

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0613S.03I
Bill No.: SB 1
Subject: Gambling
Type: Original
Date: February 20, 2023

Bill Summary: This proposal modifies provisions relating to gaming.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	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 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
State Lottery Fund (0682)*	\$0	\$0	\$0	\$0
Lottery Enterprise Fund (0657)*	\$0	\$0	\$0	\$0
Lottery Proceeds Fund (0290)	\$38,816,274	\$77,198,504	\$126,257,611	\$126,257,611
Veterans Commission Capital Improvement Trust Fund	\$1,010,625	\$2,021,250	\$3,031,875	Could exceed \$3,031,875
Gaming Commission Fund (0286)	Could be less than \$3,688,186	Could be less than \$2,884,448	Could be less than \$2,877,839	Could be less than \$3,007,839
Gaming Proceeds for Education Fund (0285)	Could be less than \$1,875,674 to \$17,797,000	Could be less than \$16,645,358 to \$17,797,000	Could be less than \$17,979,000 to \$24,577,599	Could be less than \$17,979,000 to \$27,091,694
Compulsive Gamblers Fund (0249)	\$4,664,497	\$4,599,304	\$4,599,304	\$4,599,304
Total Estimated Net Effect on Other State Funds	Could be less than \$50,055,256 to \$65,976,582	Could be less than \$103,348,864 to \$104,500,506	Could be less than \$154,745,629 to \$161,344,228	Could Exceed \$154,875,629 to \$163,988,323

*Revenues and Expenses Net to \$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Lottery Enterprise Fund (LOT)	27 FTE	27 FTE	27 FTE	27 FTE
Lottery Enterprise Fund (MHP)	15 FTE	15 FTE	15 FTE	15 FTE
Gaming Commission Fund – MGC	15 FTE	15 FTE	15 FTE	15 FTE
Gaming Commission Fund - MHP	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	59 FTE	59 FTE	59 FTE	59 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	Fully Implemented (FY 2027)
Local Government	Could be less than \$6,911,933 to \$8,680,969	Could be less than \$14,700,978 to \$14,828,938	Could be Less than \$20,976,906 to \$21,730,306	Could be less than \$20,976,906 to \$22,009,650

FISCAL ANALYSIS

ASSUMPTION

§§ 313.425 - 313.1022 - Sports wagering

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 admin 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.
- In addition to the license fees, an annual administrative fee of \$300 per terminal shall be paid equally by the operator and retailer to the Commission and distributed to the Veterans' Commission Capital Improvements Trust Fund.
- It is assumed revenues from initial application fees will total \$3.9 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 \$21,000 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 \$21,000 per year. License renewal fees are estimated at \$400,000 per year beginning in year 2. Annual terminal administrative fees collected by the Lottery and distributed to the veterans' commission capital improvements trust fund are estimated to be \$1 million in year one, \$2 million in year two, \$3 million in year three and \$4 million in year four and beyond.
- It is estimated an additional 4,000 square feet is needed in the St. Louis region at a cost of \$21 per square foot rent, \$2.00 per square foot utilities, and \$1.50 per square foot janitorial, or \$98,000 per year.

Oversight will reflect the estimated revenue by the LOT to the Veterans Commission Capital Improvement Trust Fund.

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 and refrain from advertising. Retailers may participate in an advertising program that is promoted through and sponsored by the Lottery.

Section 313.429.9

LOT assumes this section of the proposal states video lottery game terminals must be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under 21 years of age is denied by a procedure approved by the commission. 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 up to \$5,000 per occurrence may be assessed by the commission for violations and for failing to review or report violations. Such fines shall be deposited in the compulsive gamblers fund.

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 \$6.1 million, \$12.3 million and \$18.4 million per year will be remitted to municipalities where video lottery establishments are located in 2024, 2025 and 2026, respectively, ramping up to \$24.6 million annually after year four.

The Lottery assumes 2,500 retailers will operate 13,475 terminals after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from video lottery sales are anticipated to be \$55.3 million in year one and grow to \$166.0 million in year three, offset by lost profits from Keno and Pull-Tabs of approximately \$15 million per year. Keno sales are expected to be cannibalized by 31.3% and Pull-Tab sales are anticipated to be completely eliminated.

LOT estimates a loss of revenue of \$3,797,312 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 currently does not have the data or resources available to produce independent revenue projections, including a PhD Economist to estimate the elasticity of demand for 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	\$985,950	\$985,950	\$985,950
Annual Renewal and Terminal Admin Fees	\$1,010,625	\$2,409,225	\$3,419,850
VLT Proceeds (32% of 36% AGR Tax)	\$49,183,750	\$98,367,500	\$147,551,250
Total State Impact	\$51,180,325	\$101,762,675	\$151,957,050
<u>Local Revenue Impact</u>			
Dock Cities/Counties (4% of 36% AGR Tax)	\$6,147,969	\$12,295,938	\$18,443,906

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 \$38,816,274 in FY 2024, \$77,198,504 in FY 2025 and \$126,257,611 in FY 2026 and could exceed \$126,257,611 in FY 2027.

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** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

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 \$9,860 in 2024 and \$13,739 in 2025 and 2026.

Oversight will reflect the one percent of license fees credited 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 background investigations and for enforcement of the Honoring Missouri Veterans and Supporting Missouri Education Act. Upon a finding that a licensee committed a violation the commission may impose an administrative fine not to exceed \$5,000, suspend the applicable license for up to 30 days or revoke the license for one year.

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.

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 313.431.1

LOT states the commission shall (1) contract for a centralized communication system within 120 days after the effective date; (2) make license applications/forms available for manufacturers, distributors, operators, retailers and handlers and promulgate rules within 120 days after the effective date; (4) establish a start date for when operators may begin soliciting retailers no more than 60 days after applications are available; (5) approve or deny any retailer applications no more than 90 days after such application has been received.

In summary, the Missouri Lottery Commission assumes this proposal will require 27 new FTE at a cost of \$4,429,643 in FY 2024, \$4,651,383 in FY 2025 and \$4,728,366 in FY 2026 to provide for the implementation of the changes in this proposal.

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

Sections 313.425 – 313.437

Officials from the **Missouri Gaming Commission (MGC)** state Sections 313.425, RSMo, to 313.437, RSMo, is cited as the Honoring Missouri Veterans and Supporting Missouri Education Act. These sections also propose 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 benefit 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.

Sections 313.1000 – 313.1022

Officials from the **Missouri Gaming Commission** assume the following:

MGC states 313.1000 – 313.1022 authorize retail (in person) and online sports wagering.

Section 313.1006

MGC states this section requires a licensed applicant holding a license issued under Section 313.807, RSMo, to operate an excursion gambling boat that wishes to offer sports wagering to submit an application (on forms proscribed by the Gaming Commission) to the Gaming Commission, pay an initial application fee of up to \$100,000 (deposited into the gaming commission fee), and submit a responsible gambling plan that includes: a) annual training for staff, b) policies and strategies for handling players indicating distress or that they are experiencing a problem, and c) policies and strategies to address third-party concerns about players' gambling problems. Upon receipt of the application and fee, requires the Gaming Commission to issue a certificate of authority to the applicant to conduct sports wagering.

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

Subsection 313.1008.2

MGC states this subsection permits a licensed facility that is an excursion gambling boat to offer sports wagering through an interactive sports wagering platform. It permits a licensed facility to use an additional two interactive sports wagering platforms, but must pay an annual administrative fee of \$250,000 for the first additional platform and an annual administrative fee of \$500,000 for the second additional platform. The fees are to be paid into the gaming

commission fund. This section permits a sports wagering operator to operate the interactive sports wagering platform or to contract with a platform operator to do so. It limits the total number of platforms utilized by the parent company of a licensed facility to 6.

Oversight will reflect revenue generated from these fees to the Gaming Commission Fund.

Subsection 313.1008.3

MGC states this subsection permits each designated sports district mobile licensee to offer sports wagering through one interactive sports wagering platform, but the licensee must be licensed by the Gaming Commission as an interactive sports wagering platform operator.

Oversight notes the fee for the sports district mobile licensee application fee or the fund the fee is to be deposited into is not established in the legislation. Since the legislation states that the sports district mobile licensee shall be required to be licensed by the commission as an interactive sports wagering platform operator, Oversight assumes the fee will be the same as the interactive sports wagering platform operator fee of \$150,000. Oversight will reflect the estimates by MGC and for fiscal note purposes, will assume the fee will be deposited into the Gaming Commission Fund. (The same as the interactive sports wagering license fee)

Section 313.1010

MGC assumes this section Requires an interactive sports wagering platform operator that offers sports wagering on behalf of a licensed facility to be licenses and have a contract with the licensed facility. Requires a prospective interactive sports wagering platform operator to submit an application to the Gaming Commission, pay an initial application fee of up to \$150,000, and submit a responsible gambling plan that includes: a) annual training for staff, b) policies and strategies for handling players indicating distress or that they are experiencing a problem, and c) policies and strategies to address third-party concerns about players' gambling problems. Requires a licensed interactive sports wagering platform operator to pay an annual renewal fee of up to \$125,000, which is to be deposited into the gaming commission fund. Makes an application relating to sports wagering and all related submitted materials confidential.

Oversight will reflect revenue generated from these fees to the Gaming Commission Fund.

Section 313.1021

MGC assumes the following in this section:

.1 - Imposes a 10% wagering tax on a sports wagering operator's adjusted gross receipts received from sports wagering. If an interactive sports wagering platform operator is contracted to conduct sports wagering either at a licensed facility (that is an excursion gambling boat) or through an interactive sports wagering platform, then it may pay the imposed 10% tax.

.2 - Requires the imposed 10% tax to be paid no later than one day prior to the last business day of the month following the month in which the taxes were generated. If a month where the

sports wagering operator's adjusted gross receipts was negative, the operator is permitted to carry over the negative amount for a period of 12 months.

.3 - Requires the imposed tax be paid to the Department of Revenue by an electronic funds transfer by an automated clearing house.

.4 - Requires that the received tax be deposited into the State Treasury to the credit of "Gaming Proceeds for Education Fund."

.5 - Imposes an annual renewal fee of up to \$50,000 to be paid by a licensed facility that is an excursion gambling boat, which is to be paid on the anniversary date of issuance of the license and on each anniversary date thereafter. The received fees are required to be paid into the gaming commission fund. Requires a certificate holder to also pay a \$10,000 reinvestigation fee every 4 years, which such fee is required to be paid into the gaming commission fund.

.6 - Requires \$5,000,000 be appropriated from the gaming commission fund and credited annually to the compulsive gamblers fund. Requires the general assembly to consider the findings and recommendations of Gaming Commission's annual research report when considering appropriating additional funds.

MGC assumes this legislation authorizes retail (in-person) and online sports wagering, the Missouri Gaming Commission estimates a total of 24 applicants for sports wagering licenses, to include the 13 current excursion gambling boats, 5 of which are estimated to utilize multiple interactive sports wagering platforms, 8 sportsbook providers that would offer the interactive platforms for sports wagering, and 3 sports district mobile licensees. Based on the aforementioned assumption, the Missouri Gaming Commission estimates collecting the following fee amounts to be paid into the Gaming Commission Fund: \$6,700,000 for the first year, \$5,775,000 for the second year, \$5,775,000 for the third year, and \$5,905,000 for the fourth year.

In calculating tax revenue estimates, the Missouri Gaming Commission used the sports wagering data from a comparable state, specifically Indiana, due it having similar population, number of casinos, geographical proximity and other demographics as Missouri.

Indiana's total adjusted receipts from sports wagering, which includes both retail (in-person) and online, was:

FY 2020- \$84,969,839
FY 2021 \$240,503,973
FY 2022 \$328,639,984

Assuming that the total adjusted gross receipts for sports wagering in Missouri will be comparable to that of Indiana, the Gaming Commission estimates that total adjusted gross receipts for sports wagering in Missouri will be:

FY 2024 \$76,396,382
 FY 2025 \$240,503,973
 FY 2026 \$328,639,984.
 FY 2027 \$356,574,383

In determining the aforementioned estimates, a .25% deduction for excise tax and a 9.84% deduction for promotional wagering were made to Indiana’s 2020 total adjusted gross receipts from sports wagering due to the bill’s (SB 1) definition of adjusted gross receipts including such deductions for the first year of sports wagering, whereas Indiana’s definition does not. Additionally, the bill’s (SB 1) definition of adjusted gross receipts includes deducting voided or cancelled wagers and uncollectible receivables, but such deduction was not made in determining the aforementioned tax revenue estimates, because Indiana’s adjusted gross receipts already include a 2% deduction for such, which the Missouri Gaming Commission estimates will be a similar amount in Missouri.

Thus, using the total adjusted gross receipts for sports wagering in Missouri estimates, the Missouri Gaming Commission estimates that the revenue from the Gaming Tax (10% of Adjusted Gross Receipts) on sports wagering will be \$7,639,638 for the first year (\$6,875,674 to the State of Missouri and \$763,994 to the Home Dock Cities or Counties), \$24,050,397 for the second year (\$21,645,358 to the State of Missouri and \$2,405,040 to the Home Dock Cities or Counties), and \$32,863,998 for the third year (\$29,577,599 to the State of Missouri and \$3,286,400 to the Home Dock Cities or Counties).

Oversight will reflect revenue generated from the 10% wagering tax into the Gaming Proceeds for Education Fund. (A summarized table has been provided on page 15)

Oversight will reflect revenue generated from the renewal fee and the reinvestigation fee into the Gaming Commission Fund.

Oversight will reflect a transfer from the Gaming Commission Fund into the 1 Gamblers Fund of \$5,000,000.

State Impact - Estimated by MGC							
Provision		Fee Amount	FY24	FY25	FY26	FY28	Fund to Deposit
§313.1006(2) Certificate of Authority Application Fee (Initially) - Casino	13	\$100,000,000	\$1,300,000	\$0	\$0	\$0	Gaming Commission Fund
§313.1008.2(2) First of additional two individually branded interactive sports wagering platforms	5	\$250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	Gaming Commission

§313.1008.2(2) Second of additional two individually branded interactive sports wagering platforms	5	\$500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	Gaming Commission
§313.1008.3 Sports District Mobile Licensee Application Fee	3	\$150,000	\$450,000	\$0	\$0	\$0	Gaming Commission
§313.1010.2(2) Sports Wagering Platform License Application Fee (Initially)-Sportsbook Provider	8	\$150,000	\$1,200,000	\$0	\$0	\$0	Gaming Commission
§313.1010.3 Sports District Mobile Licensee Annual Renewal Fee	3	\$125,000	\$0	\$375,000	\$375,000	\$375,000	Gaming Commission
§313.1010.3 Sports Wagering Platform License Annual Renewal Fee-Sportsbook provider	8	\$125,000	\$0	\$1,000,000	\$1,000,000	\$1,000,000	Gaming Commission
§313.1021.1.5.(1) Certificate Holder Administration Fee (Annual after the first year)	13	\$50,000	\$0	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
§313.1021.5.(2) Certificate Holder Reinvestigation Fee (in the 4th year after sports wagering commenced and each 4th year thereafter)-Casino-	13	\$10,000	\$0	\$0	\$0	\$130,000	Gaming Commission
Total Fees Collected			\$6,700,000	\$5,775,000	\$5,775,000	\$5,905,000	Gaming Commission
Wagering Tax (90%)* (§313.1021.1)			\$6,875,674	\$21,645,358	\$29,577,599	\$32,091,694	Gaming for Education
Total State Impact			\$13,575,674	\$27,420,358	\$35,352,599	\$37,996,694	
<u>Local Impact - Estimated by MGC</u>							
Wagering Tax (10%)* (§313.1021.1)			\$763,964	\$2,405,040	\$3,286,400	\$3,565,744	Dock Cities/Counties

*10% of AGR - FY24 AGR= \$76,396,382, FY25 AGR = \$240,503,973, FY26 AGR = \$328,639,984, FY27 AGR = \$356,574,383

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

Section 313.1021 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, 2024, then the first payment would be due January 30, 2024 and would need to cover all receipts from January 1-January 30. 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 they would know who is responsible for the payment. These provisions are not expected to fiscally impact the Department.

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

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

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 313.1022 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the gaming commission fund.

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

Methodology used by DOR

Using the Oxford Economics report titled “Economic Impact of Legalized Sports Betting,” the Department believes TSR will increase an estimated \$20.2 million – \$25.3 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

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. (MGC estimates 13 certificates of authority and eight wagering platforms. If each reports monthly there would be 252 additional returns each year.) 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 2024 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 2024.

Oversight notes that the Missouri Gaming Commission and the Department of Revenue 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.

FY		MGC	DOR (low)	DOR (high)
2024	Sports Betting AGR	\$76,396,382	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$6,875,674	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$763,964	\$2,022,000	\$2,533,000
2025	Sports Betting AGR	\$240,503,973	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$21,645,358	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$2,405,040	\$2,022,000	\$2,533,000
2026	Sports Betting AGR	\$328,639,984	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$29,577,599	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,286,400	\$2,022,000	\$2,533,000
2027	Sports Betting AGR	\$356,574,383	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$32,091,694	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,565,744	\$2,022,000	\$2,533,000

The Missouri Gaming Commission estimates needing fifteen (15) FTE positions, which would result in an initial cost to the Missouri Gaming Commission of \$1,704,296.41 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), plus an additional \$870,444.80, which represents 2.5% of the Missouri Gaming Commission's 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 of \$2,574,741.21. 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 \$2,515,465.91

Additionally, for the report required by Section 313.842, RSMo, the Gaming Commission anticipates needing to contract with a third party to prepare the report due to the Gaming Commission lacking personnel with the necessary expertise to generate such a report. The Gaming Commission anticipates that the annual cost of the report will be \$500,000.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the Sports Wagering portion of the proposed legislation would authorize and regulate this activity in existing casinos. The Patrol anticipates the need for two (2) additional FTE for background investigations and subsequent renewals for sports wagering vendors. This function would be paid from the Gaming Fund (0286).

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

Bill as a Whole

Officials from the **Missouri Gaming Commission (MGC)** estimate needing fifteen (15) FTE positions, which would result in an initial cost to the Missouri Gaming Commission of \$1,704,296.41 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), plus an additional \$870,444.80, which represents 2.5% of the Missouri Gaming Commission's 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 of \$2,574,741.21. 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 \$2,515,465.91

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 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 to be \$10,000 in 2024 and \$14,000 in 2025 and 2026.

Oversight also notes section 313.1021.6 requires \$5,000,000 to be transferred from the Gaming Commission Fund to the Compulsive Gamblers Fund.

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 and 313.1021.6.

Officials from the **Office of the State Public Defender (SPD)** state 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 the **Office of Administration - Budget and Planning** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal.

Officials from the **Missouri Veterans Commission (MVC)** defer to the Department of Public Safety - Missouri Gaming Commission for the potential fiscal impact of this proposal.

Rule Promulgation

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

Officials from the **Office of the Secretary of State** 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.

Officials from the **Department of Corrections**, the **Office of the State Courts Administrator**, the **University of Central Missouri** and the **St. Charles Community College** 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, other colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Cost – DOR</u> Tax collection database p. 16-17	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
STATE LOTTERY FUND (0682)				Could exceed....
<u>Revenue – LOT</u>				
Initial Application Fees p. 8	\$985,950	\$985,950	\$985,950	\$985,950
Annual Renewal Fees & Terminal Admin Fees p. 8	\$1,010,625	\$2,409,225	\$3,419,850	\$3,419,850
VLT Proceeds (Local Portion - 4% of the 36% AGR) (\$313.429.10) p.8	\$6,147,969	\$12,295,938	\$18,443,906	\$18,443,906
VLT Proceeds (State Portion -32% of the 36% AGR) (\$313.429.10) p.8	<u>\$49,183,750</u>	<u>\$98,367,500</u>	<u>\$147,551,250</u>	<u>\$147,551,250</u>
<u>Total Revenue – LOT</u>	<u>\$57,328,294</u>	<u>\$114,058,613</u>	<u>\$170,400,956</u>	<u>\$170,400,956</u>
<u>Loss – LOT</u> Lost profits from Keno and Pull-Tab Sales from competition p. 8	<u>(\$3,797,312)</u>	<u>(\$15,189,247)</u>	<u>(\$15,189,247)</u>	<u>(\$15,189,247)</u>
<u>Transfer Out - to Lottery Proceeds Fund to be appropriated to DESE (32% of AGR) (\$313.429.10) p.8</u>	<u>(\$38,816,274)</u>	<u>(\$77,198,504)</u>	<u>(\$126,257,611)</u>	<u>(\$126,257,611)</u>

<u>Transfer Out - to Lottery Enterprise Fund</u>	<u>(\$14,714,708)</u>	<u>(\$21,670,862)</u>	<u>(\$28,954,098)</u>	<u>(\$28,954,098)</u>
ESTIMATED NETEFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LOTTERY ENTERPRISE FUND (0657)				
				Could exceed...
<u>Transfer In – from State Lottery Fund</u>	<u>\$14,714,708</u>	<u>\$21,670,862</u>	<u>\$28,954,098</u>	<u>\$28,954,098</u>
<u>Cost – LOT p. 10</u>				
Personal Service	(\$1,139,007)	(\$1,380,471)	(\$1,394,275)	(\$1,394,275)
Fringe Benefits	(\$766,195)	(\$924,418)	(\$929,454)	(\$929,454)
Equipment and Expense	(\$2,442,774)	(\$2,246,044)	(\$2,301,676)	(\$2,301,676)
Rent	(\$81,667)	(\$100,450)	(\$102,961)	(\$102,961)
<u>Total Costs – LOT</u>	<u>(\$4,429,613)</u>	<u>(\$4,651,383)</u>	<u>(\$4,728,366)</u>	<u>(\$4,728,366)</u>
FTE Change – LOT	27 FTE	27 FTE	27 FTE	27 FTE
<u>Costs - MHP (§313.429.14) p. 9</u>				
Personal Services	(\$1,029,820)	(\$1,260,499)	(\$1,285,710)	(\$1,285,710)
Fringe Benefits	(\$917,055)	(\$1,122,475)	(\$1,144,924)	(\$1,144,924)
Other Cost	(\$1,169,766)	(\$305,578)	(\$305,578)	(\$305,578)
<u>Total Costs – MHP</u>	<u>(\$3,116,641)</u>	<u>(\$2,688,552)</u>	<u>(\$2,736,212)</u>	<u>(\$2,736,212)</u>
FTE Change – MHP	15 FTE	15 FTE	15 FTE	15 FTE
<u>Transfer Out – to Veteran’s Commission Capital Improvement Trust Fund (§313.429.1) p. 5</u>	<u>(\$1,010,625)</u>	<u>(\$2,021,250)</u>	<u>(\$3,031,875)</u>	<u>(\$3,031,875)</u>
<u>Transfer Out – to Compulsive Gamblers Fund §313.429.11 p.9</u>	<u>(\$9,860)</u>	<u>(\$13,739)</u>	<u>(\$13,739)</u>	<u>(\$13,739)</u>

<u>Transfer Out - To municipalities</u> 4% of AGR of video lottery game to municipalities to cover admin. costs (\$313.429.10) p.6-8				<u>(\$18,443,906)</u>
	<u>(\$6,147,969)</u>	<u>(\$12,295,938)</u>	<u>(\$18,443,906)</u>	
ESTIMATED NET EFFECT ON THE LOTTERY ENTERPRISE FUND (0657)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE	42 FTE
LOTTERY PROCEEDS FUND (0291)				
				Could exceed...
<u>Transfer In - from State Lottery Fund to be appropriated equally to DESE and DHEWD</u> (\$313.429.10) p.6-8				
	<u>\$38,816,274</u>	<u>\$77,198,504</u>	<u>\$126,257,611</u>	<u>\$126,257,611</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$38,816,274</u>	<u>\$77,198,504</u>	<u>\$126,257,611</u>	<u>\$126,257,611</u>
VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND				Could exceed...
<u>Transfer In – From Lottery Enterprise Fund – LOT</u> \$300 per terminal administrative fee (\$313.429.1) p. 5				
	<u>\$1,010,625</u>	<u>\$2,021,250</u>	<u>\$3,031,875</u>	<u>\$3,031,875</u>

ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENT FUND	<u>\$1,010,625</u>	<u>\$2,021,250</u>	<u>\$3,031,875</u>	<u>Could exceed \$3,031,875</u>
GAMING COMMISSION FUND (0286)				
<u>Revenue</u> - MGC p. 15 Annual and Renewal Fees	\$6,700,000	\$5,775,000	\$5,775,000	\$5,905,000
<u>Cost</u> – FTE MGC p. 19				Could exceed ...
Personal Services	(\$909,269)	(\$909,269)	(\$909,269)	(\$909,269)
Fringe Benefits	(\$565,491)	(\$565,491)	(\$565,491)	(\$565,491)
Equipment and Expenses	(\$229,536)	(\$171,260)	(\$171,260)	(\$171,260)
Other Cost	(\$870,445)	(\$870,445)	(\$870,445)	(\$870,445)
<u>Total Cost</u> – MGC	<u>(\$2,574,741)</u>	<u>(\$2,516,465)</u>	<u>(\$2,516,465)</u>	<u>(\$2,516,465)</u>
FTE Change – MGC	15 FTE	15 FTE	15 FTE	15 FTE
<u>Cost</u> – FTE MHP p. 18-19				Could exceed...
Personal Services	(\$142,800)	(\$174,787)	(\$178,283)	(\$178,283)
Fringe Benefits	(\$127,163)	(\$155,648)	(\$158,761)	(\$158,761)
Other Cost	(\$167,110)	(\$43,652)	(\$43,652)	(\$43,652)
<u>Total Cost</u> – MHP	<u>(\$437,073)</u>	<u>(\$374,087)</u>	<u>(\$380,696)</u>	<u>(\$380,696)</u>
FTE Change – MHP	2 FTE	2 FTE	2 FTE	2 FTE
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 11	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>Could be less than \$3,688,186</u>	<u>Could be less than \$2,884,448</u>	<u>Could be less than \$2,877,839</u>	<u>Could be less than \$3,007,839</u>
Estimated Net FTE Change to the Gaming Commission Fund	17 FTE	17 FTE	17 FTE	17 FTE

GAMING PROCEEDS FOR EDUCATION FUND (0285)				
<u>Revenue</u> - 90% of the 10% Wagering Tax §313.1021 p. 18	\$6,875,674 to \$22,797,000	\$21,645,358 to \$22,797,000	\$22,797,000 to \$29,577,599	\$22,797,000 to \$32,091,694
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 11	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Transfer Out</u> – to Compulsive Gamblers Fund p. 19-20 §§313.429.11,313.1021.6	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>Could be less than \$1,875,674 to \$17,797,000</u>	<u>Could be less than \$16,645,358 to \$17,797,000</u>	<u>Could be less than \$17,979,000 to \$24,577,599</u>	<u>Could be less than \$17,979,000 to \$27,091,694</u>

COMPULSIVE GAMBLERS FUND (0249)				
<u>Transfer In</u> – from Lottery Enterprise Fund	\$9,860	\$13,739	\$13,739	\$13,739
<u>Transfer In</u> – from Gaming Proceeds for Education Fund p. 19-20 §§313.429.11,313.1021.6	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<u>Cost</u> – DMH p. 19-20 Administrative cost for treating additional consumers p. 19-20 §§313.429.11,313.1021.6	(\$345,363)	(\$414,435)	(\$414,435)	(\$414,435)

ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBERS FUND	\$4,664,497	\$4,599,304	\$4,599,304	\$4,599,304
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<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
LOCAL HOME DOCKS				
<u>Revenue</u> - Cities and Counties compensation paid to municipalities or counties - 4% AGR (§313.429.10) p. 8	\$6,147,969	\$12,295,938	\$18,443,906	Could exceed \$18,443,906
<u>Revenue</u> - School districts (§313.429.9) Fines from violations p. 7	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue</u> - Home Dock City or County 10% of the 10% Wagering Tax §313.1021 p.18	\$763,964 to \$2,533,000	\$2,405,040 to \$2,533,000	\$2,533,000 to \$3,286,400	\$2,533,000 to \$3,565,744
<u>Loss</u> - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition p. 11	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Could be less than \$6,911,933 to \$8,680,969</u>	<u>Could be less than \$14,700,978 to \$14,828,938</u>	<u>Could be Less than \$20,976,906 to \$21,730,306</u>	<u>Could be less than \$20,976,906 to \$22,009,650</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act establishes provisions relating to gaming.

HONORING MISSOURI VETERANS AND SUPPORTING MISSOURI EDUCATION ACT

This act establishes the Honoring Missouri Veterans and Supporting Missouri Education 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. 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 after December 31, 2027. (313.429.1 and .2)

Video lottery game terminals may be placed in fraternal organizations, veterans' organizations, and truck stops, as such terms are defined in the act, and in business entities licensed to sell liquor by the drink. (Section 313.427)

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 being connected to such centralized computer system.

The Commission may impose a non-refundable application fee, as described in the act. The initial license shall be for a period of one year. Thereafter, the license renewal period shall be four years with the applicable license renewal fee paid for each year such license is renewed, as described in the act. In addition to such license fees, video lottery game operators shall pay the Commission an annual administrative fee of \$300 for each video lottery game terminal placed in service. No license shall be issued to any person who has been convicted of a felony or crime involving illegal gambling. Sales agents shall be registered with the Commission by a video lottery game operator and may not solicit or enter into any contract with a retailer prior to such retailer being licensed to conduct video lottery games. (Section 313.429.3 and .4)

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 180 days 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 an equal division of adjusted gross receipts after adjustments for taxes and administrative fees are made. Video lottery game operators and video lottery game retailers are prohibited from offering anything of value other than the percentage of adjusted gross receipts for the placement of video lottery

terminals, except that video lottery game operators may pay for construction of a video lottery terminal area inside the premises of a video lottery game retailer. (Section 313.429.7)

The price of video lottery game terminal credits shall be determined by the Commission, 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 \$1,100 or the maximum amount allowable by federal law before tax withholding is required.

Operators shall not operate more than eight terminals at any one fraternal organization, veterans' organization, or truck-stop, and not more than five video lottery game terminals at any one lottery game retailer that is not a fraternal organization, veteran's organization, or truck-stop. (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. Video lottery game terminals shall be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under the age of twenty-one is prohibited. Recorded video surveillance footage shall be reviewed by video lottery game operators as required by the Commission and shall be made available to the Commission upon request. An operator or retailer that fails to 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 operator's 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 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 higher education 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.

The remainder of video lottery game adjusted gross receipts, after the cost of the centralized computer system and administrative costs are paid and apportioned, shall be retained by video lottery game operators and shall be split evenly between video lottery game operators and video lottery game retailers as provided under an agreement. (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 shall contract with a state law enforcement entity to assist in conducting background investigations of applicants for licenses and for the enforcement of the provisions of the act. (Section 313.429.12)

A video lottery game licensee suspected of a violation of the act shall be afforded an administrative hearing by the Director of the State Lottery on the record, and an appeal of any action taken to impose a fine on such licensee shall be to the Commission. Any such administrative suspension or revocation upheld by the Commission may be appealed by the video lottery game licensee in a state court of competent jurisdiction. (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 a county to adopt an ordinance within one hundred eighty days of the effective date of this act prohibiting video lottery game terminals within the municipality or the unincorporated area of the county. (Section 313.435)

COMPULSIVE GAMBLING

The Commission shall promulgate rules for a sports wagering self-exclusion program, as described in the act. Any person who has been self-excluded and is found to have entered an excursion gambling boat or placed a sports wager shall forfeit his or her winnings. (Section 313.813)

Current law allows the Commission to establish programs to provide treatment, prevention and education services for compulsive gambling. This act requires such programs and includes recovery services. This act also requires the Commission to conduct an annual socioeconomic study on the impact of gaming, as described in the act. (Section 313.842)

This act requires the General Assembly to appropriate at least \$5 million annually from the Gaming Commission Fund to the Compulsive Gamblers Fund. (Section 313.1021)

SPORTS WAGERING

This act authorizes wagering on sporting events, including esports, and modifies the definition of "gambling game" to include sports wagering. (Sections 313.800 and 313.1003)

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 not to exceed \$100,000. 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. 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, without approval of the professional sports team. (Section 313.1003.3)

An excursion gambling boat may conduct sports wagering through an individually branded interactive sports wagering platform, as defined in the act, and may operate such platform or contract with a platform operator to administer sports wagering on behalf of the excursion gambling boat. An excursion gambling boat may conduct sports wagering through an additional two individually branded interactive sports wagering platforms and may operate such platform or contract with a platform operator to administer sports wagering on behalf of the excursion gambling boat, provided the excursion gambling boat pays to the Commission an annual administrative fee of \$250,000 for the first additional interactive sports wagering platform and an annual administrative fee of \$500,000 for the second additional interactive sports wagering platform. 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 not to exceed \$150,000. Every year after licensure, an interactive sports wagering platform shall submit an annual license renewal fee not to exceed \$125,000. (Section 313.1010)

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 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 sport's 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 sport's 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 sport's 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.

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

A certificate holder shall maintain records of all bets and wagers placed through an interactive sports wagering platform, and all bets and wagers placed in person that exceed \$10,000, 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.

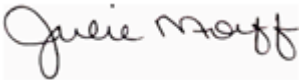
A certificate holder shall also pay to the Commission an annual license renewal fee not to exceed \$50,000. In addition to such administrative fee, a certificate holder shall pay to the Commission a fee of \$10,000 every five years for a reinvestigation of the certificate holder. Such fees shall be deposited in the Gaming Commission Fund. (Section 313.1021)

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

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
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
Office of the State Treasurer
Joint Committee on Administrative Rules
Lottery Commission
Office of Administration
 Budget and Planning
Office of the State Courts Administrator
Missouri Office of Prosecution Services
University of Missouri
University of Central Missouri
St. Charles Community College



Julie Morff
Director
February 20, 2023



Ross Strope
Assistant Director
February 20, 2023