

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0365S.01I
Bill No.: SB 192
Subject: Gambling; Political Subdivisions
Type: Original
Date: February 21, 2023

Bill Summary: This proposal authorizes the Video Lottery Control Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	\$0 or (\$6,879)	\$0 or (\$16,840)	\$0 or (\$17,177)
Total Estimated Net Effect on General Revenue	\$0 or (\$6,879)	\$0 or (\$16,840)	\$0 or (\$17,177)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
State Lottery Fund (0682)*	\$0	\$0	\$0
Lottery Enterprise Fund (0657)*	\$0	\$0	\$0
Lottery Proceeds Fund (0290)	\$44,338,621	\$88,142,600	\$141,855,458
Gaming Proceeds for Education Fund (0285)	(Unknown)	(Unknown)	(Unknown)
Gaming Commission Fund (0286)	(Unknown)	(Unknown)	(Unknown)
Compulsive Gamblers Fund (0249)	(\$326,494)	(\$384,155)	(\$384,155)
Total Estimated Net Effect on <u>Other</u> State Funds	Could be less than \$44,012,127	Could be less than \$87,758,448	Could be less than \$141,471,303

*Revenues and Expenses Net to \$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Lottery Enterprise Fund (LOT)	27 FTE	27 FTE	27 FTE
Lottery Enterprise Fund (MHP)	15 FTE	15 FTE	15 FTE
Total Estimated Net Effect on FTE	42 FTE	42 FTE	42 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 2024	FY 2025	FY 2026
Local Government	Could exceed \$6,729,688	Could exceed \$13,459,375	Could exceed \$20,189,063

FISCAL ANALYSIS

ASSUMPTION

Sections 313.425-313.433 – Video Lottery Control Act

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

Section 313.429.1

LOT states this section of the proposal would require the Commission to 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 (4) 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 fees that will cover initial background checks. Renewal fees and penalties also will 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, handlers and sales agents of approximately \$22,000 per year (background checks are estimated to be \$15 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 \$22,000 per year with approximately \$1.1 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

LOT assumes this section of the proposal states 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.

LOT assumes their department will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers in proportion to the number of video lottery terminals operated.

313.429.6

LOT assumes this section of the proposal states video lottery game terminals shall meet independent testing standards approved by the commission and shall be inspected and approved prior to being sold, leased or transferred.

Section 313.429.7-8

LOT assumes this section of the proposal states operators must follow guidelines for plays and payouts, where terminals can be operated, number of terminals operated per establishment, responsible gambling.

Section 313.429.9

LOT assumes this section of the proposal states 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.

LOT assumes:

Nine - (9) 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 - (5) 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 prior to being sold, leased or transferred.

One - (1) 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 - (1) 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 provide for multiple administrative fines against a video lottery game operators or retailers that violates provisions of this subsection. These administrative fines may not exceed \$5,000 per occurrence. 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

LOT assumes 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 commission assumes this section of the proposal will require the following:

- Three (3) senior accounts assistants are needed at an annual salary of \$39,590 each to verify and collect Lottery's share of video lottery adjusted gross receipts and unclaimed prizes, collect annual terminal fees and distribute to the Veterans' Commission Capital Improvements Trust Fund, and to remit payments to municipalities.
- Two (2) data analysts/applications developers are needed at an annual salary of \$59,622 to ensure the centralized system is accurately capturing data and to develop files, applications and reports to assist in the licensing, security and accounting of the program.

LOT assumes approximately \$6.7 million, \$13.5 million and \$20 million per year will be remitted to municipalities where video lottery establishments are located in 2024, 2025 and 2026, respectively, ramping up to \$26.9 million annually after year four.

The Lottery assumes 2,625 retailers will operate 14,750 terminals after a 4-year ramp up period. Additional revenue 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 \$15.2 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%.

LOT estimates a loss of revenue of \$3,819,689 in FY 2024, \$15,189,247 in FY 2025 and \$15,189,247 in FY 2026 as a result potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales.

Oversight will reflect the potential loss to the State Lottery Fund as estimated by the LOT.

Oversight currently does not have the data or resources available to produce independent revenue projections 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).

<u>State Revenue Impact</u>			
Provision	FY24	FY25	FY26
Initial Application Fee	\$1,886,900	\$1,886,900	\$1,886,900
Annual Renewal and Terminal Admin Fees	\$0	\$1,141,100	\$1,141,100
VLT Proceeds (32% of 36% AGR Tax)	\$53,837,500	\$107,675,000	\$161,512,500
Total State Impact	\$55,724,400	\$110,703,000	\$164,540,500
<u>Local Revenue Impact</u>			
Dock Cities/Counties (4% of 36% AGR Tax)	\$6,729,688	\$13,459,375	\$20,189,063

Oversight will reflect 2% of gross receipts from video lottery terminals as income to the State Lottery Fund and then will show a transfer to the Lottery Proceeds Fund to be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis on funding elementary and secondary education student transportation costs and public institutions of higher education workforce development programs. Combined revenue to the Lottery Proceeds Fund, after expenses, will total \$44,338,621 in FY 2024, \$88,142,600 in FY 2025 and \$141,855,458 in FY 2026.

Oversight will also show 4% of gross receipts from video lottery terminals as income to the State Lottery Fund, then show a transfer to the Lottery Enterprise Fund where the income will be transferred once again to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Officials from the **Department of Elementary and Secondary Education** and the **Department of Higher Education and Workforce Development** 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.

Section 313.429.11

LOT assumes subject to appropriation, up to one percent of the 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 \$18,869 in 2024 and \$30,280 in 2025 and 2026.

Oversight will reflect the one percent of license fees transferred from the Lottery Enterprise Fund to the Compulsive Gamblers Fund as estimated by the LOT.

Section 313.429.12

LOT assumes 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.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the Video Lottery Terminal portion of the bill gives statutory authority for the Lottery Commission to contract with a state law enforcement agency. Section 313.429, 12 states "The commission may 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 video lottery game licensee of any of the provisions of sections 313.425 to 313.435 or state law regulating illegal gambling activities..."

If the Lottery Commission elects to contract with the Patrol, this bill will increase the workload for the background investigation unit and create hundreds of additional locations throughout the state that require regulatory compliance checks. The Patrol's Gaming Division currently has 122 FTE allocated to cover every operating hour and administrative function of the 13 casinos in the state.

It is assumed that expenses incurred by the Patrol will be reimbursed by the Lottery Commission, therefore the fiscal impact to the Patrol will be minimal. However, the minimum resources required by the Gaming Division are estimated to be fifteen (15) additional FTE to perform background investigations on vendors/operators, criminal investigations, and regulatory enforcement throughout the state. This consists of two (2) members to perform background investigations, (12) twelve members to oversee regulatory and criminal investigations in the field, and one (1) clerk/typist to process related reports. The 12 field investigators include one member per troop in six of the troops, and two members in Troops A, C, and D. The Patrol's Gaming Division has sufficient command staff to maintain command and control over the proposed new positions.

If the Patrol continues to be the investigative agency that has been tasked with investigating the majority of illegal gambling complaints, a reasonable assumption can be made that the number of illegal devices and complaints can potentially increase resulting in a greater backlog of

complaints, and a greater expectation placed on the enforcement of the establishments allowing the operation of illegal devices.

Oversight does not have any information to the contrary. Therefore, Oversight will show the FTE as assumed by the MHP. Oversight will reflect the cost 15 FTE to the Lottery Enterprise Fund.

Section 313.429.14

LOT states this section of the proposal allows the Commission to adopt rules for implementing video lottery. 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.

Section 313.431.1

LOT states the commission shall issue a request for proposal 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 27 new FTE at a cost of \$4,430,580 in FY 2024, \$4,652,321 in FY 2025 and \$4,729,303 in FY 2026 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 million in FY 2024, \$88 million in FY 2025 and \$141.8 million in FY 2026.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the FTE cost and the estimated revenue as reflected by the Missouri Lottery Commission.

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).

Bill as a Whole:

Officials from the **Department of Corrections (DOC)** state this legislation authorizes the Video Lottery Control Act. This legislation expands Chapter 572, gambling offenses, to include violations related to video lottery games.

This legislation does not specify which section of chapter 572 the possession or use of an unauthorized video lottery game terminal would fall. Should it be prosecuted under section 572.070 as Possession of a Gambling Device, the penalty is a class A misdemeanor. As

misdemeanors fall outside the purview of DOC, there is no impact to DOC should this be the case.

Should it be prosecuted under section 572.030 Promoting Gambling 1st Degree, the penalty is a class E felony. For each new nonviolent class E felony, the department estimates one person could 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.

Change in prison admissions and probation openings with legislation-Class E Felony (nonviolent)

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	1	1	1	1	1	1	1	1	1	1
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	2	2	2	2	2	2	2	2	2	2
Change (After Legislation - Current Law)										
Admissions	1	1	1	1	1	1	1	1	1	1
Probations	2	2	2	2	2	2	2	2	2	2
Cumulative Populations										
Prison	1	2	2	2	2	2	2	2	2	2
Parole			1	1	1	1	1	1	1	1
Probation	2	4	6	6	6	6	6	6	6	6
Impact										
Prison Population	1	2	2	2	2	2	2	2	2	2
Field Population	2	4	7	7	7	7	7	7	7	7
Population Change	3	6	9	9	9	9	9	9	9	9

As the level of punishment is dependent on factors that are unknown to DOC, the department will estimate the impact at a range from a class A misdemeanor to a class E felony.

* If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

If the projected impact of legislation is less than 1,500 offenders added to or subtracted from the department's institutional caseload, the marginal cost of incarceration will be utilized. This cost of incarceration is \$26.024 per day or an annual cost of \$9,499 per offender and includes such costs as medical, food, and operational E&E. However, if the projected impact of legislation is 1,500 or more offenders added or removed to the department's institutional caseload, the full cost of incarceration will be used, which includes fixed costs. This cost is \$87.46 per day or an annual cost of \$31,921 per offender and includes personal services, all institutional E&E, medical and mental health, fringe, and miscellaneous expenses. None of these costs include construction to increase institutional capacity.

DOC's cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

	# to/fr om Pris on	Cost per year	Total Cost of Prison (includes 2% inflation per year starting in year 2)		Change in numbe r of Probati on and Parole Officer s	Probation and Parole Officer II Cost per year (includes PS, fringe, E&E and inflation)	Grand Total Prison and Probation	# of Offend ers to/from Probati on & Parole
Year 1 (10 months)	1	(\$8,255)	(\$6,879)		0	\$0	(\$6,879)	2
Year 2 (includes 2% inflation)	2	(\$8,255)	(\$16,840)		0	\$0	(\$16,840)	4
Year 3 (includes 2% inflation)	2	(\$8,255)	(\$17,177)		0	\$0	(\$17,177)	7

Since the legislation is not specific as to which section of chapter 572 the possession or use of an unauthorized video lottery game terminal would fall, **Oversight** will range the fiscal impact as \$0 (the penalty is a class A misdemeanor) to the estimated cost provided by DOC (the penalty is a class E felony) to the General Revenue 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 FY22 DMH served approximately 51 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,595 per consumer for a total of \$81,345.

If the number of consumers served triples, DMH estimates treatment for 153 consumers with an average cost of \$1,595 per treatment episode for a total treatment cost of \$244,035. Currently, DMH has ten 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 24. 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 \$345,363 in FY 24. For FY 25 and beyond the amount would be \$414,435 or more based upon the need for compulsive gambling services.

Oversight notes section 313.429.11 states “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 by the Missouri Lottery Commission to be \$18,869 in 2024 and \$30,280 in 2025 and 2026.

The balance of the Compulsive Gamblers Fund (0249) was \$114,068 on December 31, 2022 and \$28,472 on June 30, 2022.

Oversight will reflect the estimated cost provided by DMH and will also reflect the transfers of monies as required by sections 313.429.11.

In response to similar legislation from this year, officials from the **Office of the State Public Defender (SPD)** stated the proposed legislation creates a new offense under section 313.1014, disorderly conduct, a class C misdemeanor. It is unknown how many additional cases eligible for SPD representation will be filed as a result of this amendment and thus the fiscal impact is unknown.

Oversight notes in FY22 the SPD was appropriated moneys for 53 additional FTE. Oversight assumes this proposal will create a minimal number of new cases and that the SPD can absorb the additional caseload required by this proposal with current staff and resources. Therefore, Oversight will reflect no fiscal impact to the SPD for fiscal note purposes. However, if multiple bills pass which require additional staffing and duties, the SPD may request funding through the appropriation process.

Officials from **Kansas City** and the **City of Springfield** assume this proposal will have a positive undetermined amount of fiscal impact as the cities would receive 4% of AGR tax.

Oversight will reflect a positive impact as estimated by the Missouri Lottery Commission to local political subdivisions.

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal. **Oversight** assumes OA – B&P would defer to the Lottery Commission in this case.

Officials from the **Office of the State Courts Administrator, Missouri Office of Prosecution Services, the Office of the State Treasurer, the Department of Public Safety – Missouri Veterans Commission and Missouri Gaming Commission, the Department of Revenue** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, cities 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.

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** 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, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Cost – DOC</u>			
Cost of incarceration p.9-11	<u>\$0 or (\$6,879)</u>	<u>\$0 or (\$16,840)</u>	<u>\$0 or (\$17,177)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$6,879)</u>	<u>\$0 or (\$16,840)</u>	<u>\$0 or (\$17,177)</u>
STATE LOTTERY FUND (0682)			
<u>Revenue – LOT</u>			
Initial Application Fees p. 8	\$1,886,900	\$1,886,900	\$1,886,900
Annual Renewal Fees & Terminal Admin Fees p. 7	\$0	\$1,141,100	\$1,141,100
VLT Proceeds (Local Portion - 4% of the 36% AGR) (§313.429.10) p.7	\$6,729,688	\$13,459,375	\$20,189,063
VLT Proceeds (State Portion -32% of the 36% AGR) (§313.429.10) p.7	<u>\$53,837,500</u>	<u>\$107,675,000</u>	<u>\$161,512,500</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)	(\$15,189,247)	(\$15,189,247)
<u>Transfer Out - to Lottery Proceeds Fund to be appropriated to DESE (32% of AGR) (§313.429.10) p.7</u>	<u>(\$44,338,621)</u>	<u>(\$88,142,600)</u>	<u>(\$141,855,458)</u>
<u>Transfer Out - to Lottery Enterprise Fund</u>	<u>(\$14,295,778)</u>	<u>(\$20,830,528)</u>	<u>(\$27,684,858)</u>
ESTIMATED NETEFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOTTERY ENTERPRISE FUND (0657)			
<u>Transfer In</u> – from State Lottery Fund	\$14,295,778	\$20,830,528	\$27,684,858
<u>Cost</u> – LOT p. 9			
Personal Service	(\$1,139,007)	(\$1,380,471)	(\$1,394,275)
Fringe Benefits	(\$766,195)	(\$924,418)	(\$929,454)
Equipment and Expense	(\$2,525,378)	(\$2,347,432)	(\$2,405,574)
<u>Total Costs</u> – LOT	<u>(\$4,430,580)</u>	<u>(\$4,652,321)</u>	<u>(\$4,729,303)</u>
FTE Change – LOT	27 FTE	27 FTE	27 FTE
<u>Costs</u> - MHP (§313.429.12) p. 8			
Personal Services	(\$1,029,820)	(\$1,260,499)	(\$1,285,710)
Fringe Benefits	(\$917,055)	(\$1,122,475)	(\$1,144,924)
Other Cost	(\$1,169,766)	(\$305,578)	(\$305,578)
<u>Total Costs</u> – MHP	<u>(\$3,116,641)</u>	<u>(\$2,688,552)</u>	<u>(\$2,736,212)</u>
FTE Change – MHP	15 FTE	15 FTE	15 FTE
<u>Transfer Out</u> – to Compulsive Gamblers Fund_§313.429.11 p.11-12	(\$18,869)	(\$30,280)	(\$30,280)
<u>Transfer Out</u> - To municipalities 4% of AGR of video lottery game to municipalities to cover admin. costs (§313.429.10) p.7	<u>(\$6,729,688)</u>	<u>(\$13,459,375)</u>	<u>(\$20,189,063)</u>
ESTIMATED NET EFFECT ON THE LOTTERY ENTERPRISE FUND (0657)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE

<u>FISCAL IMPACT – State Government</u> <u>(continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOTTERY PROCEEDS FUND (0291)			
<u>Transfer In</u> - from State Lottery Fund to be appropriated equally to DESE and DHEWD (§313.429.10) p.7	<u>\$44,338,621</u>	<u>\$88,142,600</u>	<u>\$141,855,458</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$44,338,621</u>	<u>\$88,142,600</u>	<u>\$141,855,458</u>
GAMING COMMISSION FUND (0286)			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 9	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GAMING COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
GAMING PROCEEDS FOR EDUCATION FUND (0285)			
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 9	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GAMING PROCEEDS FOR EDUCATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – State Government</u> <u>(continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
COMPULSIVE GAMBLERS FUND (0249)			
<u>Transfer In</u> – from Lottery Enterprise Fund	\$18,869	\$30,280	\$30,280
<u>Cost</u> – DMH p. 19-20 Administrative cost for treating additional consumers p. 11-12 \$313.429.11	<u>(\$345,363)</u>	<u>(\$414,435)</u>	<u>(\$414,435)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>(\$326,494)</u>	<u>(\$384,155)</u>	<u>(\$384,155)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL HOME DOCKS			
<u>Revenue</u> - Cities and Counties compensation paid to municipalities or counties - 4% AGR (§313.429.10) p. 8	\$6,729,688	\$13,459,375	\$20,189,063
<u>Revenue</u> - School districts (§313.429.9) Fines from violations p. 7	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss</u> - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition p. 11	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Could exceed \$6,729,688</u>	<u>Could exceed \$13,459,375</u>	<u>Could exceed \$20,189,063</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 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, veterans' 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 or 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)

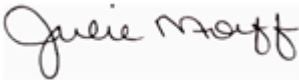
Participation in the state lottery under this act shall not be construed to be a lottery or gift enterprise in violation of Article III, Section 39 of the Constitution of Missouri, and shall not constitute a valid reason for the denial or revocation of a permit to sell liquor. (Section 313.433)

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)

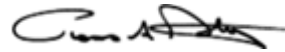
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Mental Health
Department of Corrections
Department of Revenue
Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri Veterans Commission
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Treasurer
Missouri Office of Prosecution Services
Office of the State Courts Administrator
Missouri Lottery Commission
Office of Administration - Budget and Planning
Office of the State Public Defender
Kansas City
Springfield



Julie Morff
Director
February 21, 2023



Ross Strobe
Assistant Director
February 21, 2023