

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1472H.03P
Bill No.: Perfected HCS for HB Nos 556 & 581
Subject: Taxation and Revenue - General; Department of Revenue; Department of Public Safety; Business and Commerce; Entertainment, Sports and Amusements
Type: Original
Date: March 21, 2023

Bill Summary: This proposal modifies provisions related 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)
Gaming Commission Fund (0286)	(\$61,814)	(\$865,552)	(\$872,161)	(Could exceed \$742,161)
Gaming Proceeds for Education Fund (0285)	\$6,375,674 to \$22,297,000	\$19,493,817 to \$22,297,000	\$22,297,000 to \$27,548,437	\$22,297,000 to \$29,932,554
Compulsive Gamblers Fund (0249)	\$154,637	\$85,565	\$85,565	\$85,565
Highway Fund (0644)	Unknown	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed \$6,468,497 to \$22,389,823	Could exceed \$18,713,830 to \$21,517,013	Could exceed \$21,510,404 to \$26,761,841	Could Exceed \$21,640,404 to \$29,275,958

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> 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)
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	17 FTE	17 FTE	17 FTE	17 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	\$763,964 to \$2,533,000	\$2,221,535 to \$2,533,000	\$2,533,000 to \$3,116,493	\$2,533,000 to \$3,381,395

FISCAL ANALYSIS

ASSUMPTION

§§ 313.800 - 313.1022 - Sports Wagering

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

Section 313.813

MCG assumes this section permits the Missouri Gaming Commission to promulgate rules allowing a person to voluntarily exclude themselves from a licensed facility or platform regulated under Sections 313.1000 to 313.1022, RSMo. Requires a person that has self-excluded and has placed a wager under Section 313.1000 to 313.1022, RSMo, to forfeit his or her winnings, which shall be deposited to the Compulsive Gamblers Fund.

Section 313.842

MGC states this section requires programs that provide treatment, prevention, recovery, and education services for compulsive gambling to be established. It adds that funding for such programs may be from funds appropriated by the General Assembly. It also requires the Missouri Gaming Commission to administer programs that educate the public about compulsive gambling and to promote treatment programs.

This section requires the Missouri Gaming Commission in cooperation with the Missouri Department of Mental Health to develop a research report in order to assess the social and economic effects of gaming in the state to obtain scientific information related to the neuroscience, psychology, sociology, epidemiology and etiology of compulsive gambling to be submitted no later than December 31, 2024 and not later than December 31st of every third year thereafter.

Section 313.1006

MGC states this section requires a prospective sports wagering operator 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 fund), and submit a responsible gambling plan that shall include: a) annual staff training regarding the practice of responsible gambling and identifying compulsive or problem gamblers; b) policies and strategies for handling situations in which players indicate they are in distress or experiencing a problem; and c) policies and strategies to address third-party concerns about players' gambling behavior. 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.

Section 313.1008.3

MGC assumes this section 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.

MGC assumes the Sports District Mobile Licensee application fee of \$150,000. (Sports District Mobile Licensee will be licensed as an Interactive Sports Wagering Platform Operator, which is required to pay \$150,000 application fee under Section 313.1010, RSMo. MGC assumes this fee will be deposited into the Gaming Commission Fund, however, the legislation is not clear on what fund this will be deposited into.

For fiscal note purposes, **Oversight** will reflect revenue generated from this fee in the Gaming Commission Fund.

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 licensed and have a contract with the licensed facility. It 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 shall include: a) annual staff training regarding the practice of responsible gambling and identifying compulsive or problem gamblers; b) policies and strategies for handling situations in which players indicate they are in distress or experiencing a problem; and c) policies and strategies to address third-party concerns about players' gambling behavior.. 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 313.1011

MGC assumes this section requires a licensed sports wagering to pay a renewal fee as determined by the Gaming Commission biennially (every other year).

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 \$500,000 be appropriated from the gaming commission fund and credited annually to the compulsive gamblers fund. The General Assembly, when considering the amount of funds to appropriate to the compulsive gamblers fund, shall consider the findings and recommendations contained in the research report required by Section 313.842.2, RSMo, for increased funding in excess of the \$500,000.

MGC assumes this legislation authorizes which 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, 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: \$2,950,000 for the first year, \$2,025,000 for the second year, \$2,025,000 for the third year, and \$2,155,000 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 - \$222,153,520
FY 2026 - \$311,649,297
FY 2027 - \$338,139,487

(* Fourth year estimate is based on 8.5% growth from the previous year per a study completed by Eilers & Krejcik)

In determining the aforementioned estimates, a .25% deduction for excise tax and a 9.84% deduction for promotional wagering were made to Indiana's total adjusted gross receipts from sports wagering due to the bill's (HB 556) definition of adjusted gross receipts including such deductions for the first year of sports wagering, whereas Indiana's definition does not. Additionally, the 9.84% deduction for promotional wagering has been adjusted so that the deduction is decreased by 25% each year as required by the new Section 313.1000.1(1)(a)d, RSMo. In other words, there is a 100% (9.84%) deduction of promotional wagering for the first year, a 75% (7.38%) deduction for the second year, a 50% (4.92%) for the third year, a 25% (2.46%) for the fourth year, and no deduction (0%) for the fifth year and any subsequent years. Furthermore, the bill's (HB 556) 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 \$7,639,638.22 for the first year (\$6,875,674.40 to the State of Missouri and \$763,963.82) to the Home Dock Cities or Counties), \$22,215,351.99 for the second year (\$19,993,816.79 to the State of Missouri and \$2,221,535.20 to the Home Dock Cities or Counties), \$31,164,929.68 for the third year (\$28,048,436.71 to the State of Missouri and \$3,116,492.97 to the Home Dock Cities or Counties), and \$33,813,948.71 for the fourth year (\$30,432,553.84 to the State of Missouri and \$3,381,394.87 to the Home Dock Cities or Counties),

As a note, if promotional wagering and excise tax were not permitted deductions, then the Gaming Commission estimates that the total adjusted gross receipts for sports wagering would be \$84,969,839 for the first year, \$240,503,973 for the second year, \$328,639,984 for the third year, and \$356,574,383 for the fourth year, which would result in revenue from gaming tax on sports wagering being \$8,496,983.90 for the first year (\$7,647,285.51 to the State of Missouri and \$849,698.39 to the Home Dock Cities or Counties), \$24,050,397.30 for the second year (\$21,645,357.57 to the State of Missouri and \$2,405,039.73 to the Home Dock Cities or Counties), \$32,863,998.40 for the third year (\$29,577,598.56 to the State of Missouri and \$3,286,399.84 to the Home Dock Cities or Counties), and \$35,657,438 for the fourth year

(\$32,091,694 to the State of Missouri and \$3,565,744 to the Home Dock Cities or Counties). The total loss of tax revenue due to the aforementioned deductions would be \$857,345.68 for the first year, \$1,835,045.31 for the second year, \$1,699,068.72 for the third year, and \$1,843,489 for the fourth year.

Oversight will reflect revenue generated from the 10% wagering tax into the Gaming Proceeds for Education Fund. (A summarized table has been provided below). Oversight will also reflect revenue generated from the renewal fee and the reinvestigation fee into the Gaming Commission Fund. Also, Oversight will reflect a transfer from the Gaming Commission Fund into the Compulsive Gamblers Fund of \$500,000.

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	\$1,300,000	\$0	\$0	\$0	Gaming Commission Fund
§313.1008.3 Sports District Mobile Licensee Application Fee	3	\$150,000	\$450,000	\$0	\$0	\$0	Gaming Commission Fund
§313.1010.2(2) Sports Wagering Platform License Application Fee (Initially)-Sportsbook Provider	8	\$150,000	\$1,200,000	\$0	\$0	\$0	Gaming Commission Fund
§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 Fund
§313.1010.3 Sports District Mobile Licensee Annual Renewal Fee	3	\$125,000	\$0	\$375,000	\$375,000	\$375,000	Gaming Commission Fund
§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 Fund
Total Fees Collected			\$2,950,000	\$2,025,000	\$2,025,000	\$2,155,000	Gaming Commission
Wagering Tax (90%)* (§313.1021.1)			\$6,875,674	\$19,993,817	\$28,048,437	\$30,432,554	Gaming for Education

Total State Impact	\$9,825,674	\$22,018,817	\$30,073,437	\$32,587,554	
<u>Local Impact - Estimated by MGC</u>					
Wagering Tax (10%)* (§313.1021.1)	\$763,964	\$2,221,535	\$3,116,493	\$3,381,395	Dock Cities/Counties

*10% of AGR - FY24 AGR= \$76,396,382, FY25 AGR = \$222,153,520, FY26 AGR = \$311,649,297, FY27 AGR = \$338,139,487

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, 2023, then the first payment would be due January 28, 2023 and would need to cover all receipts from January 1-January 28. 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 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 they currently receive their funding this way and use this distribution system they believe 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 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 established under this section.

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 313.1024 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the gaming commission fund established under this section.

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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– \$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 of Missouri’s casinos, 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 at \$31,200 annually.

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	\$222,153,520	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$19,993,817	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$2,221,535	\$2,022,000	\$2,533,000
2026	Sports Betting AGR	\$311,649,297	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$28,048,437	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,116,493	\$2,022,000	\$2,533,000
2027	Sports Betting AGR	\$338,139,487	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$30,432,554	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,381,395	\$2,022,000	\$2,533,000

Bill as a Whole

Officials from the **Missouri Gaming Commission** 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. Based on the application, renewal and annual administrative fees for the certificate holders and the interactive sports wagering platform providers, the total amount of fees collected will be insufficient to cover the Missouri Gaming Commission's costs to license and regulate sports wagering.

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 cost of the report will be \$500,000.

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 Public Safety - Missouri Highway Patrol (MHP)** the patrol is tasked with enforcing gaming regulations at Missouri's thirteen (13) casinos. This proposed legislation would add sports wagering to the existing casinos and the regulation of that activity. The Patrol anticipates the need for two (2) additional FTE for background investigations and subsequent renewals for sports wagering vendors. The one time and on-going expenses would include salary, fringe, vehicles, gasoline, and related equipment. These expense and equipment costs are shown in the "Other Costs or Savings" section as it allows the Patrol to differentiate between the one time and on-going costs for the two (2) FTE.

In addition to the expense indicated for the two (2) FTE that will be transferring from Highway funded positions, it is assumed there will be an unknown savings to the Highway Fund (0644), as those two tenured troopers would be replaced with Highway funded probationary troopers.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund as well as an Unknown savings to the Highway 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 313.1021.6 requires \$500,000 be appropriated from the Gaming Commission Fund and credited annually 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 section 313.1021.6.

In response to similar proposals from last year, officials from the **Office of Administration - Budget and Planning** deferred to the 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 Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Office of the State Courts Administrator**, the **Missouri Lottery Commission** and the **Office of the State Public Defender** 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 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				
Cost – DOR Tax collection database p. 10-11	<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>

GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC p. 9</u> Annual and Renewal Fees	\$2,950,000	\$2,025,000	\$2,025,000	\$2,155,000
<u>Cost – FTE MGC p. 13</u>				
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 - MGC</u>	<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 – FTE MHP p. 13</u>				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 - MHP</u>	<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
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>(\$61,814)</u>	<u>(\$865,552)</u>	<u>(\$872,161)</u>	<u>(Could exceed \$742,161)</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 - 90% of the 10% Wagering Tax §313.1021 p. 12</u>	\$6,875,674 to \$22,797,000	\$19,993,817 to \$22,797,000	\$22,797,000 to \$28,048,437	\$22,797,000 to \$30,432,554

<u>Transfer Out</u> – to Compulsive Gamblers Fund p. 13-14 §313.1021.6	<u>(\$500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$6,375,674 to \$22,297,000</u>	<u>\$19,493,817 to \$22,297,000</u>	<u>\$22,297,000 \$27,548,437</u>	<u>\$22,297,000 to \$29,932,554</u>
HIGHWAY FUND (0644)				
<u>Savings</u> – MHP p. 13 Tenured troopers replacement	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
COMPULSIVE GAMBLERS FUND (0249)				
<u>Transfer In</u> – from Gaming Proceeds for Education Fund p. 13-14 §313.1021.6	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
<u>Cost</u> – DMH p. 19-20 Administrative cost for treating additional consumers p. 13-14 §313.1021.6	<u>(\$345,363)</u>	<u>(\$414,435)</u>	<u>(\$414,435)</u>	<u>(\$414,435)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>\$154,637</u>	<u>\$85,565</u>	<u>\$85,565</u>	<u>\$85,565</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
LOCAL HOME DOCKS				
<u>Revenue - Home Dock City or County 10% of the 10% Wagering Tax §313.1021 p. 12</u>	<u>\$763,964 to \$2,533,000</u>	<u>\$2,221,535 to \$2,533,000</u>	<u>\$2,533,000 to \$3,116,493</u>	<u>\$2,533,000 to \$3,381,395</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>\$763,964 to \$2,533,000</u>	<u>\$2,221,535 to \$2,533,000</u>	<u>\$2,533,000 to \$3,116,493</u>	<u>\$2,533,000 to \$3,381,395</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill enacts new provisions relating to sports wagering. This bill amends the definition of "games of skill" to include sports wagering in Section 313.800, RSMo. This bill defines "adjusted gross receipts" specifically for the provisions of this bill relating to sports wagering operations. The bill also provides new definitions for "esports", "interactive sports wagering platform", "prohibited conduct", and "sports wagering", among other definitions specific to the provisions of this bill. The bill adds sports wagering to the Voluntary Exclusion Program administered by the Missouri Gaming Commission and specifies that any person who has self-excluded and has been found to place a sports wager must forfeit any winnings. Forfeited winnings will be credited to the Compulsive Gamblers Fund. The programs paid for by the funds in the Compulsive Gamblers Fund are expanded to include recovery services. The Commission, in cooperation with the Department of Mental Health, must develop a triennial research report as specified in the bill.

The initial report, associated studies, and recommendations must be submitted to the Governor, President Pro Tem of the Senate, and the Speaker of the House of Representatives no later than December 31, 2024, and then no later than December 31 of every third year thereafter. This bill allows certificate holders to offer sports wagering at licensed facilities that are excursion gambling boats and over the Internet through interactive sports wagering platforms to persons physically located within the state. Except as provided under this bill, no sports wagering commercial activity may occur within any designated sports district without the approval of each

professional sports team entity, provided no such approval is necessary for the sole activity of offering sports wagering over the Internet via an interactive sports wagering platform.

The Missouri Gaming Commission shall have full jurisdiction to supervise all gambling operators and adopt rules to implement the provisions of this bill. These rules shall include, but not be limited to, standards and procedures governing the conduct of sports wagering, standards governing how a sports wagering operator offers wagering over the Internet, the manner in which sports wagering operator's books and records are maintained and audited, and standards concerning detection and prevention of compulsive gambling. Certificate holders must make commercially reasonable efforts to: (1) Designate areas within the licensed facility to be operated by the sports wagering operator; (2) Ensure the security and integrity of sports wagers; (3) Ensure that the sports wagering operator's surveillance system covers all areas of sports wagering activity; (4) Allow the Commission to be present through the Commission's gaming agents when sports wagering is conducted; (5) Ensure that wager results are determined only from data that is provided by the applicable sport governing body or the licensed sports wagering suppliers; (6) Ensure persons under 21 years of age do not make sports wagers; (7) Establish house rules relating to paid winning wagers amounts; and (8) Establish industry-standard procedures regarding the voiding or canceling of wagers. A sports governing body may notify the Commission that official league data for settling tier 2 bets is available for sports wagering operators.

The Commission will then notify sports wagering operators of the availability of such league data. Each sports wagering operator shall use only official league data to settle tier 2 bets on athletic events sanctioned by the applicable sports governing body, with certain exceptions as listed in the bill. The Commission shall publish a list of official league data providers on its website. The Commission may enter into multi-jurisdictional agreements to facilitate, administer, and regulate multi-jurisdictional sports betting to the extent that entering into the agreement is consistent with state and federal laws and is conducted only in the United States. A licensed applicant, as defined in the bill, may apply to the Commission for each licensed facility in which the licensed applicant wishes to conduct sports wagering. The applicant shall pay an initial application fee of up to \$100,000 and submit a responsible gambling plan as required in the bill.

The Commission shall ensure that new sports wagering devices and forms, variations, or composites of sports wagering are tested prior to authorizing a sports wagering operator to offer such new devices, forms, variations, or composites. A licensed excursion gambling boat may offer sports wagering through up to three individually branded interactive sports wagering platforms. A designated sports district mobile licensee, as defined in the bill and licensed by the Commission as an interactive sports wagering platform operator, may offer sports wagering within the state through one interactive sports wagering platform. No sports wagering operator may offer sports wagering in person or through any sports wagering kiosk except within a licensed facility that is an excursion gambling boat. Sports wagering may be conducted with negotiable currency. The sports wagering operator shall determine a minimum and maximum wager amount. A sports wagering device, point-of-contact device, or kiosk must be approved by

the Commission and acquired by an operator from a licensed supplier. A sports wagering operator may lay off one or more sports wagers subject to rules promulgated by the Commission.

A sports wagering operator must include certain information and tools to assist players in making responsible decisions, including tools to set time and money limits, information regarding compulsive gambling and ways to seek treatment, and the ability to exclude certain electronic payment methods. An interactive sports wagering platform operator must apply for a license with the Commission to offer sports wagering on behalf of a licensed facility. The provider shall pay an initial application fee of up to \$150,000 and a renewal fee annually of up to \$125,000 and submit a responsible gambling plan as required in the bill. Any application submitted to the Commission and all documents, reports, and data containing proprietary information, trade secrets, financial information, or personally identifiable information about any person shall be confidential.

The Commission may issue a supplier's license to a sports wagering supplier to provide its services to licensees under a fixed-fee or revenue-sharing agreement. At the request of an applicant, the Commission may issue a provisional license if that applicant has submitted a completed application, including the required fee. The bill specifies requirements that an applicant for a supplier's license must meet in order to receive a license. A renewal fee must be submitted biennially as determined by the Commission. A sports wagering operator must verify that the person placing a wager is at least the legal minimum age for placing the wager. The Commission shall adopt rules and regulations incorporating a sports wagering self-exclusion program.

The Commission shall adopt rules to ensure that advertisements for sports wagering do not knowingly target minors, disclose the identity of the sports wagering operator, are not included on sites or pages dedicated to compulsive gambling, provide gambling addiction resource information, and are not false or misleading. The Commission must establish penalties of between \$10,000 and \$100,000 for any sports wagering operator who violates the restrictions on advertising to vulnerable persons. The Commission shall establish a hotline or other method of communication allowing an individual to confidentially report information about prohibited conduct to the Commission. The Commission shall investigate reasonable allegations and refer credible allegations to the appropriate law enforcement entity. The Commission shall adopt rules governing investigations of prohibited conduct and referrals. The Commission shall conduct background checks on all individuals seeking licenses under the provisions of this bill. This background check shall include a search for criminal history and any charges or convictions involving corruption or manipulation of a sporting event.

A sports wagering operator shall employ commercially reasonable methods to prohibit unfair betting practices. Any person whose participation may undermine the integrity of the betting or sports event or any person prohibited for good cause as provided for in the bill may not engage in sports wagering. No sports wagering operator may offer wagers on any elementary or secondary school athletic event in which a school team from this state is a participant, nor shall any sports wagers be placed on the individual performance of any collegiate athlete on a collegiate team

from this state. An operator must adopt procedures to obtain personally identifiable information from any individual placing a single wager of \$10,000 or more while physically present at a casino. The Commission and sports wagering operators shall all cooperate with investigations conducted by law enforcement agencies or sports governing bodies. In cooperating with investigations, the sports governing body shall maintain the confidentiality of information and files, comply with all applicable privacy laws, and use the information solely in connection with the sports governing body's investigation.

An operator shall immediately report to the Commission information relating to criminal or disciplinary proceedings commenced against the operator in connection with the sports wagering operation, bets made that violate law, abnormal or suspicious wagering activity and any other conduct that corrupts the wagering outcome of a sporting event. A sports governing body may submit to the Commission a request to restrict or exclude a type or form of sports wagering on its sporting events if the body believes such wagering would affect the integrity of the sport.

The Commission may grant the request upon a showing of good cause by the applicable sports governing body. Sports wagering operators shall be notified of any such restrictions or exclusions. A sports wagering operator for wagers placed in person, and a licensed facility, interactive sports wagering platform operator, or sports wagering, where applicable, for all interactive wagers placed, in excess of \$10,000, shall maintain personally identifiable information and other information relating to the wager as described in the bill for at least three years. Such information shall be made available for inspection upon the request of the Commission or as required by court order.

A wagering tax of 10% is imposed on the adjusted gross receipts, as defined in the bill, received from sports wagering conducted by a sports wagering operator.

A certificate holder or interactive sports wagering platform operator shall remit this tax monthly to the Department of Revenue. In a month when the adjusted gross receipts are negative, the certificate holder or operator may carry over the negative amount for a period of 12 months. The payment of the tax under this section shall be by an electronic funds transfer by an automated clearing house. Revenues received from this tax shall be deposited into the State Treasury and credited to the "Gaming Proceeds for Education Fund", to be distributed pursuant to provisions of the bill.

A licensed facility that is an excursion gambling boat shall pay an annual license renewal fee not to exceed \$50,000. Additionally, a certificate holder shall pay a fee of \$10,000 to cover the cost of a full reinvestigation of the certificate holder every four years, to be deposited into the Gaming Commission Fund. Annually, at least \$500,000 shall be appropriated from the Gaming Commission Fund and credited to the Compulsive Gamblers Fund. The appropriation amount must consider any recommendations made in the annual research report.

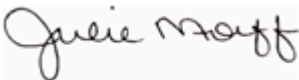
All sports wagers placed under the provisions of this bill shall be deemed initiated, received, and otherwise made on the property of an excursion gambling boat within this state. To the extent

required by federal law, all servers necessary for placing or resolving of wagers, other than backup servers, shall be physically located within an excursion gambling boat. To the extent required by federal law, the intermediate routing of electronic data shall not determine the location or locations in which such wagers are initiated, received, or otherwise made.

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

Department of Mental Health
Department of Corrections
Department of Revenue
Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
Office of the Secretary of State
Office of the State Public Defender
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



Julie Morff
Director
March 21, 2023



Ross Strobe
Assistant Director
March 21, 2023