

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3800-01
Bill No.: SB 933
Subject: Licenses - Misc; Economic Development Dept
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Amusement Machine Operator License	\$0	\$106,468	(\$31,403)
PR Fees	(\$3,652)	\$3,652	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$3,652)	\$110,120	(\$31,403)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED) - Professional Registration (DPR)** state this legislation requires their division to issue amusement machine operator licenses to any person who is engaged in the business to own, buy, sell, rent, lease, trade or furnish to another amusement machines. The DPR estimates that there will be approximately 514 applicants for licensure under this provision.

The projected revenue reflects a \$1,500 biennial license fee which has been established as the maximum in the proposed legislation (400 amusement machine operators @1,500/yr x \$1,500 = \$600,000). Additional revenue has been projected at a rate of \$100 per month for 114 carnival operators (\$100 x 114 = \$11,400, annually). DPR projects a 3% annual growth in licensees for subsequent years.

It is assumed all expenses will be paid from the Amusement Machine Operator License Fund and all revenue collected will be deposited into the Amusement Machine Operator License Fund. The Amusement Machine Operator License Fund would reimburse the PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 2.5 FTE to carry out duties generated by this proposal. The additional employees would include a Principal Assistant (1.0 FTE at \$48,240/year) to serve as senior executive of the licensing agency, a .5 Licensure Technician II (.5 FTE at \$24,492/ year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as respond to any inquiries relating to the licensure law or rules and regulations, and a .5 Investigator II (.5 FTE at \$37,488/year) to assist in the Central Investigative Unit in conducting investigations and inspections.

It is assumed that the division will inspect the premises, books and records of each person applying for an amusement machine operator license. Thereafter, inspections/investigations will only be conducted upon receipt of an application or written complaint. It is assumed the bulk of inspections would occur in FY 2004. For each year thereafter, a 3% growth rate has been estimated for initial inspections. Travel expenses for the inspections for FY 2004 have been estimated at \$84,810.

Based on FY 2000 complaints for an agency of similar size, DPR officials assume it would be reasonable to assume there would be 6 complaints filed each year that will require investigation. It is estimated that an average investigation would require approximately 16 hours to complete. Travel costs to conduct the investigations are estimated at \$2,475 annually. It is assumed the complaints and investigations would not start until FY 2005.

It is assumed that existing staff would design, program, and implement a computer licensure ASSUMPTION (continued)

program for roughly \$173.20 (8 hours x \$21.65 per hour = \$173.20). In addition, costs of \$2,516 have been calculated for EDP costs including maintenance of the division's licensing and optical imaging system. These costs are based on the current 3 year licensee average percentage cost allocation for the division. A 3% growth rate has been estimated.

DPR assumes the Office of the Attorney General (AGO) would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. Also, it is estimated that 25% of the investigations (1 case) would be forwarded to the AGO for further action. It is assumed there would not be any cases until FY 03. Based on a cost of \$5,400 per case, the annual cost would be \$5,400.

DPR assumes expenses necessary to administer this program, including personal service, fringe benefits, expense and equipment, and other expenses will total (\$16,137) in FY 2003, (\$241,214) in FY 2004, and (\$143,733) in FY 2005.

Oversight assumes DPR could administer this program with 1 FTE (.5 FTE Licensure Technician and .5 FTE Investigator) and salaries, benefits, and expenses have been adjusted accordingly. Oversight also has not reflected DPR's estimates of this program's allocation of indirect expenses of department and division administration, as well as system maintenance. Inspection travel expenses have also been adjusted. If multiple bills pass increasing the administrative workload, the Division and the Department of Economic Development may seek additional funding through the appropriations process.

In calculating fees, DPR calculated the maximum fee allowed per the proposal (\$1,500 biennial) for amusement machine operators. DPR also estimated the fees for carnival operators at \$11,400 annually by projecting \$100 a month for 114 carnival operators. **Oversight** assumes three months a year of operation for carnival operators, resulting in annual fees of \$34,200, using the \$100 month amount. Oversight has adjusted fees for carnival operators and amusement machine operators to an amount necessary to cover costs of the program. Biennial fees for amusement machine operators are estimated at \$500 (\$200,000 biennially) and fees for carnival operators are \$50/month for three months a year (\$17,000 a year).

Officials from the **Lottery Commission (LOT)** stated that if the proposal allowed a player of amusement devices to win more than what the player spent in dollars, then the continued addition of video machines and amusement devices in Missouri businesses that pay out prizes would annually reduce Lottery profits for education. LOT assumes that 50% of Lottery-licensed pull tab retailer locations (650) would lose 50% of lottery sales annually (\$6,825,000), which at a 20% profit loss equals \$1,365,000 less for education funding. However, if the proposal does not

allow a player to win more in prizes than what the player has spent in dollars, then they assume this proposal would have a minimal fiscal impact.

ASSUMPTION (continued)

Oversight assumes this proposal refers to amusement games which depend, at least in part, upon the skill of the player, regardless of whether an award is given to a successful player. Therefore, Oversight assumes this proposal deals with devices that will not be in direct competition with lottery sales, and therefore have assumed that there will be no impact to the Missouri Lottery Commission.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 8 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 12 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$492, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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.

Officials from the **State Treasurer's Office**, the **Office of Administration - Administrative Hearing Commission**, and the **Department of Revenue** indicated the proposed legislation would have no fiscal impact on their respective agencies.

Officials from the **Office of the Attorney General (AGO)** indicated they would need one Assistant Attorney General I to handle the cost of representing the Department of Economic Development - Professional Registration in any licensing matters or appeals that arise as a result of this legislation. **Oversight** assumes that the limited amount of cases estimated for this group could be absorbed with existing resources.

In response to similar legislation from last year (HB 249), officials from the **Department of Public Safety - Division of Fire Safety** and the **Missouri Gaming Commission** assumed the proposal would not have a fiscal impact on their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
AMUSEMENT MACHINE OPERATOR LICENSE FUND			
<u>Income</u> - Division of Professional Reg. Licensure Fees/Renewals	\$0	\$217,100	\$25,338
<u>Costs</u> - DPR Transfer to PR Fees Fund	<u>\$0</u>	<u>(\$110,632)</u>	<u>(\$56,741)</u>
ESTIMATED NET EFFECT TO AMUSEMENT MACHINE OPERATOR LICENSE FUND	<u>\$0</u>	<u>\$106,468</u>	<u>(\$31,403)</u>
PR FEES FUND			
<u>Income</u> - DPR Transfer from Amusement Machine Operator Licence Fund	\$0	\$114,284	\$56,741
<u>Costs</u> - DPR Personal Service (1.0 FTE) Fringe Benefits Expense and Equipment Other Costs/AGO Costs	\$0 \$0 \$0 <u>(\$3,652)</u>	(\$32,559) (\$11,724) (\$60,949) <u>(\$5,400)</u>	(\$33,373) (\$12,018) (\$5,950) <u>(\$5,400)</u>
Total <u>Costs</u> - DPR	<u>(\$3,652)</u>	<u>(\$110,632)</u>	<u>(\$56,741)</u>
ESTIMATED NET EFFECT TO PR FEES FUND	<u>(\$3,652)</u>	<u>\$3,652</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

It is expected that small businesses that deal in amusement devices would have a direct fiscal impact as a result of this proposal.

DESCRIPTION

This proposal requires amusement machine operators to obtain licenses from the Director of the Department of Economic Development. Fees to obtain a license to operate amusement machines will be set by the director at no more than \$1,500 for a 2-year license. Licenses to operate amusement machines used specifically at carnivals, local or county fairs, or at the state fair will be \$100 dollars for each month the machines are in operation.

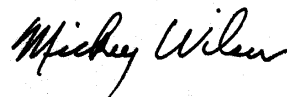
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would increase state revenue.

SOURCES OF INFORMATION

Department of Economic Development
Professional Registration
Department of Revenue
Office of the Secretary of State
Office of the State Treasurer
Missouri Lottery Commission
Missouri Gaming Commission
Office of Administration
Administrative Hearing Commission
Office of Attorney General

Not responding

Missouri Gaming Commission
Department of Public Safety
Division of Fire Safety



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February 11, 2002

