

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3881S.02I  
Bill No.: SB 686  
Subject: Gambling  
Type: Original  
Date: March 3, 2022

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Bill Summary: This proposal establishes the Missouri Video Lottery Control Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
General Revenue Fund	(\$1,167,158)	(\$865,306)	(\$875,292)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$1,167,158)</b>	<b>(\$865,306)</b>	<b>(\$875,292)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
State Lottery Fund (0682)*	\$0	\$0	\$0
Lottery Enterprise Fund(0657)*	\$0	\$0	\$0
Lottery Proceeds Fund (0291)**	\$44,527,848	\$88,804,092	\$142,550,006
Compulsive Gamblers Fund (0249)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Gaming Commission Fund (0286)	(Could exceed \$466,863)	(Could exceed \$346,121)	(Could exceed \$350,117)
Gaming Proceeds for Education Fund (0285)	(Unknown)	(Unknown)	(Unknown)
Criminal Records System Fund (0671)	Unknown	Unknown	Unknown
Highway Fund	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$44,060,985</b>	<b>Less than \$88,457,971</b>	<b>Less than \$142,199,889</b>

\*Estimated Revenues and Cost Net to \$0

\*\* Oversight notes, according to the Missouri Lottery Commission, revenue from the implementing of video lottery game terminals will significantly ramp up after the fourth year of implementation. For fiscal note purposes, Oversight will only reflect revenue generated for FY 23 - FY25

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
General Revenue Fund	5 FTE	5 FTE	5 FTE
Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE
Gaming Commission Fund	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>49 FTE</b>	<b>49 FTE</b>	<b>49 FTE</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government</b>	<b>More than or Less than \$6,729,688</b>	<b>More than or Less than \$13,459,375</b>	<b>More than or Less than \$20,189,063</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

Sections 313.425, 313.427, 313.429, 313.431, 313.433 and 313.435 – Missouri Video Lottery Control Act

Officials from the **Missouri Lottery Commission (LOT)** state:

#### Section 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 four additional lead administrative support assistant positions at a salary of \$34,665 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 provisional license fees that will cover initial background checks. Renewal fees and penalties may also be assessed by the Commission.
- It is assumed revenues from initial application fees will total \$7.5 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 \$68,000 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 \$65,000 per year, with approximately \$1.1 million in revenues assumed from the first year of renewal fees, ramping up to approximately \$4.6 million in year 4 and beyond.

#### Section 313.429.3

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.

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

#### Section 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.

#### Section 313.429.7-8

Operators must follow guidelines for plays and payouts, where terminals can be operated, number of terminals operated per establishment, and responsible gambling.

#### Section 313.429.9

Video lottery game terminals shall not be visible from areas normally occupied by minors and shall be placed within the unobstructed line of sight of the sales counter or in an enclosed or partially enclosed area monitored by video surveillance. Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the video lottery terminals.

Recorded video must be reviewed by video lottery game operators for compliance with law, rules and regulations and fines may be assessed by the Commission for violations and for failing to review or report violations.

Nine Lottery Security Specialists at an annual salary of \$55,215 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.

Five additional Lottery Security Specialists at an annual salary of \$55,215 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 responsible Gaming Public Information Coordinator is needed at an annual salary of \$49,129 to educate operators and retailers on problem gambling and manage the self-exclusion program.

One Human Resources Specialist is needed at an annual salary of \$58,018 to assist with hiring and training FTE to administer the program.

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

**Oversight** notes provisions of 313.429.9 & 313.429.12 provide for administrative fines against a video lottery game operator or retailer that violates provisions of this subsection. Oversight notes that violations resulting in fines could vary widely from year to year. Civil penalties collected per Article IX, Section 7 of the Missouri Constitution requires fines to be distributed to the school district where the violation occurred; therefore, Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts on the fiscal note.

#### Section 313.429.10

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume that this section of the proposal states 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 \$6.7 million, \$13.5 million and \$20.2 million per year will be remitted to municipalities where video lottery establishments are located in 2023, 2024 and 2025, respectively, ramping up to \$26.9 million annually after year four.

The Commission assumes three senior accounts assistants are needed at an annual salary of \$36,723 each to collect license fees, verify and collect Lottery's share of video lottery adjusted gross receipts, and remit payments to municipalities.

**Oversight** notes, according to the Missouri Lottery Commission, revenue from the implementing of video lottery game terminals will significantly ramp up after the fourth year of implementation. For fiscal note purposes, Oversight will only reflect revenue generated for FYs 23-25.

**LOT** assumes 2,625 retailers will operate 14,750 terminals after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from video lottery sales are anticipated to be \$60.6 million in year one and grow to \$181.7 million in year three, offset by lost profits from Pull-Tabs and Keno of approximately \$15.3 million per year. Pull-Tab sales at fraternal organizations are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be cannibalized by 31.3%.

The Lottery estimates a loss of revenue to the State Lottery Fund of \$3,819,689 in FY 2023, \$15,278,757 in FY 2024 and \$15,278,757 in FY 2025 as a result potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales.

**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 video lottery wagering in relation to other games of chance offered by the Missouri Lottery or at casinos. Therefore, for purposes of this fiscal note, Oversight will utilize the estimates provided by the Missouri Lottery Commission.

**Oversight** provides the following table to summarize the Lottery Commissions revenues from this section Section 313.429.10.

<b>Provision</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
Initial Application Fee	\$1,886,900	\$1,886,900	\$1,886,900
Renewal Fee	\$0	\$1,141,100	\$1,141,100
*VLT Proceeds (32% AGR Tax)	\$53,837,500	\$107,675,000	\$161,512,527
<b>Total State Impact</b>	<b>\$55,724,400</b>	<b>\$110,703,000</b>	<b>\$164,540,527</b>
<b><u>Local Revenue Impact</u></b>			
**Dock Cities/Counties (4% AGR Tax)	<b>\$6,729,688</b>	<b>\$13,459,375</b>	<b>\$20,189,036</b>

\* 32% of the 36% AGR Tax

\*\*4% of the 36% AGR Tax

Officials from the **Department of Elementary and Secondary Education (DESE)** state 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 equally to public elementary and secondary education and public institutions of higher education with an emphasis on programs to promote science, technology, engineering and mathematics (STEM) and programs to promote workforce development.

**Oversight** will show 32% of gross receipts from video lottery terminals plus revenue generated from sale of parlay sports lottery games as income to the State Lottery Fund and then will show a transfer to the Lottery Proceeds Fund to be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis on funding with an emphasis on programs to promote science, technology, engineering and mathematics (STEM) and programs to promote workforce development. Combined revenue after expenses will total \$44,527,848 in FY 2023, \$88,804,092 in FY 2024 and \$142,550,006 in FY 2025.

**Oversight** will show 4% of gross receipts 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.

Section 313.429.11

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume, subject to appropriation, up to one percent of such license fees deposited to the credit of the state lottery

fund shall be deposited to the credit of the compulsive gamblers fund created under section 313.842.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$19,000 in FY 2023, \$30,000 in FY 2024 and 2025.

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 FY21 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, 2020 and \$109,844 on June 30, 2020. 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.

#### Section 313.429.12

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume the Commission shall contract with a state law enforcement entity to assist in conducting investigations. Licensees suspected of violations shall be afforded an administrative hearing by the director.

The Commission assumes \$500,000 per year is the estimated cost to contract with state law enforcement. One paralegal FTE at an annual salary of \$54,161 and one associate hearings/appeals referee at an annual salary of \$55,786 are assumed to assist with additional legal work involved with promulgating rules and handling administrative hearings.



Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state The Video Lottery Terminal portion of the bill gives statutory authority for Lottery to contract with a state law enforcement agency. Section 313.429, 12 states "The commission shall contract with a state law enforcement entity to assist in conducting investigations into applicants for any video lottery game license and to investigate violations by any retail lottery game licensee of any of the provisions of sections 313.425 to 313.437 or state law regulating illegal gambling activities referred by the commission."

MHP assumes the Lottery will choose to enter into a memorandum of understanding (MOU) with the MHP, and there would be significant impact on the Gaming Division to include funding source, manpower, vehicles, and office space.

The potential impact would depend upon how the Lottery Commission interprets "The commission shall contract with a state law enforcement entity to assist in conducting investigations into applicants for any video lottery game license and to investigate violations by any retail lottery game license of any of the provisions of sections 313.425 to 313.437 or state law regulating illegal gambling activities referred by the commission." Currently, the Missouri State Highway Patrol Division of Drug and Crime Control (DDCC) is responsible for conducting investigations related to criminal offenses, and the Gaming Division is responsible for conducting investigations into license applications and regulatory violations on licensed gambling properties throughout the state. As written the Gaming Division anticipates approximately 17 new FTE would be necessary to perform its two primary functions; background investigations on vendors/operators and regulate the vast number of sites across the state. This would include two investigators in the Jefferson City office, 12 officers to oversee regulatory and criminal investigations in the field and one administrative support person to process related reports. The 12 field investigators would include one officer in six of the troops, and two officers in the most heavily populated three troops (A, C, and D).

As currently written, MHP believes that other administrative duties can be absorbed by the current division staff.

For comparison, the Gaming Division, in its current format, has 122 FTE to cover every operating hour and administrative function of the 13 casinos in the state. This bill could potentially increase the locations to hundreds of locations in every county of the state.

Meanwhile, DDCC is tasked with conducting investigations into "illegal gambling activities referred by the commission." DDCC anticipates the need for approximately five (5) new FTE to perform the function of conducting investigations into illegal gambling activities. This is based on factoring in the geographic size of the state, drive time, surveillance, investigation, evidence, and follow-up. The funding for the illegal gambling duties assigned to the five (5) FTE would be from the General Revenue Fund.

If the majority or all of the increased gambling were exclusively at the static 13 riverboat casino locations licensing and background investigation of the potential licensees, employees, suppliers,

etc. 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 are at least one company per property, two (2) FTE would be needed to conduct this workload.

In addition to the expense indicated for the 23 Sergeants that will be transferring from the Highway Fund, it is assumed there will be some savings to the Highway Fund as those 16 formerly Highway-funded Sergeants are ultimately replaced by 23 Highway-funded Probationary Troopers. While the exact dollar amount of that savings cannot be determined, due to the cost of promotions that will occur during the backfilling process, etc., there will likely be some amount of savings to the Highway Fund.

**Oversight** does not have any information contrary to that provided by MHP. Therefore, Oversight will reflect MHP's impact for fiscal note purposes to the Lottery Enterprise Fund.

**Oversight** states according the MHP's website, state and federal background checks will cost \$41.75 per applicant. Of this amount, the MHP retains the \$20 state fee plus a \$2 pass-thru fee for the federal check. Therefore, Oversight will present an unknown revenues to the Criminal Records Fund for background checks performed for this proposal.

#### Section 313.429.13

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume the Commission shall have the power to investigate suspected violations by any video lottery license holder and refer violations to law enforcement and suspend or revoke the license of any lottery vendor or licensee that allows the use of any machine or device not authorized.

#### Section 313.429.14

Officials from the **Missouri Lottery Commission (Commission/LOT)** state this section of the proposal allows the Commission to adopt rules for implementing video lottery.

#### Section 313.431.1

The Commission states that this section of the proposal allows for the Commission to contract for a centralized communication system, make license applications available for manufacturers, distributors, operators, retailers and handlers, and promulgate rules within 120 days of the effective date.

In summary, the Missouri Lottery Commission assumes this proposal will require 25 new FTE at a cost of \$1,032,468 in FY 2023, \$1,251,345 in FY 2024 and \$1,263,859 in FY 2025 plus fringe benefits and equipment and expenses to provide for the implementation of the changes in this proposal.

Net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$44.5 million in FY 2023, \$88.8 million in FY 2024 and \$142.5 million in FY 2025.

Bill as a whole

Officials from the **Office of Administration - Budget and Planning (B&P)** state the proposal creates the Missouri Video Lottery Control Act. There are numerous fees and fines that will increase TSR and the 18(e) calculation. B&P defer to the Lottery for estimated amounts. These fees and fines may increase both TSR and 18(e) by an unknown amount.

Article IX, Section 7 of the Missouri Constitution requires that penalties, forfeitures and fines collected for violations of state law be distributed to the schools. To the extent any additional such revenues are deposited into the state treasury, TSR may increase.

Officials from **the Department of Public Safety - Missouri Gaming Commission (MGC)** state this legislation proposes the “Missouri Video Lottery Control Act.” As a new form of entertainment, which would be regulated by the Missouri lottery commission, it is assumed the video lottery terminals (VLTs) would be in direct competition with bingo and excursion gambling boats, resulting in a reduction in state gaming taxes to education. The extent that these reductions will be offset by new revenue generated by VLTs is unknown. This Act would also result in a reduction of state admission fees which benefits Veterans, National Guard and Access Missouri programs, as well as reductions in casino taxes and admission fees paid 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 video lottery terminals, specifically in Illinois.

**Oversight** assumes the implementation of video lottery in Missouri may have a negative impact on the utilization of Missouri’s casinos (patrons may choose to play video lottery instead of visiting a Missouri casino). Therefore, Oversight will reflect an unknown amount of loss to the Gaming Commission Fund (0286) and the Gaming Proceeds for Education Fund (0285).

**Oversight** will show a negative unknown impact to home dock cities of riverboat casinos due to reduced casino taxes and admission fees.

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 Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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, 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.

Officials from the **Department of Higher Education and Workforce Development**, the **Department of Revenue**, the **Department of Public Safety – Missouri Veterans Commission**, the **Office of the State Public Defender**, the **Missouri Office of Prosecution Services**, the **Office of the State Treasurer**, the **Office of the State Courts Administrator** and the **University of Missouri** each assume 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.

Officials from the **City of Springfield** assume the proposal will have no fiscal impact on their organization.

Officials from **Kansas City** state this legislation could have a positive fiscal impact on Kansas City if the City collects the four percent of the video lottery game adjusted gross receipts that are allowed to be are paid to a municipality.

**Oversight** notes the impact for municipalities has been determined by LOT. Oversight will use LOT's impact for fiscal note purposes.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in Oversight's database is available upon request.

**This proposal could increase Total State Revenue.**

Fiscal Impact – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>GENERAL REVENUE FUND</b>			
<u>Costs - MHP</u> (§313.429.12) p. 9-10			
Personal Services	(\$338,400)	(\$410,141)	(\$414,242)
Fringe Benefits	(\$302,124)	(\$366,174)	(\$369,835)
Equipment and Expense	(\$526,634)	(\$88,991)	(\$91,215)
<u>Total Costs - MHP</u>	<u>(\$1,167,158)</u>	<u>(\$865,306)</u>	<u>(\$875,292)</u>
FTE Change - MHP	5 FTE	5 FTE	5 FTE
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$1,167,158)</u></b>	<b><u>(\$865,306)</u></b>	<b><u>(\$875,292)</u></b>
Estimated Net FTE Change to the General Revenue Fund	5 FTE	5 FTE	5 FTE
<b>HIGHWAY FUND</b>			
<u>Savings – MHP</u> Replacing Sergeants with Probationary Troopers (§313.429.12) p. 9-10	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

Fiscal Impact – State Government (continued)	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>STATE LOTTERY FUND (0682)</b>			
<u>Revenue - LOT</u>			
Initial Application Fees p. 7	\$1,886,900	\$1,886,900	\$1,886,900
Renewal Fees p. 7	\$0	\$1,141,100	\$1,141,100
VLT Proceeds (36% of AGR) (\$313.429.10) p. 7	<u>\$60,567,188</u>	<u>\$121,134,375</u>	<u>\$181,701,563</u>
<u>Total Revenue - LOT</u>	<u>\$62,454,088</u>	<u>\$124,162,375</u>	<u>\$184,729,563</u>
<u>Loss – LOT</u> Lost profits from Keno and Pull-Tab Sales from competition p. 6	(\$3,819,689)	(\$15,278,757)	(\$15,278,757)
<u>Transfer Out - to Lottery Proceeds Fund to be appropriated to DESE (32% of AGR) (\$313.429.10) p. 7</u>	(\$44,527,848)	(\$88,804,092)	(\$142,550,006)
<u>Transfer Out - to Lottery Enterprise Fund</u>	(\$14,106,551)	(\$20,079,526)	(\$26,900,800)
<b>ESTIMATED NET EFFECT ON THE STATE LOTTERY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

Fiscal Impact – State Government (continued)	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>LOTTERY ENTERPRISE FUND (0657)</b>			
<u>Transfer In</u> – from State Lottery Fund	\$14,106,551	\$20,079,526	\$26,900,800
<u>Cost</u> – LOT p.10			
Personal Service	(\$1,032,468)	(\$1,251,345)	(\$1,263,859)
Fringe Benefits	(\$637,199)	(\$769,139)	(\$773,686)
Advertising, Promotions and Point-of-Sale	(\$1,250,000)	(\$1,537,500)	(\$1,575,938)
Capital Improvements	(\$81,667)	(\$100,450)	(\$102,961)
Other Cost	(\$557,666)	(\$100,597)	(\$101,481)
<u>Total Costs</u> - LOT	<u>(\$3,559,000)</u>	<u>(\$3,758,931)</u>	<u>(\$3,817,925)</u>
FTE Change – LOT	25 FTE	25 FTE	25 FTE
<u>Costs</u> - MHP (§313.429.12) p. 9-10			
Personal Services	(\$1,114,944)	(\$1,344,835)	(\$1,358,284)
Fringe Benefits	(\$995,422)	(\$1,200,669)	(\$1,212,676)
Equipment and Expense	(\$1,688,628)	(\$285,436)	(\$292,572)
<u>Total Costs</u> - MHP	<u>(\$3,798,994)</u>	<u>(\$2,830,940)</u>	<u>(\$2,863,532)</u>
FTE Change - MHP	17 FTE	17 FTE	17 FTE
<u>Transfer Out</u> - To municipalities 4% of AGR of video lottery game to municipalities to cover admin. costs (§313.429.10) p. 8	(\$6,729,688)	(\$13,459,375)	(\$20,189,063)
<u>Transfer Out</u> - to Compulsive Gamblers Fund (1% of fees	(\$18,869)	(\$30,280)	(\$30,280)

collected §313.429.11) p. 8			
<b>ESTIMATED NET EFFECT ON LOTTERY ENTERPRISE FUND (0657)</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE change to the Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE
<b>LOTTERY PROCEEDS FUND (0291)</b>			
<u>Transfer In</u> - from State Lottery Fund to be appropriated equally to DESE and DHEWD (§313.429.10) p. 7	<u>\$44,527,848</u>	<u>\$88,804,092</u>	<u>\$142,550,006</u>
<b>ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND</b>	<b><u>\$44,527,848</u></b>	<b><u>\$88,804,092</u></b>	<b><u>\$142,550,006</u></b>
<b>COMPULSIVE GAMBLERS FUND (0249)</b>			
<u>Revenue</u> - LOT Fines imposed from violations of Lottery vendor/licensee (§313.429.9) p. 5	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> - from the State Lottery Fund (§313.429.11) p. 8	\$18,869	\$30,280	\$30,280



<u>Cost - DMH</u> Administrative cost for treating additional consumers (assumed to be limited to proceeds into the fund from video lottery estimates) (§313.429.11) p. 8	<u>(\$18,869)</u>	<u>(\$30,280)</u>	<u>(\$30,280)</u>
<b>ESTIMATED NET EFFECT ON THE COMPULSIVE GAMBLERS FUND</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>
<b>GAMING COMMISSION FUND (0286)</b>			
<u>Costs - MHP</u> (§313.429.12) p. 9-10			
Personal Services	<u>(\$135,360)</u>	<u>(\$164,056)</u>	<u>(\$165,697)</u>
Fringe Benefits	<u>(\$120,849)</u>	<u>(\$146,469)</u>	<u>(\$147,934)</u>
Equipment and Expense	<u>(\$210,654)</u>	<u>(\$35,596)</u>	<u>(\$36,486)</u>
<b>Total Costs - MHP</b>	<b><u>(\$466,863)</u></b>	<b><u>(\$346,121)</u></b>	<b><u>(\$350,117)</u></b>
FTE Change - MHP	2 FTE	2 FTE	2 FTE
<u>Loss - MGC</u> Loss of revenue resulting from video lottery competition p. 15	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE GAMING COMMISSION FUND</b>	<b><u>(Could exceed \$466,863)</u></b>	<b><u>(Could exceed \$346,121)</u></b>	<b><u>(Could exceed \$350,117)</u></b>

Estimated Net FTE Change to the Gaming Commission Fund	2 FTE	2 FTE	2 FTE
<b>GAMING PROCEEDS FOR EDUCATION FUND (0285)</b>			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 11	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>CRIMINAL RECORDS SYSTEM FUND (0671)</b>			
<u>Revenue</u> - MHP Background check fees (\$313.429) p.9- 10	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS SYSTEM FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Income - Cities and Counties compensation paid to municipalities or counties - 4% AGR (§313.429.10) p. 7</u>	\$6,729,688	\$13,459,375	\$20,189,063
<u>Income - School districts (§313.429.9) Fines from violations p. 6</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition p. 11</u>	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>More than or Less than \$6,729,688</u></b>	<b><u>More than or Less than \$13,459,375</u></b>	<b><u>More than or Less than \$20,189,063</u></b>

FISCAL IMPACT – Small Business

This legislation will impact fraternal and veteran’s organizations, truck stops, and other establishments that sell liquor who become video lottery retailers, as well as video lottery manufacturers, operators, and distributors. This legislation removed convenience stores and grocery stores as eligible locations.

FISCAL DESCRIPTION

This act establishes the Missouri Video Lottery Control Act.

This act allows 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 twenty-five percent of video lottery game terminals in the state. (Sections 313.429.1 and .2)

Video lottery game terminals may be placed in fraternal organizations, veterans' organizations, truck stops, bars and restaurants, and liquor stores, as defined in the act. (Section 313.427(3))

Video lottery game terminals shall be connected to a centralized computer system developed or procured by the Commission. No video lottery game terminal shall be placed in operation without first connecting to such centralized computer system.

The Commission may impose a non-refundable application fee, as described in the act. Manufacturers, operators, distributors, handlers, and retailers shall be required to annually remit a license fee. The Commission shall issue provisional licenses as described in the act. (Sections 313.429.3 and 313.431)

Video lottery game operators shall pay winning tickets using a video lottery game ticket redemption terminal, which shall be located within the video lottery game retailer's establishment in direct proximity of where such video lottery games are offered. 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 and video lottery game retailers shall enter into a written agreement for the placement of video lottery game terminals. The agreement shall specify a division of adjusted gross receipts between the operator and retailer after adjustments for taxes and administrative fees are made. Video lottery game operators are prohibited from offering, promising, or tendering any property or advantage to influence a video lottery game retailer for the placement of video lottery terminals. Persons violating such prohibition are subject to the suspension or revocation of his or her video lottery game operator's license. (Section 313.429.7)

The cost of video lottery game terminal credits shall be \$0.01, \$0.05, \$0.10, or \$0.25, and the maximum wager played per video lottery game shall not exceed \$5.00. No cash award for the maximum wager played on any individual lottery game shall exceed \$1,000.

Operators shall not operate more than five terminals at one retail establishment, except fraternal organizations, veteran's organizations, and truck stops may operate up to ten terminals. (Section 313.429.8)

A person under the age of twenty-one shall not play video lottery games, and such video lottery game terminals shall be under the supervision of a person that is at least twenty-one years of age. Recorded video surveillance shall be made available as reasonably and specifically requested by the Commission. An operator that fails to review such video and report any known violation of

law may be subject to an administrative fine not to exceed \$5,000. Any operator or retailer found to have knowingly committed a violation of provisions governing the conduct of video lottery games may be subject to a fine of \$5,000, the suspension of such operators of retailer's license for up to thirty days, or, in the case of repeated violations, the revocation of such operator's or retailer's license for up to one year. (Section 313.429.9)

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 to public elementary and secondary education and public institutions of higher education, with an emphasis on science, technology, engineering, and mathematics (STEM) and workforce development programs. 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.

Sixty-four percent of video lottery game adjusted gross receipts shall be retained by video lottery game operators, a portion of which shall be utilized to pay for the cost of the centralized computer system. The remainder shall be divided between video lottery game operators and video lottery game retailers as provided under an agreement. (Section 313.429.10)

All revenues collected by the Commission from license renewal fees and any reimbursements associated with the enforcement of the act shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of the act. (Section 313.429.11)

The Commission may contract with a state law enforcement entity to assist in conducting investigations into applicants for licenses and to investigate violations of the provisions of the act. (Section 313.429.12)

The use or possession of any video lottery game terminal that is not licensed by the Lottery Commission shall be punishable under the provisions of Chapter 572 relating to illegal gambling. (Section 313.429.13)

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. (Section 313.433)  
This act allows a municipality or county to adopt an ordinance within one hundred twenty days of the effective date of this act prohibiting video lottery game terminals within the municipality or county. (Section 313.435)

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

L.R. No. 3881S.02I

Bill No. SB 686

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Department of Higher Education and Workplace Development

Department of Mental Health

Department of Corrections

Department of Revenue

Department of Public Safety

Division of Alcohol and Tobacco Control

Missouri Gaming Commission

Missouri Highway Patrol

Missouri Veterans Commission

Department of Social Services

Joint Committee on Administrative Rules

Lottery Commission

Department of Agriculture

Department of Transportation

Missouri Office of Prosecution Services

Office of Administration - Budget and Planning

Office of State Courts Administrator

Office of Secretary of State

State Public Defender's Office

State Treasurer's Office

City of Kansas City

City of Springfield

City of Ballwin

City of Corder

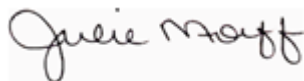
Crestwood Police Department

Ellisville Police Department

Kansas City Police Department

Springfield Police Department

St. Louis County Police Department



Julie Morff

Director

March 3, 2022



Ross Strope

Assistant Director

March 3, 2022