

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6323-02
Bill No.: HB 2406
Subject: Gambling; Department of Revenue; Licenses - Miscellaneous
Type: Original
Date: April 3, 2018

Bill Summary: This proposal authorizes sports wagering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Gaming Proceeds for Education Fund	\$0 or Up to \$9,000,000	\$0 or Up to \$9,000,000	\$0 or Up to \$9,000,000
Sports Wagering Fund	\$0 or (Could exceed \$78,332)	\$0 or (Could exceed \$139,992)	\$0 or (Could exceed \$139,992)
Total Estimated Net Effect on Other State Funds	\$0 or Less than \$8,921,668	\$0 or Less than \$8,860,008	\$0 or Less than \$8,860,008

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Sports Wagering Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** state that as noted in the proposed legislation, implementation of sports betting in Missouri is contingent on a favorable United States Supreme Court decision, which would allow states to begin accepting wagers. Based on the language in the bill, the thirteen riverboat casinos could allow sports wagering, but there are a number of variables that make it difficult to project accurate revenues for taxation.

A wagering tax of six and one-quarter percent will be imposed on the adjusted gross receipts. With the number of states proposing similar sports betting bills, sports wagering in Nevada, and the total legal and illegal sport wagering in the U.S., up to \$9 million in tax would be generated in Missouri that would be deposited in the Gaming Proceeds for Education Fund. The \$9 million is based on the assumption that all players would immediately wager from legal sites and not illegal sites.

It is anticipated that there will be one to six interactive sports wagering platform and or sports wagering operators in Missouri. Any casino applying for a certificate of authority could use the same interactive sports wagering platform. The six number is based on six licensed class A (corporate companies).

The bill allows for a \$10,000 application fee and an annual \$5,000 administration fee for Certificated Holders (riverboat casinos). This bill also allows for a \$10,000 sports wagering platform licenses application fee and \$5,000 renewal fee. If all thirteen riverboat casinos applied it would generate \$140,000 the first year, \$70,000 annually and an additional \$200,000 every five years. It is estimated that the fees will not cover the on-going costs to MGC relating to certificate holder and interactive sports wagering platform approval, testing devices, and adopting rules.

Based on the application and annual fees, there is insufficient funding to license, audit, investigate complaints/violations and monitor sports wagering. Additional funding will be required to comply with the proposed legislation.

MGC has determined that two FTE, an Information Technology Specialist II (\$72,636/annually) and a Public Safety Manager Band 1 (\$65,276/ annually) plus equipment/expenses would be required to initially meet the legislation.

ASSUMPTION (continued)

Since implementation of sports betting in Missouri is contingent on a favorable United States Supreme Court decision, **Oversight** will reflect a revenue of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or Up to \$9,000,000 (6.25% Wagering Tax) to the Gaming Proceeds for Education Fund.

Since the number of casinos applying is unknown, **Oversight** will reflect a revenue of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or Up to \$140,000 (13 (all) Riverboat Casinos applied) in FY 2019 and Up to \$70,000 in FY 2019 and FY 2020 to the Sports Wagering Fund.

Note: For fiscal note purposes, **Oversight** assumes the all fees (Certificate of Authority Application Fee (initial), Certificate Holder Administrative Fee (annual after first year), Certificate Holder Reinvestigation Fee (in the 5th year) and the Sports Wagering Platform License Application Fee (initial and renewal), will all be deposited into the Sports Wagering Fund.

Oversight will also reflect a cost of \$0 (the Supreme Court does not rule in favor of sports betting in Missouri) or \$114,239 in FY 2019 and \$110,069 in FY 2020 and FY 2021 for MCG FTE cost to the Sports Wagering Fund.

In response to a similar proposal from this year (SB 1009), officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the Secretary of State's Office for Administrative Rules is less than \$2,500.

The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we 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 our office can sustain with our core budget. Therefore, we 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.

ASSUMPTION (continued)

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.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Revenue** estimates a minimal to unknown impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Revenue - MCG</u> 6.25% Wagering Tax	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>	\$0 or Up to <u>\$9,000,000</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
SPORTS WAGERING FUND			
<u>Revenue - MCG</u>	\$0 or Up to	\$0 or Up to	\$0 or Up to
Riverboat Casino Fees	\$140,000	\$70,000	\$70,000
<u>Cost - MCG</u>			
Personal Service	\$0 or (\$137,912)	\$0 or (\$137,912)	\$0 or (\$137,912)
Fringe Benefits	\$0 or (\$62,536)	\$0 or (\$62,536)	\$0 or (\$62,536)
Equipment and Expense	<u>\$0 or</u> <u>(\$17,884)</u>	<u>\$0 or</u> <u>(\$9,544)</u>	<u>\$0 or</u> <u>(\$544)</u>
<u>Total Cost - MCG</u>	<u>\$0 or</u> <u>(\$218,332)</u>	<u>\$0 or</u> <u>(\$209,992)</u>	<u>\$0 or</u> <u>(\$209,992)</u>
FTE Change - MCG	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
ESTIMATED NET EFFECT TO THE SPORTS WAGERING FUND	\$0 or (Could exceed <u>\$78,332</u>)	\$0 or (Could exceed <u>\$139,992</u>)	\$0 or (Could exceed <u>\$139,992</u>)
Estimated Net FTE Change to the Sports Wagering Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill changes the definition of gambling game so that sports wagering is considered a game of skill. This bill authorizes licensed excursion gambling boats to obtain certificates from the Missouri Gaming Commission to also conduct sports wagering on their premises, including through an approved limited mobile gaming system or through an interactive sports wagering platform.

Applicants for a certificate to conduct sports wagering must pay an application fee of \$10,000 and once certified, an annual administrative fee of \$5,000. A certificate holder must pay the commission an additional \$10,000 every five years to cover the cost of a full reinvestigation of the certificate holder. A certificate holder can contract with a third party to conduct sports wagering at the certificate holder's licensed premises, which would be an excursion gambling boat. A licensed interactive sports wagering platform provider can offer sports wagering on behalf of a certificate holder. In order to obtain a license, an interactive sports wagering platform must pay an application fee of \$10,000 and an annual license renewal fee of \$5,000. The annual renewal fee is deposited into the newly created "Sports Wagering Fund" and used to pay the costs to administer these provisions.

A certificate holder must maintain records of all bets and wagers placed, including personally identifiable information of the bettor and the amount and type of bet, for at least three years and make the data available for inspection upon the request of the commission or as required by court order.

This bill specifies that the adjusted gross receipts of sports wagering games are defined differently than the adjusted gross receipts of other gambling games and are taxed at a rate of 6 1/4% rather than 21%. This bill also exempts Missouri from the provision of 15 USC Section 1172 so that gambling devices to conduct sports wagering can be shipped into the state. Sports wagering will only be authorized under this bill after federal statutes prohibiting sports wagering have been changed to allow sports wagering.

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

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SOURCES OF INFORMATION

Department of Public Safety
Missouri Gaming Commission
Office of the Secretary of State
Office of the State Treasurer
Department of Revenue

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
April 3, 2018