

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2174-01  
Bill No.: SB 599  
Subject: Gambling; Horse Racing.  
Type: Original  
Date: March 28, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Missouri Horse Racing Fund	\$0	\$0	\$0
Horse Racing For Education Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Missouri Breeders Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the State Public Defender** assumes that existing staff could provide representation for those cases arising where indigent persons were charged with operating pari-mutuel wagering without a license. However, passage of more than one similar bill would require the State Public Defender System to request increased appropriations to cover cumulative cost of representing the indigent accused in the additional cases.

Officials from the **Office of the Secretary of State (SOS)** assume this bill makes changes in the pari-mutuel wagering law and creates the Horse Racing for Education Fund. The Missouri Horse Racing Commission will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Missouri Horse Racing Commission could require as many as 126 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost could be more or less than the numbers given of \$7,749. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to similar legislation from this year, officials from the **Office of Prosecution Services** stated any costs related to this proposal could be absorbed within current resources.

Officials from the **Office of the State Courts Administrator, Department of Revenue** and the **State Treasurer's Office** each assume this proposal would not fiscally impact their respective agencies.

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning** stated that the Gaming Commission is better suited to respond to this proposal.

In response to similar legislation from this year, officials from the **Department of Corrections (DOC)** stated this proposal would make changes in the pari-mutuel wagering law and create the Horse Racing for Education Fund. Penalty provisions, the component of the bill to have potential fiscal impact for DOC, is for a class A misdemeanor.

ASSUMPTION (continued)

Currently, the DOC cannot predict the number of new cases which may result from the creation of the offenses(s) outlined in this proposal. An increase in cases depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in costs through supervision provided by the Board of Probation and Parole (FY99 average of \$2.47 per offender, per day).

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

In response to similar legislation from this year, officials from the **Missouri Gaming Commission (GAM)** stated this proposal would not directly fiscally impact their agency, however, GAM assumed the Horse Racing Commission would require thirteen FTE to implement the duties outlined in this proposal, which would include 5 officers of the Highway Patrol. They would also request expenses and equipment to include training, office equipment, and patrol cars.

Based on responses received to a similar proposal from a previous session, **Oversight** assumes that 6 FTE would be sufficient to accomplish the duties outlined in this proposal. The 6 FTE would consist of an Executive Director, a Security Director, a Licensing Director, a Pari-Mutuel Director, an Executive Secretary, and an Information Support Coordinator. Costs would include related equipment and expenses for these FTE.

In response to a similar proposal from a previous session, officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** stated the Missouri Horse Racing Commission may request MHP to investigate or participate as needed. If the Commission decides not to request assistance, there would be no fiscal impact on MHP. However, if the Commission decides to request assistance, as the Gaming Commission has, MHP assumes 5 additional FTE, including a sergeant, a corporal, and three troopers, would be needed to perform background and investigative support. **Oversight** assumes that statutory authority currently exists for enforcement of horse racing facilities, and has not shown any additional costs for this provision.

MHP further assumes that because there will not be a large number of facilities that will apply for licensing in the beginning, the Criminal Records and Identification Division will not need additional personnel. However, if many facilities are involved, additional personnel and equipment may be necessary.

ASSUMPTION (continued)

Oversight Assumptions

Currently there are no horse racing facilities in Missouri, therefore, **Oversight** assumes the Department of Public Safety - Missouri Horse Racing Commission would not hire the FTE until such time that possible horse racing ventures were proposed and planned. Oversight has ranged the FTE required by the Horse Racing Commission from 0 (if no horse racing facilities are planned) to 6 FTE. Oversight also ranged the revenue generated by the Missouri Horse Racing Fund from 0 to Unknown, depending upon if horse racing facilities develop in the state. Oversight assumes any revenue into the Missouri Horse Racing Fund will at least cover the costs of the Missouri Horse Racing Commission, however, if expenditures are incurred by the Commission and no revenue is generated, the General Revenue Fund may have to fund the Missouri Horse Racing Fund for any costs. Any excess revenues over costs in the Missouri Horse Racing Fund will be transferred to the Horse Racing For Education Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		

**MISSOURI HORSE RACING FUND**

<u>Income</u> - various possible sources including licensing fees, penalties, wagering, commissions, etc.	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Costs</u> - Horse Racing Commission*			
Personal Service (6 FTE)	\$0 to (\$162,238)	\$0 to (\$199,553)	\$0 to (\$204,542)
Fringe Benefits	\$0 to (\$54,074)	\$0 to (\$66,511)	\$0 to (\$68,174)
Expense and Equipment	<u>\$0 to (\$290,510)</u>	<u>\$0 to (\$188,193)</u>	<u>\$0 to (\$193,839)</u>
Total Costs - Horse Racing Commission*	\$0 to (\$506,822)	\$0 to (\$454,257)	\$0 to (\$466,555)

<u>Transfer</u> - surplus transferred to Horse Racing For Education Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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<b>ESTIMATED NET EFFECT TO MISSOURI HORSE RACING FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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\* SUBJECT TO APPROPRIATION

**HORSE RACING FOR EDUCATION FUND**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Income</u> - Transfer from Missouri Horse Racing Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

### **MISSOURI BREEDERS FUND**

<u>Income</u> - portion of mutuel pool bets	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

This proposal makes several modifications to the statutes governing horse racing and pari-mutuel wagering in Missouri.

This proposal authorizes the governor to remove a member of the Missouri Horse Racing Commission for malfeasance or neglect of duty in office and to appoint the chair of the commission. The Commission is authorized to hire an executive director and other employees and to enact rules and regulations necessary to carry out its duties. Employees may be restricted from wagering on horse races.

The expenses of the Commission are to be paid out of the existing Missouri Horse Racing Fund. Excess moneys in that fund each year go to the newly created "Horse Racing for Education Fund". Certain of the moneys made by Commission licensees must be paid to the Missouri Breeder's Fund to encourage and reward the owners and breeders of Missouri bred horses that win horse races in Missouri.

### DESCRIPTION (continued)

This proposal broadens the authority of the Commission to include such things as: investigating

applicants for suitability; restricting, suspending or revoking any license issued by the Commission; adopting standards for pari-mutuel wagering; requiring removal from race grounds of any law violator; entering race grounds and other places without a search warrant; and requiring disclosure of financial records. Licensees are subject to discipline for such things as: failing to follow the rules and regulations of the Commission; associating with persons or notorious or unsavory reputation; employing cheats; or engaging in fraud, misrepresentation, bribery, threats, extortion or dishonesty in any area governed by the Commission. This proposal prohibits the use of public funds or tax increment financing (TIF) benefits to construct, operate or maintain a race track.

This proposal sets the license application fee at \$50,000 for a race track or pari-mutuel wagering operator's license. The Commission may require licensees to implement an affirmative action plan and to prove financial responsibility and suitability. Licensees shall conduct at least 50 days of live racing in Missouri each year and shall make a capital investment in Missouri in excess of \$25 million within the first year of operations, or risk loss of license. Pari-mutuel wagering systems used in Missouri must be approved by the Commission. This proposal sets forth minimum requirements for approval of such a system.

The proposal makes the following acts Class A misdemeanors: operating a pari-mutuel wagering system in Missouri without a license from the Commission; and operating a pari-mutuel wagering system in a manner other than permitted by law and by Commission rules and regulations.

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

Office of the State Public Defender

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Office of the Secretary of State  
Office of Prosecution Services  
Office of the State Courts Administrator  
Department of Revenue  
State Treasurer's Office  
Office of Administration - Budget and Planning  
Department of Corrections  
Missouri Gaming Commission  
Department of Public Safety - Missouri Highway Patrol

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA  
Director

March 28, 2001