

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3994H.011  
 Bill No.: HJR 74  
 Subject: Gambling; Veterans; Education, Elementary and Secondary; Constitutional Amendments  
 Type: Original  
 Date: April 8, 2024

Bill Summary: This proposal proposes a constitutional amendment dividing state revenues from gaming activities between public institutions of elementary, secondary, and higher education and the administration of the Missouri Veterans Commission.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$0 or (More than \$8,000,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$8,000,000)</b>	<b>\$0</b>	<b>\$0</b>

\*Election costs would be realized **only** if a special election were called by the Governor.

\*\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Gaming Proceeds for Education*	\$0	\$0	\$0 or (\$37,774,117)
Veterans Trust*	\$0	\$0	\$0 or \$37,774,117
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Re-distribution of gaming proceeds between funds nets to \$0.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0 FTE</b>	<b>0 FTE</b>	<b>0 FTE</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfer-in and reimbursement of election costs net to \$0 and only occur if a special election is called by the Governor.

## FISCAL ANALYSIS

### ASSUMPTION

#### HJR – Provisions relating to dividing state gaming revenues between education and the Veterans Commission

Officials from the **Department of Elementary and Secondary Education (DESE)** state changes in section 39(d)1.(2) would negatively impact the funds transferred to DESE's Classroom Trust Fund (0784). The Classroom Trust Fund funds a portion of the Foundation Formula. This loss of funds through the Gaming Proceeds for Education Fund (0285) would require a General Revenue switch to fund the appropriate amount of foundation formula funds to the local education agencies. In addition, the School District Bond Fund (0248) could be negatively impacted as there is a transfer appropriation from the Gaming Proceeds Fund to support those expenditures.

Splitting the current revenues received through the Gaming Proceeds for Education Fund would result in an additional \$36.5 Million needed to fully fund the foundation formula at the current level of appropriation.

**Oversight** will present the potential fiscal impact of this proposal on the Classroom Trust Fund and the Veterans Commission Fund using estimates provided by the Missouri Gaming Commission.

Officials from the **Office of Administration - Budget and Planning (B&P)** state this resolution would modify the constitution to provide a 90/10 split between the Department of Elementary and Secondary Education (DESE) and the Department of Public Safety - Missouri Veterans Commission (MVC) beginning in Fiscal Year 2027. This resolution would likely require a new dedicated MVC fund for this purpose. This fund would receive approximately \$33.7M - \$36.4M per year based current revenues.

**Oversight** will present the potential fiscal impact of this proposal on the Classroom Trust Fund and the Veterans Commission Fund using estimates provided by the Missouri Gaming Commission.

Officials from the **Department of Revenue (DOR)** state this proposal would be voted on by the people at the November 2024 general election. If the proposal is not adopted, this will not have a fiscal impact. If adopted by the people, this would change the distribution of the gaming tax funds. The constitution currently requires that all state revenue derived from gaming activities be distributed to public institutions of elementary, secondary and higher education. This proposal seeks to change the distribution of the "state revenue".

DOR notes that the gaming activities that currently generate revenue are from the gaming taxes and admission fees. Additionally, money that is collected and distributed to the home dock (city or county) where the gaming boat is located is not considered state revenue and therefore DOR assumes the home dock money is not impacted by this proposal.

Currently, the gaming taxes are distributed to the public institutions of elementary, secondary and higher education. This proposal would change the distribution to 90% for those institutions and 10% to the Missouri Veterans Commission.

Currently, the \$2.00 per person admission fee collected for each person entering a casino, is distributed 50% to the Gaming Commission and 50% to the home dock. In FY 2023, \$57,902,814 was collected in admission fees. Therefore, the Gaming Commission and the home docks each received \$28,951,407.

For fiscal note purposes, the DOR will assume the same number of admissions in the future as in FY 2023. Under this new proposal the Gaming Commission would receive \$0 funds, the home docks would still receive their \$28,951,407, the schools would receive \$26,056,266 and the MO Veterans Commission would receive \$2,895,141. This would result in a loss to the Gaming Commission, and a gain for the schools and the veteran funds.

Currently, the gaming boats pay a tax of 21% on the adjusted gross receipts they receive from gambling games. The home dock receives 10% of the gaming tax while the remaining funds are deposited into the Gaming Proceeds for Education Fund which distributes the money to the schools. In FY 2023, they collected \$403,335,960 of which \$40,333,596 went to the home docks while \$363,002,364 was deposited for the schools.

For fiscal note purposes, the DOR will assume the same amount of gaming tax is collected in the future as in FY 2023. Therefore, the home docks get their same \$40,333,596, while the schools will get \$326,702,128 and the veterans get \$36,300,236. This will result in a gain for the veterans and a loss of the schools of \$36,300,236.

These changes will require the DOR to update its computer programs and distribution systems. These are estimated to cost \$1,785.

**Oversight** has no information to the contrary. Oversight assumes the DOR can absorb the minimal cost to update their computer programs and distributions systems with existing funds.

DOR officials state they got \$403,335,960 from Gaming Commission's Annual Report. Oversight notes according to MGC's 2023 Annual Report that the Gaming Proceeds for Education Fund received \$363,001,842. For fiscal note purposes, Oversight will use estimates provided by the Missouri Gaming Commission.

Officials from the **Department of Public Safety (DPS) - Missouri Veterans Commission (VET)** defer to the Missouri Gaming Commission for a response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Department of Public Safety (DPS) – Missouri Gaming Commission (MGC)** state the resolution does not have a fiscal impact on the MGC. However, the resolution does impact gaming in that it reapportions the gaming tax revenues received by the state.

The Missouri Veterans Commission (MVC) will receive a substantial increase in revenues. The joint resolution proposes a constitutional amendment to change the apportionment in gaming tax revenue beginning FY 2026. The proposed amendment will direct ten percent (10%) of gaming taxes to the MVC. In FY 2026, it is estimated that 10% of the Missouri gaming tax revenue would be \$37,400,116. In 2027 that number is estimated to be \$37,774,117 and in 2028, that number is estimated to be \$38,151,858.

The joint resolution proposes that beginning in 2026, education would share in the gaming tax revenues with the Missouri Veterans Commission. The education apportionment of the tax revenues in 2026 would be \$336,601,045. This number is less the \$37,400,116 that would be going to the Missouri Veterans Commission. In FY 2027 education would receive \$339,967,055 and in FY 2028 education would receive \$343,366,726. While these numbers are 10% less of the Missouri gaming tax revenue than previously received, the numbers going to education continue to be substantial and would increase along with expected gaming tax revenues.

MGC states in determining the impact of the joint resolution on Missouri Veterans and Missouri public institutions of elementary, secondary and higher education (Gaming Proceeds for Education Fund), MGC applied the gaming tax of 21% to the anticipated gaming revenues in the State of Missouri, as provided in Mo. Rev. Stat. §313.822.

The proposed joint resolution has identified a start date of 2026 for the reapportionment of the gaming taxes. However, the table provided below provides numbers for FY2024 through FY2028. The numbers for FY2024 and 2025 are provided to give context for the following years of FY 2026-2028.

Gaming Tax	FY24	FY25	FY26	FY27	FY28
Total Estimated Tax for State of Missouri	\$ 366,631,860.42	\$ 370,298,179.02	\$ 374,001,160.81	\$ 377,741,172.42	\$ 381,518,584.15
Proceeds for Education (90% of Total Est Tax)	\$ 329,968,674.38	\$ 333,268,361.12	\$ 336,601,044.73	\$ 339,967,055.18	\$ 343,366,725.73
Proceeds for Veterans (10% of Total Est Tax)	\$ 36,663,186.04	\$ 37,029,817.90	\$ 37,400,116.08	\$ 37,774,117.24	\$ 38,151,858.41

Note:

Pursuant to Section 313.822, RSMo., Missouri's 13 casinos pay a Gaming Tax of 21% on their Adjusted Gross Revenue (wagers made-winning paid). 10% of taxes collected is paid to the home dock city or county where each casino is located (this amount is not included above). With HJR 74, the remaining 90% is paid to the State of Missouri. 90% of that portion is to be paid to the Proceeds of Education Fund. 10% of that portion is to be paid to the Missouri veterans commission. In 2020, Proceeds for Education Fund was down due to COVID. The first full year after COVID, the amount grew by 10%. However, growth has now slowed to .8%. MGC estimates that growth will be at 1% for the next several years.

In estimating gaming revenues under §313.822, MGC estimates a 1% growth over the next several years and the above stated numbers have already been reduced by the ten-percent (10%) paid to home dock cities and counties pursuant to §313.822.

**Oversight** will present the fiscal impact of this proposal as provided by MGC. Oversight notes the provisions of this proposed constitutional amendment will not become effective until July 1, 2026 (FY2027) if passed by the vote of the people. Therefore, the fiscal impact presented will be a loss of \$0 or \$37,774,117 for FY2027 to the Proceeds for Education Fund and a corresponding positive impact to the Veterans Trust Fund of \$0 or \$37,774,117 for FY2027. The net impact on State Funds will be \$0. It should be noted that impacts are ranged from \$0 to... as the impacts are dependent on passage of the resolution. If the resolution is not passed by a vote of the people, there will be no fiscal impact in years following FY2025 and the impact in FY2025 depends on whether the Governor calls a special election if the provisions of this resolution do not appear on the November 2024 ballot.

Officials from **Office of the Secretary of State (SOS)** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$8 million based on the cost of the 2023 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year

depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY25 petitions cycle, the SOS estimates publication costs at \$60,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

**Oversight** has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2025. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide general election is in November 2024 (FY 2025). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2025.

Officials from the **Missouri Lottery Commission (Lottery)** state this proposal has no fiscal impact on the Lottery; however, it directs 10% of all state revenues from gaming activities to be appropriated to the Missouri Veterans Commission beginning July 1, 2026. Currently, 100% of Lottery proceeds is appropriated to public institutions of elementary, secondary and higher education. Under this proposal, Lottery funding to public education will be reduced by 10%, or approximately \$40 million per year.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **Department of Higher Education and Workforce Development**, the **Department of Public Safety (DPS) - Missouri Highway Patrol**, the **Jackson County Board of Election Commissioners**, the **Platte County Board of Elections**, the **St. Louis City Board of Elections**, and the **St. Louis County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE FUND</b>			
<u>Transfer-out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor p.6-7</u>	\$0 or (More than \$8,000,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0 or (More than \$8,000,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GAMING PROCEEDS FOR EDUCATION FUND (0285)</b>			
<u>Loss – Reduction in Gaming proceeds received p. 5-6</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (\$37,774,117)
<b>ESTIMATED NET EFFECT ON THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (\$37,774,117)</u></b>
<b>VETERANS TRUST FUND (0579)</b>			
<u>Income – Increase in gaming proceeds received p.5-6</u>	<u>\$0</u>	<u>\$0</u>	\$0 or \$37,774,117
<b>ESTIMATED NET EFFECT ON THE VETERANS COMMISSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or \$37,774,117</u></b>



<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$8,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor	\$0 or (More than <u>\$8,000,000</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

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

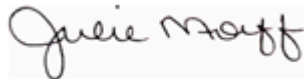
FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment changes the allocation of state revenues derived from the conduct of all gaming activities from solely for the public institutions of elementary, secondary, and higher education to now 90% appropriated for the public institutions of elementary, secondary, and higher education and 10% to the administration of the Missouri Veterans Commission. This allocation of appropriation shall take effect July 1, 2026. (SJR, Section 34)

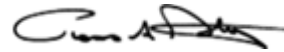
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Elementary and Secondary Education  
Department of Higher Education and Workforce Development  
Department of Revenue  
Department of Public Safety –  
    Missouri Gaming Commission  
    Missouri Highway Patrol  
    Missouri Veterans Commission  
Jackson County Board of Election Commissioners  
Platte County Board of Elections  
St. Louis City Board of Elections  
St. Louis County Board of Elections  
Missouri Lottery Commission



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