

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5133S.01I
Bill No.: SB 1061
Subject: Gambling
Type: Original
Date: March 7, 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	(\$100,445)	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$100,445)	\$0	\$0	\$0

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)	(\$209,299)	(\$1,014,860)	(\$1,427,954)	(\$1,403,127)
Gaming Proceeds for Education Fund (0285)	\$11,586,025 to \$22,797,000	\$11,586,025 to \$22,797,000	\$11,586,025 to \$22,797,000	\$11,586,025 to \$22,797,000
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 <u>Other</u> State Funds	Could Exceed \$11,276,726 to \$22,487,701	Could Exceed \$10,471,165 to \$21,682,140	Could Exceed \$10,058,071 to \$21,269,046	Could Exceed \$10,082,898 to \$21,293,873

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
Total Estimated Net Effect on FTE	7 FTE	7 FTE	7 FTE	7 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	\$1,287,338 to \$2,533,000	\$1,287,338 to \$2,533,000	\$1,287,338 to \$2,533,000	\$1,287,338 to \$2,533,000

FISCAL ANALYSIS

ASSUMPTION

§§ 313.800-313.1022 - Sports wagering

Officials from the **Missouri Gaming Commission (MGC)** assume the following:

In calculating the revenue estimates, MGC looked at comparable states that had established sports betting, which included Mississippi. Mississippi's Total Revenue from sports betting is the actual total revenue amounts from October 2019 through September 2021. MGC then determined their sports betting revenue was 2.50% of their total gaming revenue. This was calculated by taking \$53,631,014 and dividing by \$2,141,840,000 ($\$53,631,014 / \$2,141,840,000 = .0250$). We then could assume Missouri's sports betting revenue would also be 2.50% of total gaming revenue of \$1,754,470,000 after deductions for winnings ($\$1,754,470,000 \times 2.50\% = \$43,931,389$). Mississippi sports betting is limited to bets placed in person at the casinos. The Commission 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 ($(\$43,931,389 \times 70\%) / 30\% = \$102,506,572 =$ additional revenue). Total revenue, therefore, is estimated to be \$146,437,962.

The link to Mississippi's Gaming Commission reports used to calculate amounts is http://www.msgamingcommission.com/index.php/reports/monthly_reports.

Per section 313.1000, Adjusted Gross Receipts (AGR) for sports wagering is calculated by starting with total revenue minus winnings, actual costs of prizes, excise taxes, voided or cancelled wagers, promotional wagering and uncollectible receivables. MGC estimated Missouri's total revenue to be \$146,437,962 after deducting the winnings. MGC then subtracted an estimated amount (2.0% of total revenue or \$2,928,759) to account for voided or cancelled wagers and uncollectible receivers and an estimated amount for excise tax (.25% or \$366,095) and also subtracted out an estimated amount for promotional wagers (9.84% of total revenue or \$14,409,495). The Commission was unable to estimate a cost for prizes awarded by sports wagering operators. This would result in net AGR of \$128,733,612. After all known deductions, therefore, MGC estimates Gaming Tax revenue from sports wagering to be \$12,873,361.24 (based on a full year).

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 \$205,928 to the “Gaming Proceeds for Education Fund.”

Section 313.1000(2)

MGC assumes this subdivision of the proposal defines a “certificate holder” as an applicant who is issued a certificate of authority by the commission. Section 313.1000(3) defines a “certificate of authority” as a certificate issued by the commission to a licensed applicant to conduct sports wagering. The definition of a “licensed applicant” in section 313.1000(13) includes an excursion gambling boat. It also includes interactive sports wagering platform operators or designated sports district mobile licensees (collectively, hereinafter referred to as “platform operator”). The effect of those three definitions is to make the terms “licensed applicant” and “certificate holder” synonymous, which creates confusion and inconsistencies throughout the text of the bill. For example, it would require a platform operator to apply for both a certificate of authority in section 313.1006 and an interactive sports wagering platform license under section 313.1010.

Sections 313.1000(6) and (7)

MGC assumes these subdivisions of the proposal define “designated sports district,” and “designated sports district mobile licensee.” This new type of licensee is an interactive sports wagering platform (ISWP) operator authorized to offer sports wagering only via the internet in Missouri and that is designated by an owner of a Missouri professional sports team that plays its home games within a designated sports district. This new type of licensee, and not the owner of the professional sports team designating the ISWP operator, submits an application for licensure. It is not clear whether minor league teams would be allowed to be “designated sports districts.”

Sections 313.1000(13)

MGC assumes this subdivision of the proposal expands the definition of “licensed applicant” to include an ISWP operator and a designated sports district mobile licensee in addition to an

excursion gambling boat, and (14) allows an excursion gambling boat or a designated sports district to be considered a “licensed facility.”

Section 313.1000(15)

MGC assumes this subdivision of the proposal defines a “licensed supplier” as a person holding a supplier’s license issued by the commission. This definition is in addition to the definition of “sports wagering supplier” in section 313.1000.1(24).

Section 313.1000(23)

MGC assumes this subdivision of the proposal defines a “sports wagering operator” as a licensed facility (see expanded definition in subsection (14), above) as either an excursion gambling boat, an ISWP operator, or a designated sports district mobile licensee.

Section 313.1000(24)

MGC assumes this subdivision of the proposal adds a definition for “sports wagering supplier,” which is separate from a supplier licensed under section 313.807 and in addition to the definition of “licensed supplier” in section 313.1000.1(15).

Section 313.1000(25)

MGC assumes this subdivision of the proposal defines “supplier’s license” as a license issued by the commission under section 313.807.

Section 313.1000(26)

MGC assumes this subdivision of the proposal defines “Tier one sports wager” as an “internet sports wager that is determined solely by the final score or final outcome of the sporting event and is placed before the sporting event has begun.” This definition would not apply to wagers made in person on excursion gambling boats. Therefore, MGC recommends removing the word “internet” from the definition.

Section 313.1000(27)

MGC assumes this subdivision of the proposal defines “Tier two sports wager” as “an internet sports wager that is not a tier one sports wager.” This definition would not apply to wagers made in person on excursion gambling boats. Therefore, MGC recommends removing the word “internet” from the definition.

In section 313.1003.1,

MGC assumes because “certificate holder” is defined in broader terms to include all licensed applicants, sports wagering will be able to be offered by a casino, an ISWP operator, and a designated sports district mobile licensee.

Section 313.1006

MGC states this section states that a licensed applicant who wishes to offer sports wagering shall file an application and pay a filing fee. Then, under section 313.1006.2, the MGC SHALL issue a certificate of authority to a licensed applicant “upon receipt of the application and fee” set forth

in section 313.1006.1. The definitions of “licensed applicant” and “certificate holder” both include ISWP operators and designated sports district mobile licensees, neither of which is an excursion gambling boat, and therefore not an existing commission licensee. The result of those two terms being synonymous would require the MGC to issue a license to a platform operator without having conducted a background investigation, which is inconsistent with section 313.1014. If the intent of the bill was that a certificate holder would be the excursion gambling boat then specifying that in the definition under section 313.1000(2) would clear up these issues and inconsistencies.

Also, the powers given to the MGC in §313.805 RSMo are limited to enforcement and regulation of §§313.800 RSMo to 313.850. In order to enable the MGC to effectively regulate sports wagering, the Commission would suggest that a provision be added at the beginning of §313.1004 as follows:

The Commission shall have full jurisdiction over and shall supervise all gambling operations governed by sections 313.1000 to 313.1022.

The definition of “gross receipts” in section 313.800.1(16) specifically excludes “gross receipts from sports wagering, as defined in section 313.1000” from gross receipts from gambling games.

MGC also assumes this section states that a licensed applicant who wishes to offer sports wagering shall file an application and pay a filing fee. Then, under section 313.1006.2, the MGC SHALL issue a certificate of authority to a licensed applicant “upon receipt of the application and fee” set forth in section 313.1006.1. The definitions of “licensed applicant” and “certificate holder” both include ISWP operators and designated sports district mobile licensees, neither of which is an excursion gambling boat, and therefore not an existing commission licensee. The result of those two terms being synonymous would require the MGC to issue a license to a platform operator without having conducted a background investigation, which is inconsistent with section 313.1014.

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

Section 313.1006.1(2)

MGC assumes this subsection of the proposal imposes an initial application fee for a licensed applicant, which is defined as an excursion gambling boat, a designated sports district mobile licensee or an ISWP operators, of \$50,000 to be paid to the MGC and deposited in the Gaming Commission Fund and distributed according to section 313.835. Upon receipt of the fee, the commission would issue a certificate of authority.

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 is currently being done for gaming devices.

Section 313.1010.1

MGC states this subsection refers to “an interactive sports wagering platform provider” offering sports wagering. The term, as used in the bill should be “interactive sports wagering platform operator.”

Section 313.1010.2

MGC states this subsection imposes an initial application fee for an interactive sports wagering platform license of \$100,000 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 platform license renewal fee of \$50,000 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 every two years on or before the payment date of the initial application. There is inconsistent language in this section, in that the \$50,000 fee is to be paid every two years, but it is referred to as an “annual license renewal fee.” The MGC recommends the language be changed to require licensees to pay the \$50,000 fee on an annual basis due at the anniversary of the license issuance date, rather than every two years.

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

MGC states that other than section 313.1014.3(2), this bill contains no civil and/or criminal penalty provisions for licensees that violate Chapter 313, RSMo, or specifically, sections 313.1000 to 313.1022. By reference, section 313.805(6) gives the MGC specific authority to impose discipline against a licensee, and section 313.830 lists certain actions that are criminal violations. The Commission suggests similar language be added to this bill. Also, the powers given to the MGC in sections 313.805 and 313.830 are limited to enforcement and regulation of §§313.800 RSMo to 313.850. In order to enable the MGC to effectively regulate sports wagering, the Commission would suggest that a provision be added at the beginning of §313.1004 as follows:

The Commission shall have full jurisdiction over and shall supervise all gambling operations governed by sections 313.1000 to 313.1022.

Section 313.1021.1

MGC states this section imposes a wagering tax on the adjusted gross receipts from sports wagering of 10%. The certificate holder or ISWP operator is responsible for remitting this tax. Revenues from this tax are to be deposited in the Gaming Proceeds for Education Fund and distributed pursuant to section 313.822.

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

Section 313.1021.5(1)

MGC states under this section a licensed facility and designated sports district must pay an annual administrative fee of \$20,000 to the MGC one year after the date on which the certificate holder begins its sports wagering operations. The funds received by the MGC are to be deposited in the Gaming Commission Fund and distributed according to section 313.835. MGC recommends that sections 313.1021.5(1) be moved to section 313.1006 to be consistent with the MGC's licensing processes.

Oversight will reflect revenue generated from this fee in 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 full 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 \$10,000 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, casinos are relicensed and reinvestigated every four years. It would be redundant for them to be reinvestigated again in the fifth year. Therefore, the MGC recommends this section be modified to have the reinvestigation fee and the reinvestigation apply to all certificate holders, and to have that reinvestigation be conducted every four years. These changes would be consistent with current MGC licensing requirements.

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

Section 313.1022

MGC assumes in this section of the proposal states that sports wagering as authorized by this bill "shall be deemed initiated, received, and otherwise made on the property of an excursion gambling boat." This section does not state where sports wagers placed at designated sports district mobile licensees, which are not affiliated with excursion gambling boats, over the internet via ISWPs would be deemed initiated, received, or otherwise made.

MCG also assumes this section requires all servers necessary for sports wagering “be physically located within a certificate holder’s licensed facility that is an excursion gambling boat in the state.” This section does not address where the servers would be for sports wagers placed at designated sports district mobile licensees, which are not affiliated with excursion gambling boats.

The MGC estimates a total of 21 applicants for sports wagering licenses, to include the 13 current gambling boats and 8 sportsbook providers that would offer the platform for sportsbook wagering; the casinos may offer more than one sportsbook provider option.

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:

State Impact - Estimated by MGC						
Provision	FY23	FY24	FY25	FY26	FY27	Fund to Deposit
(13) Cert of Authority App Fee (Initial) – Casino- \$50,000 §313.1006 (2)	\$650,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(13) Cert Holder Admin Fee (Annual after the first year) - \$20,000 -§313.1021.5(1)	\$0	\$260,000	\$260,000	\$260,000	\$260,000	Gaming Commission Fund
(13) Cert Holder Reinvestigation Fee (in the 5 th year and each 5 th year thereafter) –Casino- \$10,000 §313.1021.5(2)	\$0	\$0	\$0	\$0	\$130,000	Gaming Commission Fund
(8) Sports Wagering Platform License App Fee (Initially) - \$100,000 §313.1010.2(2)	\$800,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License Annual Review Fee (Every two years on or before initial app payment date) – Sports book provider - \$50,000 §313.1010.3	\$0	\$400,000		\$400,000		Gaming Commission Fund
Total Fees Collected	\$1,450,000	\$660,000	\$260,000	\$660,000	\$390,000	Gaming Commission Fund
AGR tax (90%)*	\$11,586,025	\$11,586,025	\$11,586,025	\$11,586,025	\$11,586,025	Gaming for Education Fund
Total State Impact	\$13,036,25	\$12,246,025	\$11,846,025	\$12,246,025	\$11,976,025	
Local Impact						
Dock* Cities/Counties (10% AGR tax)	\$1,287,338	\$1,287,338	\$1,287,338	\$1,287,338	\$1,287,338	

*10% of \$128,733,612 AGR

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

Section 313.1022 requires a wagering tax of ten percent (10%) 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 DOR 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 receive 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 twenty thousand dollars (\$20,000). 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)

\$20,200,000-\$25,330,000 (10% tax imposed on AGR)

Breakout of the 10% per Section 313.822 RSMo.

10% to Dock Cities (Local) – \$2,022,000-2,533,000

90% to Gaming Proceeds for Education Fund- \$18,198,000-\$22,797,000

Administrative Impact

DOR assumes this legislation will result in an increase in the number of payments received. If the increase 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 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.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume 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 Missouri Gaming Commission 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 or 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
10% tax on AGR (state portion - 90%)	\$11,586,025	\$18,198,000	\$22,797,000
10% tax on AGR (local portion - 10%)	\$1,287,336	\$2,022,000	\$2,533,000

Bill as a Whole

Officials from the **Missouri Gaming Commission (MGC)** estimate needing five (5) 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, 2022 and \$109,844 on June 30, 2021. 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 this proposal would increase licensing and background investigations of the potential licensees, employees, suppliers, etc. This 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 Sergeant (\$81,192/annually) would be needed to conduct this workload.

MHP assume at minimum there would be one sport betting company (supplier) per property, which would include the necessary background investigations for the supplier as well as separate background investigations for its individual key personnel and possibly, key business entities. This would mean that, again at minimum, this would add 13 (number of riverboat casinos) plus the associated individuals for background investigations.

Also, it appears that each riverboat property could conceivably have as many as three different sport bet suppliers at each property, which would mean potentially 39 new background investigations and renewals and the corresponding separate individual backgrounds as well.

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

Oversight notes the balance in the Gaming Commission Fund was \$3,979,374.89 on February 28, 2022, and was \$4,626,577.82 as of June 30, 2021.

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** 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.

Oversight notes the **Department of Corrections**, the **Office of the State Treasurer**, the **Missouri Lottery Commission** 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.

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 general listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Cost – DOR</u> Tax collection database p. 11-12	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC p. 10 (13) Cert of Authority App Fee (Initial) – Casino- \$50,000 §313.1006 (2)</u>	\$650,000	\$0	\$0	\$0
<u>Revenue - MGC p. 10 (13) Cert Holder Admin Fee (Annual after the first year) - \$20,000 -§313.1021.5</u>	\$0	\$260,000	\$260,000	\$260,000
<u>Revenue - MCG p. 10 (13) Cert Holder Reinvestment Fee (in the 5th year and each 5th year thereafter) – Casino- \$10,000 §313.1021.5(2)</u>	\$0	\$0	\$0	\$130,000
<u>Revenue - MGC p. 10 (8) Sports Wagering Platform License App Fee (Initially) - \$100,000 §313.1010.2(2)</u>	\$800,000	\$0	\$0	\$0
<u>Revenue - MGC p. 10 (8) Sports Wagering Platform License Annual Review Fee (Every two years on or before initial app payment date) – Sports book provider - \$50,000 §313.1010.3</u>	\$0	\$400,000	\$0	\$0
Total Revenue – MGC	<u>\$1,450,000</u>	<u>\$660,000</u>	<u>\$260,000</u>	<u>\$390,000</u>
<u>Cost – FTE MGC p. 13</u>				
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)
Total Cost – MGC	(\$1,260,862)	(\$1,339,404)	(\$1,348,763)	(\$1,450,157)
FTE Change – MGC	5 FTE	5 FTE	5 FTE	5 FTE
Cost – 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	(\$142,628)	(\$25,415)	(\$26,050)	(\$26,699)
Total Cost – MHP	(\$398,437)	(\$335,456)	(\$339,191)	(\$342,970)
FTE Change – MHP	2 FTE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	(\$209,299)	(\$1,014,860)	(\$1,427,954)	(\$1,403,127)
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 10% Wagering Tax §313.1021 p. 13	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>	<u>\$11,586,025 to \$22,797,000</u>
COMPULSIVE GAMBLERS FUND (0249)				
Cost - DMH Administrative cost for treating additional consumers p. 13-14	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

<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 10% Wagering Tax §313.1021 p.13</u>	<u>\$1,287,338</u> to <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>\$1,287,338</u> to <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>	<u>\$1,287,338 to</u> <u>\$2,533,000</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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 or over the internet to persons physically located in this state. Licensed applicants 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)

The act establishes designated sports districts, as defined in the act, in areas surrounding stadiums in which professional sports teams play their home games. Professional sports teams may designate a designated sports district mobile licensee, as defined in the act, to conduct sports wagering via an interactive sports wagering platform within the designated sports district. (Section 313.1000)

An excursion gambling boat may conduct sports wagering through up to three individually branded interactive sports wagering platforms, as defined in the act, and may operate such platforms or contract with a platform operator to administer sports wagering on behalf of the excursion gambling boat. Each designated sports district mobile licensee may offer sports wagering through one interactive sports wagering platform. (Section 313.1008)

An interactive sports wagering platform may apply to the Commission to conduct sports wagering on behalf of a certificate holder. Such interactive sports wagering platform shall submit an application fee of \$100,000. Every two years after licensure, an interactive sports wagering platform shall submit an annual license renewal fee of \$50,000. (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 districts, as defined in the act. (Section 313.1003.3)

A sports governing body may notify the Commission that official league data for determining tier two sports wagers is available. The Commission shall notify sports wagering operators of such availability within seven days, and within sixty days of receiving such notification, sports wagering operators shall use only official league data to determine the outcome of tier two sports wagers, with exceptions as provided in the act.

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)

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 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, 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)

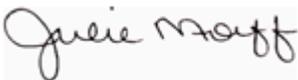
A tax is imposed at a rate of 10% on the adjusted gross receipts received from sports wagering conducted by a certificate holder. Such tax shall be remitted by the last business day of each month. Revenues received from the tax shall be deposited in the Gaming Proceeds for Education Fund.

A certificate holder shall also pay to the Commission an annual administrative fee of \$20,000. 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)

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 Mental Health
Department of Revenue
Department of Corrections
Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
Department of Social Services
Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Lottery Commission
Office of Administration - Budget and Planning
University of Central Missouri



Julie Morff
Director
March 7, 2022



Ross Strobe
Assistant Director
March 7, 2022