC)** states this proposal creates a class E felony crime if someone 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.

Since this is a new offense, the department will use a standard class E felony response. For each new nonviolent class E felony, the department estimates one person will be sentenced to prison and two to probation. The average sentence for a nonviolent class E felony offense is 3.4 years, of which 2.1 years will be served in prison with 1.4 years to first release. The remaining 1.3 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the Department is estimated to be 2 additional offenders in prison and 7 additional offenders on field supervision by FY 2025.

Non-violent E felony:

	# to prison	Cost per year	Total Costs for prison	# to probation & parole	Cost per year	Total cost for probation and parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	1	(\$8,255)	(\$6,879)	2	absorbed	\$0	(\$6,879)
Year 2	2	(\$8,255)	(\$16,840)	4	absorbed	\$0	(\$16,840)
Year 3	2	(\$8,255)	(\$17,177)	7	absorbed	\$0	(\$17,177)
Year 4	2	(\$8,255)	(\$17,521)	7	absorbed	\$0	(\$17,521)
Year 5	2	(\$8,255)	(\$17,871)	7	absorbed	\$0	(\$17,871)
Year 6	2	(\$8,255)	(\$18,228)	7	absorbed	\$0	(\$18,228)
Year 7	2	(\$8,255)	(\$18,593)	7	absorbed	\$0	(\$18,593)
Year 8	2	(\$8,255)	(\$18,965)	7	absorbed	\$0	(\$18,965)
Year 9	2	(\$8,255)	(\$19,344)	7	absorbed	\$0	(\$19,344)
Year 10	2	(\$8,255)	(\$19,731)	7	absorbed	\$0	(\$19,731)

Oversight does not have any information to the contrary. Therefore, Oversight will reflect estimated cost of incarceration provided by the DOC.

Section 313.1021.1

MGC states this section imposes a wagering tax on the adjusted gross receipts from sports wagering equal to the rate imposed by section 313.822, which is the tax imposed on casino licensees for gambling games. That rate is 21%. Revenues from this tax are to be deposited in the Gaming Proceeds for Education Fund and distributed pursuant to section 313.822. MGC recommends this subsection be moved under section 313.1006 to be consistent with MGC licensing processes.

Oversight will reflect revenue generated from this tax into the Gaming Proceeds for Education Fund.

Section 313.1021.5(1)

MGC states this section imposes an annual administrative fee of \$50,000 on a certificate holder to be deposited in the Gaming Commission Fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this tax into the Gaming Commission Fund.

Section 313.1021.5(2)

MGC states this section requires a certificate holder to also pay a \$10,000 fee to the MGC to cover the “costs of a renewal reinvestigation of the certificate holder in the fifth year” after the date on which the certificate holder begins offering sports wagering. This fee is to be paid every five years, thereafter. This fee is in addition to the annual administrative fee required to be paid by Section 313.1021.5(1) and must be deposited by the MGC into the Gaming Commission Fund established under section 313.835.

The reinvestigation fee required by section 313.1021.5(2) is to be paid in the fifth year after the date on which the certificate holder begins offering sports wagering. This fee is to be paid every five years, thereafter. Currently, certificate holders (casinos) are relicensed and reinvestigated every four years. It would be redundant for them to be reinvestigated and not have the interactive sports wagering platform providers be reinvestigated after the initial investigation. Therefore, the MGC recommends this section be modified to have the reinvestigation fee and the reinvestigation apply to the licensed interactive sports wagering platform providers instead of the certificate holders, and to have that reinvestigation be conducted every four years. In addition, section 313.1021.5(2) should be moved to section 313.1010, which deals with interactive sports wagering platforms. These changes would be consistent with current MGC licensing requirements.

The MGC estimates a total of 21 applicants for sports wagering licenses, to include the 13 current gambling boats and eight sportsbook providers that would offer the platform for sportsbook wagering; the casinos could utilize the same sportsbook providers.

Oversight will reflect revenue generated from this section into the Gaming Commission Fund.

Oversight has provided a table below to summarize the estimated revenue generated to state and local governments as a result of this proposal as provided by the MGC:

<u>State Impact - Estimated by MGC</u>						
Provision	FY23	FY24	FY25	FY26	FY27	Fund to Deposit
(13) Cert of Authority App Fee (Initial) – Casino- \$50,000 §313.1006	\$650,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(13) Cert Holder Admin Fee (Annual after the first year) - \$50,000 - §313.1021	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
(13) Cert Holder Reinvestigation Fee (in the 5 th year and each 5 th year thereafter) – Casino- \$10,000 §313.1021	\$0	\$0	\$0	\$0	\$130,000	Gaming Commission Fund
(8) Sports Wagering Platform License App Fee (Initially) - \$50,000 §313.1010	\$400,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License Annual Review Fee (Annual after the first year) – Sports book provider - \$20,000 §313.1010	\$0	\$160,000	\$160,000	\$160,000	\$160,000	Gaming Commission Fund
Total Fees Collected	\$1,050,000	\$810,000	\$810,000	\$810,000	\$940,000	Gaming Commission Fund
AGR tax (90%)*	\$24,330,653	\$24,330,653	\$24,330,653	\$24,330,653	\$24,330,653	Gaming for Education Fund
Total State Impact	\$25,380,653	\$25,140,653	\$25,140,653	\$25,140,653	\$25,270,653	
<u>Local Impact</u>						
Dock* Cities/Counties (10% AGR tax)	\$2,703,406	\$2,703,406	\$2,703,406	\$2,703,406	\$2,703,406	

*21% of \$128,733,612 AGR

Officials from the **Department of Revenue (DOR)** assume the following:

This proposal requires a wagering tax equal to the tax rate listed in Section 313.822 which is twenty-one percent (21%) to be imposed on the adjusted gross receipts received from sports wagering conducted by a certificate holder under Sections 313.1000 to 313.1022. If a third party is contracted with to conduct sports wagering at a certificate holders' licensed facility, the third party contractor shall fulfill the certificate holder's duties under this section.

The certificate holder is required to remit the tax imposed to DOR by the close of business day one day prior to the last business day of the month. So as an example if this bill was effective January 1, 2022, then the first payment would be due January 28, 2022 and would need to cover all receipts from January 1-January 28. Currently, the excursion gaming boats send daily deposits to DOR; however, this could cause problems for a third party administrator meeting the deadlines. The Department notes if a third party is involved the Department would need to be notified so the department knows who is responsible for the payment. These provisions are not expected to fiscally impact the Department.

This proposed section states that the revenues received from the tax imposed under subsection 1 of this section shall be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund, and shall be distributed as provided under Section 313.822. DOR notes this would require the DOR to distribute the funds with 10% to the home dock city and the other 90% to the gaming proceeds for education fund. Since DOR currently receives their funding this way and use this distribution system, DOR believes this would not have any additional fiscal impact.

This proposed section states that a certificate holder shall pay to the Commission an annual administrative fee of fifty thousand dollars (\$50,000). The fee imposed shall be due one year after the date on which the certificate holder commences sporting wagering operations under Sections 313.1000 to 313.1022, and on each annual anniversary date thereafter. The commission shall deposit the administrative fees received under this subsection in the sports wagering fund established under this section.

In addition to the annual administrative fee required under this subsection, a certificate holder shall pay to the commission a fee of ten thousand dollars (\$10,000) to cover the costs of a full reinvestigation of a certificate holder in the fifth year after the date on which the certificate holder commences sports wagering operations under Sections 313.1000 to 313.1024 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the Sports Wagering Fund established under this section.

The Department defers to the Gaming Commission for determining the amount of administrative fees that may be collected.

Methodology

Using the Oxford Economics report titled “Economic Impact of Legalized Sports Betting,” DOR believes TSR will increase an estimated \$16.3 million – \$20.5 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 Missouri Casino, 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)

\$42,462,000-\$53,193,000 (21% tax imposed on AGR)

Breakout of the 21% per Section 313.822 RSMo.

\$42,462,000-\$53,193,000 (21% tax imposed on AGR)

10% to Dock Cities (Local) - \$4,246,200-\$5,319,300

90% to Gaming Proceeds for Education Fund- \$38,215,800 - \$47,873,700

Administrative Impact

DOR assumes this legislation will result in an increase in the number of payments received. If the increase in the number of payments is significant, the Department will require the following FTE.

1 Associate Customer Service Representative

2023 -\$21,940

2024 -\$26,855

2025 -\$27,391

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the cost related to an increase in payments received. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

DOR also anticipates ITSD will need to create a new sports betting tax collection database.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming and development cost for this new program. ITSD estimates the project would take 1,057 hours at a contract rate of \$95 per hour for a total cost of \$100,445 in FY 2023 only. Oversight notes that an average salary for a current IT Specialist within ITSD is approximately \$54,641, which totals roughly \$85,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill; however, for fiscal note purposes, Oversight will reflect the ITSD estimated cost of \$100,445 in FY 2023.

In response to a similar proposal from last year (SB 18), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal will increase TSR and 18e calculations by imposing fees and penalties related to the regulation of legal sports betting and levying an adjusted gross receipts tax on sport wagers. Additional administrative fee revenues will be deposited into the Gaming Commission Fund. Additional gross receipts tax revenues will be deposited into the Gaming Proceeds for Education Fund. B&P defers to the MGC for an estimate of increased revenues.

Oversight notes that the Missouri Gaming Commission, the Department of Revenue and the Office of Administration - Budget and Planning have stated the proposal will have a direct fiscal impact on Total State Revenue.

Oversight currently does not have the data or resources available to produce independent revenue projections, including a PhD Economist to estimate the elasticity of demand for sports 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 the estimates of the MGC (low) to the DOR's (high) estimate.

	MGC	DOR (low)	DOR (high)
Sports Betting Adjusted Gross Receipts	\$128,733,612	\$202,200,000	\$253,300,000
21% tax on AGR (state portion - 90%)	\$24,330,653	\$38,215,800	\$47,873,700
21% tax on AGR (local portion - 10%)	\$2,703,406	\$4,246,200	\$5,319,300

Bill as a Whole

Officials from the **Missouri Gaming Commission (MGC)** estimates needing five FTE positions if this bill passes, which would result in an initial cost to the MGC of \$547,266.90 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately \$797,479.38, which represents 2.5% of the MGC existing budget each year (the average number of hours and expenses to cover the costs of current background investigators, financial investigators, compliance auditors and tax auditors needed to license and regulate sports wagering) for a total initial cost of \$1,344,706.27. Additional costs included in this estimate may also encompass those associated with the development and implementation of responsible gambling programs and consumer education campaigns. The total annual ongoing personnel cost, after the first year, is estimated to be \$1,325,281.17. Based on the application, renewal and annual administrative fees for the

certificate holders and the interactive sports wagering platform providers, the total amount of fees collected will be insufficient to cover MGC's costs to license and regulate sports wagering.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund.

Officials from the **Department of Mental Health (DMH)** assume the increase in gambling opportunities will increase the number of individuals who voluntarily seek treatment for a gambling problem. However, the bill does not mandate that any individual receive treatment and treatment will remain voluntary. Therefore, DMH assumes that expenditures cannot exceed the balance of the Compulsive Gamblers fund and no State General Revenue beyond that balance will be expended.

In FY 21 DMH served approximately 71 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,230 per consumer for a total of \$87,330

If the number of consumers served triples, DMH estimates treatment for 213 consumers with an average cost of \$1,230 per treatment episode for a total treatment cost of \$261,990. Currently, DMH has eleven certified compulsive gambling treatment providers; this number would likely need to 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 23. If additional advertising is needed, 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 \$360,325 in FY 23. For FY 24 and beyond, the amount would be \$432,390 or more based upon the need for compulsive gambling services.

Oversight notes the balance of the Compulsive Gamblers Fund (0249) was \$60,543 on December 31, 2021 and \$109,844 on June 30, 2020. Oversight assumes DMH will only be allowed to spend the amounts in the Compulsive Gamblers Fund. Therefore, Oversight will reflect DMH utilizing all of the proceeds into the fund as less than \$100,000.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state SB 643 would legalize sports wagering at licensed riverboat casinos and qualifying designated sports and entertainment districts.

Licensing and background investigations of the potential licensees, employees, suppliers, etc., they would significantly increase the workload of the current background investigation team. Assuming the level of backgrounds are to the current levels of suppliers, level one employees, key people, etc. and there is at least one company per property, up to two (2) additional Sergeants (\$81,192/annually) would be needed to conduct this workload.

Enforcement of SB 643 should not further fiscally impact Highway Patrol. The enforcement provisions of this bill should be able to be handled by existing enforcement personnel. Initial

training in this area would need to be provided to the enforcement sections of the division and a fee for this training would be incurred by the Missouri Gaming Commission.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund.

Officials from the **University of Missouri** state this proposal would create additional costs to the university athletic department's compliance offices to educate student-athletes and staff on sports wagering and monitor activities, which will likely require additional mid-level staffing and the use of third-party sports wagering monitoring services. Additional staffing needs are projected to cost \$20,000 annually, and reputable third party sports wagering monitoring service providers charge \$30,000 annually.

Oversight assumes this proposal would have an unknown increase in cost to all university and college athletic departments; however, Oversight assumes colleges and universities are provided with core funding to handle a certain amount of activity each year. Oversight assumes colleges and universities could absorb the costs related to this proposal.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** notes 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.

Oversight notes the **Attorney General's Office**, the **Office of the State Public Defender**, the **Office of State Courts Administrator**, the **State Treasurer's Office**, and the **University of Central Missouri** have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from last year (SB 18), officials from the **Missouri Office of Prosecution Services**, the **State Technical College of Missouri** and the **Northwest Missouri**

State University each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL</u> <u>IMPACT –</u> <u>State</u> <u>Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Costs - DOC</u> (§313.1018) Increased incarceration costs p.8	(\$6,879)	(\$16,840)	(\$17,177)	(\$17,521)
<u>Cost – DOR</u> Tax collection database p. 13	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$107,324)</u>	<u>(\$16,840)</u>	<u>(\$17,177)</u>	<u>(\$17,521)</u>
GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC</u> p. 10 (13) Cert of Authority App Fee (Initial) – Casino- \$50,000 §313.1006	\$650,000	\$0	\$0	\$0
<u>Revenue - MGC</u> p. 10 (13) Cert Holder Admin Fee (Annual after the first year) - \$50,000 -§313.1021	\$0	\$650,000	\$650,000	\$650,000
<u>Revenue - MCG</u> p. 10 (13) Cert	\$0	\$0	\$0	\$130,000

Holder Reinvestment Fee (in the 5 th year and each 5 th year thereafter) –Casino- \$10,000 §313.1021				
<u>Revenue</u> - MGC p. 10 (8) Sports Wagering Platform License App Fee (Initially) - \$50,000 §313.1010	\$400,000	\$0	\$0	\$0
<u>Revenue</u> - MGC p. 10 (8) Sports Wagering Platform License Annual Review Fee (Annual after the first year) – Sports book provider - \$20,000 §313.1010	\$0	\$160,000	\$160,000	\$160,000
<u>Total Revenue</u> – MGC	<u>\$1,050,000</u>	<u>\$810,000</u>	<u>\$810,000</u>	<u>\$940,000</u>
<u>Cost</u> – FTE MGC p. 14				
Personal Services	(\$250,698)	(\$306,854)	(\$312,991)	(\$313,052)
Fringe Benefits	(\$145,688)	(\$176,842)	(\$178,900)	(\$278,742)
Equipment and Expenses	(\$66,997)	(\$58,229)	(\$59,393)	(\$60,878)
Investigators and auditors to license and regulate sports wagering	(\$797,479)	(\$797,479)	(\$797,479)	(\$797,479)
<u>Total Cost</u> - MGC	<u>(\$1,260,862)</u>	<u>(\$1,339,404)</u>	<u>(\$1,348,763)</u>	<u>(\$1,450,157)</u>
FTE Change - MGC	5 FTE	5 FTE	5 FTE	5 FTE
<u>Cost</u> – FTE MHP p. 14				
Personal Services	(\$135,320)	(\$164,008)	(\$165,648)	(\$167,304)
Fringe Benefits	(\$120,489)	(\$146,033)	(\$147,493)	(\$148,967)

Equipment and Expenses	<u>(\$142,628)</u>	<u>(\$25,415)</u>	<u>(\$26,050)</u>	<u>(\$26,699)</u>
Total Cost - MHP	<u>(\$398,437)</u>	<u>(\$335,456)</u>	<u>(\$339,191)</u>	<u>(\$342,970)</u>
FTE Change - MHP	2 FTE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>(\$609,299)</u>	<u>(\$864,860)</u>	<u>(\$877,954)</u>	<u>(\$853,127)</u>
Estimated Net FTE Change to the Gaming Commission Fund	7 FTE	7 FTE	7 FTE	7 FTE
GAMING PROCEEDS FOR EDUCATION FUND (0285)				
Revenue - 90% of the 21% Wagering Tax §313.1021 p. 13	<u>\$20,275,544 to \$39,894,750</u>	<u>\$24,330,653 to \$47,873,700</u>	<u>\$24,330,653 to \$47,873,700</u>	<u>\$24,330,653 to \$47,873,700</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$20,275,544 to \$39,894,750</u>	<u>\$24,330,653 to \$47,873,700</u>	<u>\$24,330,653 to \$47,873,700</u>	<u>\$24,330,653 to \$47,873,700</u>
STATE LOTTERY FUND (0682)				Could exceed ...
Revenue -	\$430,400,000	\$1,756,700,000	\$1,792,600,000	\$1,792,600,000

LOT Sale of parlay sports lottery games §313.230 p. 3				
Revenue – LOT Sale of electronically generated tickets or shares p. 3 (§313.230)	Unknown	Unknown	Unknown	Unknown
<u>Cost</u> - LOT Prizes for Lottery sports games §313.230 p. 3	(\$365,840,000)	(\$1,493,195,000)	(\$1,523,710,000)	(\$1,523,710,000)
<u>Cost</u> - LOT Retailer commissions for Lottery sports games §313.230 p. 3	(\$25,824,000)	(\$105,402,000)	(\$107,556,000)	(\$107,556,000)
<u>Transfer Out</u> - to Lottery Proceeds Fund §313.230 p. 3	(\$27,877,301)	(\$114,101,832)	(\$116,434,466)	(\$116,434,466)
<u>Transfer Out</u> - Lottery Enterprise Fund §313.230 p. 3	<u>(\$10,858,699)</u>	<u>(\$44,001,168)</u>	<u>(\$44,899,534)</u>	<u>(\$44,899,534)</u>
ESTIMATED NET EFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LOTTERY ENTERPRISE FUND (0657)				Could Exceed...
<u>Transfer In – from State Lottery Fund §313.230 p. 3</u>	\$10,858,699	\$44,001,168	\$44,899,534	\$44,899,534
<u>Cost - LOT §313.230 p. 3</u>				
Personal Services	(\$49,505)	(\$60,000)	(\$60,600)	(\$60,600)
Fringe Benefits	(\$17,990)	(\$21,804)	(\$22,022)	(\$22,022)
Expense and Equipment	(\$31,204)	(\$1,864)	(\$1,912)	(\$1,912)
Sports betting platform, player account management, sportsbook operations	<u>(\$10,760,000)</u>	<u>(\$43,917,500)</u>	<u>(\$44,815,000)</u>	<u>(\$44,815,000)</u>
<u>Total Cost - LOT</u>	<u>(\$10,858,699)</u>	<u>(\$44,001,168)</u>	<u>(\$44,899,534)</u>	<u>(\$44,899,534)</u>
FTE Change - LOT	1 FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT TO THE LOTTERY ENTERPRISE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	1 FTE	1 FTE	1 FTE	1 FTE

LOTTERY PROCEEDS FUND (0291)				
<u>Transfer In - from State Lottery Fund §313.230 p. 3</u>	<u>\$27,877,301</u>	<u>\$114,101,832</u>	<u>\$116,434,466</u>	<u>Could Exceed \$116,434,466</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$27,877,301</u>	<u>\$114,101,832</u>	<u>\$116,434,466</u>	<u>Could Exceed \$116,434,466</u>
COMPULSIVE GAMBLERS FUND (0249)				
<u>Cost - DMH Administrative cost for treating additional consumers p. 14</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
LOCAL HOME DOCKS				
<u>Revenue - Home Dock City or County 10% of the 9% Wagering Tax §313.1021 p.13</u>	\$2,252,838 to \$4,432,750	\$2,703,406 to \$5,319,300	\$2,703,406 to \$5,319,300	\$2,703,406 to \$5,319,300
<u>Revenue - School districts (§313.1018) Fines from violations p. 8</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Could exceed \$2,703,406 to \$5,319,300</u>	<u>Could exceed \$2,703,406 to \$5,319,300</u>	<u>Could exceed \$2,703,406 to \$5,319,300</u>	<u>Could exceed \$2,703,406 to \$5,319,300</u>

FISCAL IMPACT – Small Business

This legislation could have an impact on small businesses that sell sports lottery games.

FISCAL DESCRIPTION

This act allows the Missouri Lottery Commission to offer games based on the outcomes of sporting events. (Section 313.230)

This act authorizes wagering on sporting events, including esports, 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, through a limited mobile gaming system, 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 \$50,000. If granted a certificate of authority, a certificate holder shall be authorized to conduct sports wagering in a licensed facility 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 through the use of a limited mobile gaming system in a gaming or other betting area of the licensed facility, or in a hotel, restaurant or other amenity operated by the certificate holder and subject to the authority of the Commission. A certificate holder or interactive sports wagering platform provider may allow patrons to establish and fund a sports wagering account electronically through an interactive sports wagering platform without having to visit a physical location. (Section 313.1008)

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. (Section 313.1004)

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

A certificate holder may contract with up to three individually branded interactive sports wagering platforms, as defined in the act, to administer sports wagering on behalf of the certificate holder. An interactive sports wagering platform may apply to the Commission for such authority. Such interactive sports wagering platform shall submit an application fee of \$50,000. Each year after licensure, an interactive sports wagering platform shall submit an annual license renewal fee of \$20,000. (Section 313.1010)

Sports wagering commercial activity, defined as any operation, promotion, signage, advertising, or other business activity relating to sports wagering, shall be prohibited within designated sports and entertainment districts, as defined in the act, without a written waiver from each designated sports and entertainment district entity located within such district. (Section 313.1003.3)

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 act prohibits the direct or indirect legal or beneficial owner of five percent or more of a sports governing body or its member teams from placing or accepting a wager on an event in which a member team participates. A violation of this provision is a Class C misdemeanor. (Section 313.1014.3(2))

A sports governing body may submit a request to the Commission to restrict, limit, or exclude a certain type, form, or category of sports wagering on sporting events sponsored by such sports governing body. The Commission shall request comments on such requests from sports wagering operators. Upon demonstration of good cause, the Commission shall grant such request, as described in the act.

A certificate holder shall not offer sports wagers on the performance or nonperformance of any individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team from this state is a participant, and shall not offer any sports wagers on high school athletic or sporting events involving in-state teams.

Certificate holders may use any data source to determine the results of tier one sports wagers. Certificate holders shall use official league data to determine the results of tier two wagers, unless the certificate holder can demonstrate to the Commission that the sports governing body or its designee cannot provide a feed of official league data to the certificate holder on commercially reasonable terms. Certificate holders shall not purchase or utilize any personal biometric data of an athlete, as defined in the act, without express written permission from the athlete's exclusive bargaining representative.

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

A certificate holder shall maintain records of all bets and wagers placed through an interactive sports wagering platform, and all bets and wagers placed in person that exceed \$10,000 in a 24-hour period, 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, and records of abnormal betting activity for at least three years after the sporting event occurs. (Section 313.1016)

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, provided that any such financial penalties shall not exceed those provided for in the act.

Any person who places, or causes to be placed, a bet or wager on the basis of material nonpublic 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. The term "material nonpublic information" shall include personal biometric data. (Section 313.1018)

A tax is imposed at a rate of 21.0% 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 \$50,000. 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 Gaming Commission Fund. (Section 313.1021)

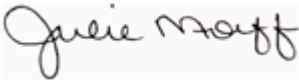
All sports wagers placed under this act shall be deemed to be initiated, received, and otherwise made on the property of an excursion gambling boat in this state. The intermediate routing of electronic data shall not determine the location or locations in which such wager is initiated, received, or otherwise made. (Section 313.1022)

The Commission shall establish a hotline or other method of communication that allows any person to confidentially report information about any conduct that the person believes is a violation of the provisions of this act. The Commission shall investigate all reasonable allegations and shall refer allegations that it deems credible to the appropriate law enforcement agency.

Sports wagering operators, sports governing bodies, professional sports franchises, and higher education institutions shall not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee because of any lawful act performed by the employee to provide information, cause information to be provided, or otherwise assist in an investigation regarding any conduct which the employee reasonably believes constitutes a violation of the provisions of this act. An employee may bring an action at law or equity for relief from a violation of this provision, as described in the act. Such action shall be commenced not later than one hundred eighty days from the later of the date on which the violation occurs or the date on which the employee became aware of the violation. (Section 313.1024) 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

Attorney General's Office
Department of Mental Health
Department of Corrections
Department of Revenue
Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Joint Committee on Administrative Rules
Lottery Commission
Office of the State Courts Administrator
Missouri Office of Prosecution Services
Office of Administration
 Budget and Planning
 General Services
University of Missouri
University of Central Missouri



Julie Morff
Director
March 8, 2022



Ross Strope
Assistant Director
March 8, 2022