

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3965-02  
Bill No.: SB 1010  
Subject: Gambling; Crimes and Punishment; Boards, Commissions, Committees & Councils.  
Type: Original  
Date: February 18, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Missouri Horse Racing Fund	\$0	\$0	\$0
School Building Revolving 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 2003	FY 2004	FY 2005
<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 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state this bill removes the regulation of horse racing from the Missouri Gaming Commission and places it within the authority of the Missouri Horse Racing Commission. GAM assumes they would not likely be directly affected by this bill.

GAM states as noted in fiscal notes in previous years for similar bills, under this bill the Missouri Horse Racing Commission would likely require thirteen FTE to implement the duties outlined in this proposal, which would include 5 Highway Patrol officers. The Horse Racing Commission might also require expenses and equipment to include training, office equipment, and patrol cars.

Officials from the **Department of Public Safety (DPS)** state this legislation creates the Missouri Horse Racing Commission under the Director's Office. According to the legislation, the commission may hire such employees as they deem necessary.

DPS states it is unknown what type of fiscal impact this will have on the department due to the language stating the commission shall hire an executive director and other employees to administer the program. DPS estimated there would be at least \$8,160 in meeting expense per year, however, DPS states they have no idea how many people will need to be hired, therefore it is uncertain how much more of a fiscal impact will incur.

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.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the initial impact of the proposed legislation would be minimal. However, if the horse racing industry flourished, the Criminal Records and Identification Division would require additional AFIS Entry Operators and additional Fingerprint Technicians. There would also be an increase in revenue. The cost of a State Fingerprint search is \$14.00 and the cost of an FBI fingerprint search is \$22.00. The revenue would depend on the number of background checks being done per year.

Officials from the **Department of Corrections (DOC)** state currently, they cannot predict the number of new commitments which may result from the creation of the offenses(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

ASSUMPTION (continued)

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 operational cost through supervision provided by the Board of Probation and Parole (FY01 average of \$3.34 per offender, per day or an annual cost of \$1,219 per offender).

In summary, supervision by the DOC through probation or incarceration 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.

Officials from the **Department of Elementary and Secondary Education (DES)** state any surplus remaining in the "Missouri horse racing fund" at the end of a fiscal year shall be deposited to the credit of the "School Building Revolving Fund". In addition, the proposal creates an admission fee of \$2 for each person entering the race meeting ground. Revenues from the admission fee shall be deposited to the credit of the "School Building Revolving Fund".

DES assumes the proposal may provide additional revenue to the School Building Revolving Fund, but cannot estimate the amount.

Officials from the **State Treasurer's Office (STO)** state, based on this proposal, they would request 1 Accountant II (at \$36,450) to collect, monitor and deposit the money collected. Total expense estimated by the STO is roughly \$50,000 per year.

In response to similar legislation from last year, STO assumed the additional duties related to this proposal would not fiscally impact their agency. Therefore, **Oversight** assumes this proposal would not fiscally impact the STO.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Missouri Horse Racing Commission's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 26 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 89 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$7,749, 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

ASSUMPTION (continued)

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

Officials from the **Office of Prosecution Services** assume they could absorb any costs resulting from this proposal with existing resources.

Officials from the **Department of Revenue** and the **Office of the State Courts Administrator** each state this proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to their agency. BAP defers to the Gaming Commission for a revenue estimate.

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 School Building Revolving Fund

FISCAL IMPACT - State Government

FY 2003  
 (10 Mo.)

FY 2004

FY 2005

**MISSOURI HORSE RACING FUND**

Income - various possible sources  
 including licensing fees, penalties,  
 wagering, commissions, etc.

\$0 to Unknown    \$0 to Unknown    \$0 to Unknown

Costs - 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

\$0 to (\$290,510)    \$0 to (\$188,193)    \$0 to (\$193,839)

Total Costs - Horse Racing Commission\*

\$0 to (\$506,822)    \$0 to (\$454,257)    \$0 to (\$466,555)

Transfer - surplus transferred to School  
 Building Revolving Fund

\$0 to  
(Unknown)

\$0 to  
(Unknown)

\$0 to  
(Unknown)

**ESTIMATED NET EFFECT TO  
 MISSOURI HORSE RACING FUND**

\$0

\$0

\$0

\* SUBJECT TO APPROPRIATION

**SCHOOL BUILDING REVOLVING  
 FUND**

Income - Transfer from Missouri Horse  
 Racing Fund

\$0 to Unknown    \$0 to Unknown    \$0 to Unknown

Revenue - Admission fee of \$2 per person

\$0 to Unknown    \$0 to Unknown    \$0 to Unknown

**ESTIMATED NET EFFECT TO THE  
 SCHOOL BUILDING REVOLVING**

\$0 to Unknown

\$0 to Unknown

\$0 to Unknown

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>MISSOURI BREEDERS FUND</b>			
<u>Income - portion of mutuel pool bets</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT TO THE MISSOURI BREEDERS FUND</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>

<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

Small business that would supply the potential horse racing facilities may benefit from 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 "School Building Revolving Fund". Certain 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: imposing civil penalties up to \$5,000 against occupational licensees and up to \$10,000 against licensees who operate race tracks or pari-mutuel wagering systems; 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 20 days of live racing in the 18 months following licensure, at least 30 days of live racing in the next 12-month period and 50 days of live racing in Missouri each year thereafter. The Commission is authorized to waive these requirements. 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.

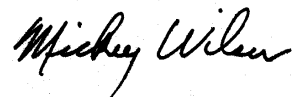
Licensees are required to pay a \$2 admission fee to the state for each person entering the race grounds, with resulting revenue going to the "School Building Revolving Fund". Licensees may contract outside Missouri for simulcasting the licensee's live races and out-of-state pari-mutuel wagering is permitted.

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



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