

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5715H.011  
Bill No.: HB 2835  
Subject: Entertainment, Sports and Amusements; Department of Public Safety; Gambling;  
Business and Commerce; Department of Mental Health; Mental Health; Licenses  
- Miscellaneous  
Type: Original  
Date: April 29, 2024

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Bill Summary: This proposal establishes provisions for interactive digital games played on mechanical amusement devices and authorizes sports wagering.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2029)</b>
General Revenue Fund	\$2,543,177	\$5,079,344	\$6,746,874	Could exceed \$6,746,874
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$2,543,177</b>	<b>\$5,079,344</b>	<b>\$6,746,874</b>	<b>Could exceed \$6,746,874</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2029)</b>
State Lottery*	\$0	\$0	\$0	\$0
Lottery Enterprise**	\$0	\$0	\$0	\$0
Lottery Proceeds	Could exceed \$38,779,017	Could exceed \$79,267,547	Could exceed \$129,832,829	Could exceed \$129,832,829
Gaming Commission	Less than (\$1,132,138)	Less than \$683,433	Less than \$660,374	Less than \$160,374
Gaming Proceeds for Education	Less than \$6,875,674	Less than \$19,993,817	Less than \$28,048,437	Less than \$34,732,440
Highway	Unknown	Unknown	Unknown	Unknown
Compulsive Gamblers	Could exceed \$272,417	Could exceed \$221,438	Could exceed \$215,867	Could exceed \$210,205
Criminal Records System	Unknown	Unknown	Unknown	Unknown
Veterans Commission Capital Improvement Trust	Up to \$26,706	Up to \$51,307	Up to \$68,150	Could exceed \$68,150
College & University	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Could exceed \$44,821,676</b>	<b>Could exceed \$100,217,542</b>	<b>Could exceed \$158,825,567</b>	<b>Could exceed \$165,003,998</b>

\* Income, loss and transfers-out net to \$0.

\*\* Transfer-in, transfers-out and costs net to \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Lottery Enterprise - LOT	27 FTE	27 FTE	27 FTE	27 FTE
Lottery Enterprise - MHP	15 FTE	15 FTE	15 FTE	15 FTE
Gaming Commission	15 FTE	15 FTE	15 FTE	15 FTE
Gaming Commission - MHP	6 FTE	6 FTE	6 FTE	6 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>63 FTE</b>	<b>63 FTE</b>	<b>63 FTE</b>	<b>63 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>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
<b>Local Government</b>	<b>Less than \$6,911,933</b>	<b>Less than \$14,517,473</b>	<b>Less than \$21,560,399</b>	<b>Could exceed \$22,303,066</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§313.427 - 313.437 – Video Lottery Control Act

Officials from the **Missouri Lottery Commission (Commission/LOT)** assumes the proposal will completely eliminate its current Pull-Tab sales and reduce Keno sales by 31.3%. This reduction may negatively impact funding for education.

The **LOT** provides the following assumptions:

#### Section 313.429.1

This section of the proposal would require the Commission to implement a system of mechanical amusement devices utilizing a licensing structure for processing license applications and issuing licenses to manufacturers, distributors, operators, handlers, and retailers of mechanical amusement devices, following specific requirements for eligibility.

- It is assumed four (4) additional lead administrative support assistant positions at a salary of \$37,682 each will be needed to process applications and renewals, which includes completing background checks on owners and handlers and determining eligibility. The cost of background checks for operators, manufacturers, distributors, retailers, handlers and sales agents are estimated to be approximately \$46,000 per year (background checks are estimated to be \$33.25 per person, and each operator, manufacturer, distributor and retailer is assumed to have at least two owners requiring a check, with each handler requiring one check). Cost of background checks beyond the fiscal note period will continue at approximately \$46,000 per year.

**Oversight** assumes it is unknown exactly how many criminal record background checks will be performed each year. Based on information provided by the Missouri Highway Patrol, fees for criminal history checks are deposited into the Criminal Record System Fund (0671). Background check fees are provided below:

State and Federal Fingerprint Criminal History Fee - \$22.00  
State Name Criminal History Fee - \$15.00

#### Section 313.429.3

This section of the proposal provides that the mechanical amusement devices must be connected to a centralized system that uses industry protocols approved by the commission that allows the commission to activate or deactivate a terminal from a remote location and capable of monitoring and auditing plays.

**LOT** assumes their department will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers in proportion to the number of mechanical amusement devices operated.

The commission shall impose initial application fees and renewal fees. In addition to the license fees, an annual administrative fee of \$500 per device shall be paid to the Commission. It is assumed revenues from initial application fees will total \$3.9 million spread over a 4-year ramp up period. License renewal fees are estimated at \$800,000 per year beginning in year 2. Annual device administrative fees collected by the Lottery are estimated to be \$1.7 million in year one, \$3.4 million in year two, \$5.1 million in year three and \$6.7 million in year four and beyond.

#### Section 313.429.6

This section of the proposal states mechanical amusement devices shall meet independent testing standards approved by the commission and shall be inspected and approved prior to being sold, leased or transferred.

#### Section 313.429.7-8

This section of the proposal states operators must follow guidelines for plays and payouts, where terminals can be operated (fraternal, veteran, truck stop and liquor by the drink locations and must not be within one mile of a casino or an elementary or high school), number of devices operated per establishment (no more than 8 devices at fraternal, veteran and truck stop locations, no more than 5 at liquor by the drink locations), responsible gambling and refrain from advertising. Retailers may participate in an advertising program that is promoted through and sponsored by the Lottery.

#### Section 313.429.9

This section of the proposal states mechanical amusement devices must be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under 21 years of age is denied by a procedure approved by the commission. Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the mechanical amusement devices. Recorded video must be reviewed by mechanical amusement device operators for compliance with law, rules and regulations and fines up to \$5,000 per occurrence may be assessed by the Commission for violations and for failing to review or report violations. Upon a finding that a licensee committed a violation the commission may impose an administrative fine not to exceed \$10,000, suspend the applicable license for up to 30 days or revoke the license for one year.

**LOT** assumes:

Nine (9) Lottery Security Specialists at an annual salary of \$60,019 each are needed to ensure the centralized system uses industry protocols, to activate or deactivate devices, to monitor and audit plays, and ensure operators are following requirements for plays and payouts, where devices can be operated, number of devices operated per establishment, advertising, posting age requirement and the problem gambling helpline, and reviewing video surveillance and assessing fines for noncompliance.

Five (5) additional Lottery Security Specialists at an annual salary of \$60,019 are needed to facilitate and document VLT investigations, review cases/video surveillance and recommend fines for noncompliance to the Commission. Mechanical amusement devices must also meet independent testing standards approved by the Commission and must be inspected and approved prior to being sold, leased or transferred.

One (1) responsible gaming public information coordinator is needed at an annual salary of \$53,404 to educate operators and retailers on problem gambling and manage the self-exclusion program.

One (1) human resources specialist is needed at an annual salary of \$63,065 to assist with hiring and training FTE to administer the program.

Advertising, promotions and point-of-sales costs associated with the program are estimated to be \$1,500,000 per year.

**Oversight** notes provisions of 313.429.9 provide for multiple administrative fines against a video lottery game operators or retailers that violates provisions of this subsection. These administrative fines may not exceed \$5,000 per occurrence. Oversight notes that violations resulting in fines could vary widely from year to year. Civil penalties collected per Article IX, Section 7 of the Missouri Constitution requires fines to be distributed to the school district where the violation occurred; therefore, Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts on the fiscal note.

#### Section 313.429.10

Provisions provide that mechanical amusement devices operators shall pay the commission 33% of adjusted gross receipts, which, except for administrative expenses, is to be transferred to the Lottery Proceeds Fund. The commission must compensate the municipality where a licensed mechanical amusement device retailer maintains an establishment 4% of the 33% to cover administrative costs. Appropriation authority will be needed to remit the 4% compensation to the municipalities.

#### Section 313.429.11

The **LOT** notes all revenues received by the commission from license application fees, license fees, administrative fines, and any reimbursements associated with the administration of the provisions of sections 313.427 to 313.437, and all interest earned thereon, shall be considered administrative expenses and shall be deposited in the general revenue fund. Moneys deposited into the general revenue fund from such fees and fines and any reimbursements of commission administrative expenses to administer sections 313.427 to 313.437 shall be considered administrative expenses and shall not be considered net proceeds under Article 322 III, Section 39(b) of the Constitution of Missouri. Subject to appropriation, up to one percent of such fees and fines shall be deposited to the credit of the veterans' commission capital improvement trust fund created under section 42.300. The remainder of the moneys deposited in the general

revenue fund from such fees and fines and any reimbursements of commission administrative expenses to enforce sections 313.427 to 313.437 329 shall, subject to appropriation, be divided as follows: (1) Fifty percent to be appropriated to public safety with an emphasis on peace officer funding for salary increases, continuing education, training, and certifications; and (2) Fifty percent to be used for administrative expenses associated with supervising and enforcing the provisions of sections 313.427 to 313.437.

The commission assumes:

- Three (3) senior accounts assistants are needed at an annual salary of \$43,034 each to verify and collect Lottery's share of adjusted gross receipts and unclaimed prizes, collect annual license and device fees and distribute to the veterans' commission capital improvements trust fund, to peace officers and for other administrative expenses to supervise and enforce the provisions of the proposal, and to remit payments to municipalities.
- Two (2) data analysts/applications developers are needed at an annual salary of \$61,425 to ensure the centralized system is accurately capturing data and to develop files, applications and reports to assist in the licensing, security and accounting of the program.

**LOT** assumes approximately \$6.1 million, \$12.3 million and \$18.4 million per year will be remitted to municipalities where mechanical amusement device establishments are located in 2025, 2026 and 2027, respectively, ramping up to \$24.6 million annually after year four.

The Lottery estimates 1% of license fees and fines to be deposited to the veterans' commission capital improvement trust fund to be \$27,000 in year 1, \$51,000 in year 2 and \$68,000 in year 3; and 50% of the remainder appropriated to public safety with an emphasis on peace officer funding and 50% for administrative expenses associated with supervising and enforcing the proposal at \$1.3 million, \$2.5 million, and \$3.4 million, each, in years 1, 2 and 3, respectively.

**Oversight** will reflect the one percent of license fees transferred from the Lottery Enterprise Fund to the Veterans' Commission Capital Improvement Trust Fund as estimated by the LOT.

**Oversight** notes the provisions of 313.429.11(1) and (2) provide for 50% of the remainder of license fees and fines be appropriated for administrative expenses associated with supervising and enforcing the proposal and 50% of remainder of license fees and fines be appropriated to public safety with an emphasis on peace officer funding. Oversight notes that although the provisions of the proposal indicate the funds will be deposited into the General Revenue Fund, Article III, Section 39(b)2 of the Missouri Constitution states, "The money received by the Missouri State lottery commission from the sale of Missouri lottery tickets, and from all other sources, **shall be deposited in the "State Lottery Fund..."** (empour hasis added). Therefore, for fiscal note purposes Oversight will reflect the revenue generated from these provisions being deposited into the State Lottery Fund and then transferred to General Revenue for appropriation for supervising and enforcing the proposal and to Public Safety as noted above.

Section 313.429.12, .13, and .14

**LOT** assumes the commission shall contract with a state law enforcement entity to assist in conducting background investigations and for enforcement. For .13, the LOT assumes device licensees suspected of violations shall be afforded an administrative hearing by the commission director and .14 the commission shall adopt rules for implementing mechanical amusement devices.

\$500,000 per year is the estimated cost to contract with state law enforcement. One paralegal FTE at an annual salary of \$58,873 and one associate hearings/appeals referee at an annual salary of \$60,639 are assumed to assist with additional legal work involved with promulgating rules and handling administrative hearings.

Section 313.431

The LOT assumes the commission shall (1) contract for a centralized communication system within 120 days after the effective date; (2) make license applications/forms available for manufacturers, distributors, operators, retailers and handlers and promulgate rules within 120 days after the effective date; (4) establish a start date for when operators may begin soliciting retailers no more than 60 days after applications are available; (5) approve or deny any retailer applications no more than 90 days after such application has been received.

The Lottery assumes 2,500 retailers will operate 13,475 devices after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from mechanical amusement device sales are anticipated to be \$50.7 million in year one and grow to \$152.2 million in year three, offset by lost profits from Keno and Pull-Tabs of approximately \$14.3 million per year. Keno sales are expected to be cannibalized by 31.3% and Pull-Tab sales are anticipated to be completely eliminated.

It is estimated an additional 4,000 square feet of office space is needed in the St. Louis region at a cost of \$21 per square foot, \$2 per square foot for utilities, and \$1.50 per square foot for janitorial

Net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$36.3 million in FY 2025, positive \$70.1 million in FY 2026 and positive \$114.5 million in FY 2027.

**Oversight** will determine the fiscal impact to the Lottery Proceeds Fund and other funds based on information provided by the LOT.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the Video Lottery Terminal portion of the bill gives statutory authority for the Lottery Commission to contract with a state law enforcement agency. Section 313.429.12 states “The commission shall contract with a state law enforcement entity to assist in conducting investigations into applicants for any video lottery game license and to investigate violations by any video lottery game licensee of any of the provisions of sections 313.427 to 313.437 or state law regulating



illegal gambling activities..."

If the Lottery Commission elects to contract with the Patrol, this bill would create hundreds of additional locations throughout the state that would require regulatory compliance checks.

It is assumed that expenses incurred by the Patrol will be reimbursed by the Lottery Commission. However, the minimum resources required by the MHP are estimated to be fifteen (15) additional FTE to perform background investigations on vendors/operators, criminal investigations, and regulatory enforcement throughout the state. This consists of two (2) members to perform background investigations, (12) twelve members to oversee regulatory and criminal investigations in the field, and one (1) clerk/typist to process related reports. The 12 field investigators include one member per troop in six of the troops, and two members in Troops A, C, and D.

If the Patrol continues to be the investigative agency that has been tasked with investigating the majority of illegal gambling complaints, a reasonable assumption can be made that the number of illegal devices and complaints can potentially increase resulting in a greater backlog of complaints, and a greater expectation placed on the enforcement of the establishments allowing the operation of illegal devices.

The number of fingerprint or name only criminal record checks performed based on the regulatory criteria for the video lottery section of this proposed legislation is unknown.

Fees for the name or fingerprint based criminal history check and how much is deposited into the Criminal Record System Fund for each check performed is provided below:

State and Federal Fingerprint Criminal History Fee - \$22.00 to the Criminal Record System Fund (0671);

State Name Criminal History Fee - \$15.00 to the Criminal Record System Fund (0671)

**Oversight** does not have any information to the contrary. Therefore, Oversight will show the FTE as assumed by the MHP. Oversight will reflect the cost 15 FTE to the Lottery Enterprise Fund.

#### Section 313.429.13

The **LOT** states the commission shall have the power to investigate suspected violations by any video lottery license holder and refer violations to law enforcement and suspend or revoke the license of any lottery vendor or licensee that allows the use of any machine or device not authorized.

#### Section 313.429.14

The **LOT** states this section of the proposal allows the commission to adopt rules for implementing video lottery.

The Commission estimates \$500,000 per year as the cost to contract with state law enforcement. One (1) paralegal FTE at an annual salary of \$58,873 and one (1) associate hearings/appeals referee at an annual salary of \$60,639 are assumed to assist with additional legal work involved with promulgating rules and handling administrative hearings.

Section 313.431.1

The **LOT** states the commission shall issue a request for proposal for a centralized communication system, make license applications available for manufacturers, distributors, operators, retailers and handlers, and promulgate rules within 120 days of the effective date.

In summary, the Missouri Lottery Commission assumes this proposal will require 27 new FTE, fringe benefits and equipment and supplies (including additional rental space in the St. Louis area) at a cost of \$4,688,903 in FY 2025, \$4,808,503 in FY 2026 and \$4,908,648 in FY 2027 to implement the changes in this proposal.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the FTE cost and the estimated revenue as reflected by the Missouri Lottery Commission.

**LOT** estimates a loss of revenue of \$3,569,191 in FY 2025, \$14,276,763 in FY 2026 and \$14,276,763 in FY 2027 as a result potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales.

**Oversight** will reflect the potential loss to the State Lottery Fund as estimated by the **LOT**.

**Oversight** currently does not have the data or resources available to produce independent revenue projections to estimate the elasticity of demand for video lottery wagering in relation to other games of chance offered by the Missouri Lottery or at casinos. Therefore, for purposes of this fiscal note, Oversight will utilize the estimates provided by the Missouri Lottery Commission.

**Oversight** provides the following table to summarize the Lottery Commissions revenues from this section (Section 313.429.10).

<b><u>State Revenue Impact</u></b>			
<b>Provision</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
Initial Application Fee	\$985,950	\$985,950	\$985,950
Annual Renewal and Terminal Admin Fees	\$1,684,375	\$4,144,700	\$5,829,075
VLT Proceeds (29% of 33% AGR Tax)	\$50,750,742	\$101,441,485	\$152,162,226
<b>Total State Impact</b>	<b>\$53,421,067</b>	<b>\$106,572,135</b>	<b>\$158,977,251</b>
<b><u>Local Revenue Impact</u></b>			
<b>Dock Cities/Counties</b> (4% of 33% AGR Tax)	<b>\$6,147,969</b>	<b>\$12,295,938</b>	<b>\$18,443,906</b>

**Oversight** will reflect 33% of gross receipts from video lottery terminals as income to the State Lottery Fund and then will show a transfer to the Lottery Proceeds Fund to be appropriated to public elementary and secondary education with an emphasis on funding elementary and secondary education student, teacher, and community health and safety. Combined revenue to the Lottery Proceeds Fund, after expenses, will total \$38,779,017 in FY 2025, \$79,267,547 in FY 2026 and \$129,832,829 in FY 2027.

**Oversight** will also show 4% of gross receipts from video lottery terminals as income to the State Lottery Fund, then show a transfer to the Lottery Enterprise Fund where the income will be transferred once again to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Officials from the **Department of Revenue (DOR)** state this proposal establishes the framework for having Mechanical Amusement Devices in Missouri. The entire program is handled by the Missouri Lottery, including the collection of all fees. The DOR defers to the Missouri Lottery for impact.

Officials from the **Missouri Gaming Commission (MGC)** state §§313.427 through 313.437 discuss video lottery terminals as regulated by the Missouri Lottery Commission. These sections do not impact the MGC.

§§313.800 - 313.1022 - Sports Wagering

Officials from the **Missouri Gaming Commission (MGC)** assume the following:

Section 313.800

**MGC** states this section redefines “adjusted gross receipts” to not include adjusted gross receipts from sports wagering as defined in Section 313.1000, RSMo. It also removes the exclusion of gambling on sporting events from the definition of “gambling game” and adds sports wagering to the definition of “games of skill.”

Section 313.813

**MGC** 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. It is also assumed this section 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.

**Oversight** will present Unknown income to the Compulsive Gamblers Fund for winnings forfeited by persons who placed themselves on the voluntary exclusion list. It is unknown whether these forfeited amounts will be over or under \$250,000 per year.

Section 313.842

**MGC** states this section requires programs that provide treatment, prevention, recovery, and education services for compulsive gambling to be established. This section directs funding for the programs from the one cent admission fee authorized pursuant to section 313.820, taxes collected and distributed to any city or county under section 313.822, and other funds as may be appropriated by the general assembly.

This section establishes a “Compulsive Gamblers Fund” within the Department of Mental Health (DMH). The DMH is directed to administer programs for compulsive gamblers. The MGC is directed to administer programs to educate the public about compulsive gambling, promote treatment programs and administer a voluntary exclusion program. It requires the Missouri Gaming Commission, in cooperation with the Missouri Department of Mental Health, to develop a triennial report to assess the social and economic effects of gaming in the state to obtain scientific information related to compulsive gambling. Provisions relating to what the report is to consist of are outlined in the legislation. The first report shall be submitted to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives no later than December 31, 2025, and not later than December 31 of every third year thereafter.

**MGC** 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 each report will be \$500,000. This legislation

does not specify whether the cost of the report should be paid from the Gaming Commission Fund or the Compulsive Gamblers Fund.

**Oversight** will present the cost of this report to the Gaming Commission Fund. In addition, Oversight will present the cost of an additional report in FY29 as a report would be due to Governor, House and Senate leadership by December 31, 2028.

#### Section 313.1000

**MGC** states this section of the proposal defines terms used in Sections 313.1000 to 313.1022, RSMO, including: “adjusted gross receipts”, “certificate holder,” “certificate of authority,” “commercially reasonable terms,” “commission,” “covered persons,” “department,” “designated sports district”, “designated sports district mobile licensee”, “esports”, “excursion gambling boat,” “gross receipts,” “interactive sports wagering platform”, “interactive sports wagering platform operator,” “licensed applicant,” “licensed facility,” “licensed supplier,” “occupational license,” “official league data,” “person,” “personal biometric data,” “professional sports team entity”, “prohibited conduct,” “sports governing body”, “sports wagering or sports wager (adds esports and includes types of bets),” “sports wagering commercial activity,” “sports wagering device or sports wagering kiosk,” “sports wagering operator or operator,” “sports wagering supplier”, “supplier’s license,” “tier 1 bet” and “tier 2 bet”.

#### Section 313.1002

**MGC** states this section exempts the State of Missouri from the provisions of 15 U.S.C. Section 1172, and legalizes all shipments of gaming devices, including devices capable of accepting sports wagers, into Missouri, and excludes point-of-contact devices or kiosks from being considered gambling devices.

#### Section 313.1003

This section states that only a certificate holder may offer sports wagering in Missouri and that such a certificate holder may offer sports wagering on a licensed excursion gambling boat or over the internet via an interactive sports wagering platform to persons physically located in Missouri. This provision prohibits sports wagering commercial activity within a designated sports district without the approval of the applicable professional sports team entity, excluding offering sports wagering over the internet via an interactive sports wagering platform accessible to people physically located within the designated sports district.

#### Section 313.1004

The provisions of this section grants the Missouri Gaming Commission the power to regulate sports wagering and to adopt any necessary rules. In addition, this section requires the MGC to establish a hotline for people to confidentially report prohibited conduct and requires the MGC to investigate all reasonable allegations of misconduct and refer any deemed credible allegations to appropriate law enforcement.

Section 313.1006

**MGC** states this section requires a licensed applicant holding a license under Section 313.807 to operate an excursion gambling boat who wishes to offer sports wagering 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 will include specified provisions. 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

**MGC** assumes .2 of this section permits a licensed facility that is an excursion gambling boat to offer sports wagering through up to three (3) individually branded interactive sports wagering platforms. In addition, this subsection permits a sports wagering operator to operate the interactive sports wagering platforms or to contract with a platform operator to do so. The total number of platforms utilized by any one owner of a licensed facility is limited to 6.

.3 of 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.

**Oversight** will reflect revenue generated from this fee in the Gaming Commission Fund.

.4 requires that any in-person or kiosk sports wagering only be conducted in a licensed facility that is an excursion gambling boat.

.5 permits sports wagering to be conducted with chips, tokens, electronic cards, cash, cash equivalents, debit or credit cards, other negotiable currency, online payment services, automated clearing houses, promotional funds or other approved means. This subsection also requires a sports wagering operator to determine a minimum wager amount and permits it to determine a maximum wager amount.

.7 requires a sports wagering device, point of contact sports wagering device or sports wagering kiosk to be approved by the gaming commission and acquired from a license supplier.

.8 requires the **MGC** to determine what occupations related to sports wagering require an occupational license, excluding employees that do not possess the authority or ability to alter material systems required for sports wagering.

.9 permits a sports wagering operator to lay off one or more sports wagers. Permits the MGC to promulgate rules permitting sports wagering operators or platforms to employ systems that offset loss or manage risk through the use of liquidity pools in other jurisdictions in which the operator or platform also holds a license to conduct sports wagering.

.10 requires a sports wagering operator to provide information and tools to assist players in making responsible decisions with required provisions provided.

#### 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 is also assumed the provisions require 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. The provisions also require a licensed interactive sports wagering platform operator to pay an annual renewal fee of up to \$325,000, which is to be deposited into the gaming commission fund and 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 provision permits the Gaming Commission to issue a supplier's license to a sports wagering supplier, permits a licensed sports wagering supplier to provide its services under a fixed-fee or a revenue sharing agreement, and permits the Gaming Commission to, at the request of a sports wagering supplier license applicant, issue a provisional license to the applicant as long as the applicant has submitted a complete application and has paid the required application fee and to promulgate any necessary rules to do so.

The provisions require a sports wagering supplier license applicant to disclose the identity of: 1) the applicant's principal owners who directly own 10% or more of the applicant; 2) each holding, intermediary, or parent company that directly owns fifteen percent or more of the applicant; and 3) the applicant's CEO and CFO, or their equivalents. In addition, the provisions waive having to disclose government-created entities and investment funds or entities registered with the Securities and Exchange Commission that are direct or indirect shareholders of the applicant.

Requires a licensed sports wagering supplier to pay a renewal fee as determined by the Gaming Commission biennially (every other year).

**Oversight** contacted MGC officials and determined there are no licensed sports wagering "suppliers". Therefore, there will be no fees collected for this provision of the proposal.

Section 313.1012

**MGC** notes the provisions of this section require a sports wagering operator to verify that a person placing a wager is of the legal age limit (21 years old), requires the Gaming Commission to establish an online method for a player to apply for placement in the self-exclusion program and requires the sports wagering operator to include a link to the self-exclusion application on all sports wagering platforms.

The provisions require the Gaming Commission to adopt rules to ensure that advertisement for sports wagering: 1) do not knowingly target minors or other ineligible persons, problem gamblers or other vulnerable people; 2) disclose the sports wagering operator's identity; 3) provide information about and links to gambling addiction resources; 4) are not false, misleading or deceptive; 5) are not included on internet sites or pages dedicated to compulsive or problem gambling; and 6) include responsible gambling messages and nationally recognized problem gambling helpline number in all promotional activities.

The Gaming Commission is required to establish penalties for advertisement violations of not less than \$10,000 but not more than \$100,000.

**Oversight** notes that violations of section 313.1012 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fine varies widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

Section 313.1014

**MGC** assumes the Gaming Commission is required to conduct a background check that includes a search for criminal history and any charges or convictions involving corruption or manipulation of sporting events. The background investigation is required to be consistent with the provisions of Section 313.810, RSMo.

Among other requirements, the provisions of this section require a sports wagering operator to adopt procedures to obtain personally identifiable information from any individual that makes a single wager while physically present in casino of \$10,000 or more, requires the Gaming Commission and sports wagering operators to cooperate with investigations conducted by law enforcement or sports governing bodies, requires a sports wagering operator to **immediately** report to the MGC criminal or disciplinary proceedings, illegal bets, abnormal wagering activity, any other conduct that corrupts the wagering outcome of a sporting event and suspicious or illegal wagering activities. Sports wagering operators are prohibited from offering wagers at an elementary or secondary school athletic or sporting event.



**Oversight** assumes background check fee costs are included in the application fees paid by licensees to MGC. Based on discussions with MGC and MHP officials, it is assumed the number of background checks will not have a significant impact on the either agency.

Per MHP’s website, fingerprint-based background checks currently cost \$41.75 per applicant. The fee consists of:

State	\$22.00 (\$20 state fee + \$2 pass through fee from the FBI)
Vendor fee	\$ 8.50
Federal	<u>\$11.25</u> (\$13.25 - \$2 pass through fee paid to the State)
	<u>\$41.75</u>

Therefore, \$22 of every fingerprint-based background check is deposited into the Criminal Records System Fund (0671). Since the amount of fees paid to the Criminal Records System Fund by MGC is not expected to be significant, Oversight assumes minimal fiscal impact and will not include these fees for fiscal note purposes.

Section 313.1016

**MGC** assumes a sports wagering operator is required to maintain certain specified records relating to a sports wager over \$10,000 made in person as well as maintaining records related to all sports wagers made via an interactive sports wagering platform. A sports operator is required to make maintained records and information available at the request of the Gaming Commission.

Section 313.1018

**MGC** assumes this section removes liability from a sports wagering operator for disclosing information required under Sections 313.1000 – 313.1022, RSMo, or for refusing to disclose information not required to be disclosed by Sections 313.100 – 313.1022, RSMo.

Section 313.1021

**MGC** assumes the following for 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,” to be distributed as provided under Section 313.822.

.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 – Subject to appropriation, 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.

#### Section 313.1022

**MGC** assumes that sports wagers will be deemed initiated, received, and otherwise made on the property of an excursion gambling boat. The provisions require, to the extent required by federal law, that servers necessary for the placement and resolution of sports wagers be physically located within a licensed facility that is an excursion gambling boat. In addition, the provisions state that the intermediate routing of electronic data relating to sports wagers shall not determine the location or locations in which sports wagers are initiated, received, or otherwise made.

#### **MGC Fiscal Impact**

**MGC** states sections 313.427 to 313.437 of this bill propose a new form of entertainment, which would be regulated by the Missouri Lottery Commission. It is assumed that video lottery terminals (VLTs) would be in direct competition with bingo and excursion gambling boats, resulting in a reduction in state gaming taxes to education. The extent that these reductions will be offset by new revenue generated by VLTs is unknown. This Act would also result in a reduction of state admission fees which benefits Veterans, National Guard and Access Missouri education programs, as well as reductions in casino taxes and admission fees paid to local governments in home dock cities. Although the extent of the reduction in revenue in both state and local taxes from riverboat gaming casinos and charitable bingo is unknown, it is believed to be significant, as has been the case in other states which have video lottery terminals, such as Illinois.

**Oversight** assumes the implementation of video lottery in Missouri may have a negative impact on the utilization of Missouri’s casinos (patrons may choose to play video lottery instead of visiting a Missouri casino). Therefore, Oversight will reflect an unknown loss to the Gaming Commission Fund (0286), the Gaming Proceeds for Education Fund (0285) and to Local governments for funds directed away from bingo and excursion gambling boats to video lottery terminals. Oversight assumes losses to each of these funds will exceed \$250,000 annually.

**MGC** states for sections 313.1000 to 313.1022, RSMo, which authorizes retail (in-person) and online sports wagering, the Missouri Gaming Commission estimates a total of 21 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 (FY25), \$4,225,000 for the second year (FY26), \$4,225,000 for the third year (FY27), \$4,355,000 for the fourth year (FY28) and \$4,225,000 for the fifth year (FY29). These estimates are based on the belief that all excursion gambling boats (13) will apply for a Certificate of Authority, there are 8 sports wagering operators that will seek a Sports Wagering Platform License, and that 3 Sports District Mobile applications will see licenses. These numbers are subject to adjustment depending on the number of Sports Wagering Platform Licenses and Sports District Mobil Licenses are issued.

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  
FY2023 - \$312,856,595

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 2025 - \$76,396,382  
FY 2026 - \$222,153,520  
FY 2027- \$311,649,297  
FY 2028 - \$346,911,217  
FY2029 - \$385,915,998

In determining the aforementioned estimates, a 0.25% 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 2331) 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 third year, and no deduction (0%) for the fifth year and any subsequent years.

Furthermore, the bill's (HB 2835) 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 for the first year (FY25) (\$6,875,674 to the State of Missouri and \$763,964 to the Home Dock Cities or Counties), \$22,215,352 for the second year (FY26) (\$19,993,817 to the State of Missouri and \$2,221,535 to the Home Dock Cities or Counties), \$31,164,930 for the third year (FY27) (\$28,048,437 to the State of Missouri and \$3,116,493 to the Home Dock Cities or Counties), \$34,691,122 for the fourth year (FY28) (\$31,222,010 to the State of Missouri and \$3,469,112 to the Home Dock Cities and Counties) and \$38,591,600 for the fifth year (FY29) (\$34,732,440 to the State of Missouri and \$3,859,160 to the Home Dock Cities and Counties).

**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 and a transfer from the Gaming Commission Fund into the Compulsive Gamblers Fund of \$500,000.

The **MGC** estimates needing fifteen (15) new FTE positions, which would result in an initial cost to the MGC of \$1,818,861 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately **\$2,182,431**, which represents 7.7% of the MGC existing budget each year (to cover the costs of MGC and MSHP Gaming Division staff plus expenses needed to license and regulate sports wagering) for a **total initial cost of \$4,001,292**. Additional costs included in this estimate may also encompass those associated with the development and implementation of responsible gambling programs. The total annual ongoing personnel cost, after the first year, is estimated to be \$3,943,017. 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.

**Oversight** notes the MGC estimates that approximately 7.7% MGC's current budget (employee time, E&E, and other resources) will be used for sports wagering activities in addition to the new FTE requested. Oversight assumes this is a "reallocation" of current costs/expenses between "divisions" within MGC and, therefore, will not present the estimated **\$2,182,431** as additional (new) costs against Gaming Commission's proceeds for fiscal note purposes.

<b>State Impact - Estimated by MGC</b>								
<b>Provision</b>		<b>Fee Amount</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>Fund to Deposit</b>
§313.1006(2) Certificate of Authority Application Fee (Initially) - Casino	13	\$100,000	\$1,300,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
§313.1008.3 Sports District Mobile Licensee Application Fee	3	\$150,000	\$450,000	\$0	\$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	\$0	Gaming Commission Fund
§313.1010.3 Sports Wagering Platform License Annual Renewal Fee-Sportsbook provider	8	\$325,000	\$0	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	Gaming Commission Fund
§313.1010.3 Sports District Mobile Licensee Annual Renewal Fee	3	\$325,000	\$0	\$975,000	\$975,000	\$975,000	\$975,000	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	\$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	\$0	Gaming Commission Fund
<b>Total Fees Collected</b>			<b>\$2,950,000</b>	<b>\$4,225,000</b>	<b>\$4,225,000</b>	<b>\$4,355,000</b>	<b>\$4,225,000</b>	<b>Gaming Commission</b>
<b>Wagering Tax (90%)* (§313.1021.1)</b>			<b>\$6,875,674</b>	<b>\$19,993,817</b>	<b>\$28,048,437</b>	<b>\$31,222,010</b>	<b>\$34,732,440</b>	<b>Gaming for Education</b>
<b>Total State Impact</b>			<b>\$9,825,674</b>	<b>\$24,218,817</b>	<b>\$32,273,437</b>	<b>\$31,226,365</b>	<b>\$38,957,440</b>	
<b>Local Impact - Estimated by MGC</b>								
<b>Wagering Tax (10%)* (§313.1021.1)</b>			<b>\$763,964</b>	<b>\$2,221,535</b>	<b>\$3,116,493</b>	<b>\$3,469,112</b>	<b>\$3,859,160</b>	<b>Dock Cities/Counties</b>

\*90%/10% of AGR - FY25 AGR= \$76,396,382, FY26 AGR = \$222,153,520, FY27 AGR = \$311,649,297, FY28 AGR = \$346,911,217;  
FY29 AGR=\$385,915,998

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 no later than one day prior to the last day of the month following the month in which the taxes are generated. Currently, the excursion gaming boats send daily deposits to DOR. The Department notes if a third party is involved, the DOR would need to be notified so it would 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 DOR currently receives its funding this way and uses this distribution system, DOR believes this would not have any additional fiscal impact.

This proposed section states that a certificate holder shall pay to the commission an annual administrative/license renewal fee of up to 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.

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 fourth year after the date on which the certificate holder commences sports wagering operations under Sections 313.1000 to 313.1022 and on each fourth year thereafter. The commission shall deposit the fees received under this subdivision in the gaming commission fund.

The DOR defers to the Gaming Commission for determining the amount of administrative/license 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)

\$20,220,000-\$25,330,000 (10% tax imposed on AGR)

Breakout of the 10% per Section 313.822 RSMo (when fully implemented).

10% to Dock Cities (Local) – \$2,022,000-\$2,533,000 (10% of 10% tax on Moderate Availability AGR Estimate)

90% to Gaming Proceeds for Education Fund- \$18,198,000-\$22,797,000 (90% of 10% tax on Moderate Availability AGR Estimate)

#### 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 1 Associate Customer Service Representative FTE.

**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 (current number of gambling boats) and eight wagering platforms (sportsbook providers). If each entity 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 2025 only. Oversight will reflect the ITSD estimated cost of \$100,445 in FY 2025.

**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. Since the “Economic Impact of Legalized Sports Betting” report used by the DOR to forecast potential sports betting income

was published in May 2017, Oversight will use **only the estimates provided by the MGC** for fiscal note purposes.

FY		MGC	DOR (low)	DOR (high)
2025	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
2026	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
2027	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
2028	Sports Betting AGR	\$346,911,217	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$31,222,010	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,469,112	\$2,022,000	\$2,533,000
2029	Sports Betting AGR	\$385,915,998	\$202,200,000	\$253,300,000
	10% tax on AGR (state portion - 90%)	\$34,732,440	\$18,198,000	\$22,797,000
	10% tax on AGR (local portion - 10%)	\$3,859,160	\$2,022,000	\$2,533,000



Officials from the **MHP** state the Sports Wagering portion of the proposed legislation would authorize and regulate this activity in Missouri's thirteen (13) existing casinos. The Patrol anticipates the need for two (2) additional FTE for background investigations and subsequent renewals for sports wagering vendors, and four (4) additional FTE for enforcement duties, with two (2) positions for the St. Louis region and two (2) positions for the Kansas City region. This function would be paid from the Gaming Fund (0286).

The number of fingerprint or name only criminal record checks performed based on the regulatory criteria for the sports wagering section of this proposed legislation is unknown.

Fees for the name or fingerprint based criminal history check and how much is deposited into the Criminal Record System Fund for each check performed is provided below:

State and Federal Fingerprint Criminal History Fee - \$22.00 to the Criminal Record System Fund (0671);

State Name Criminal History Fee - \$15.00 to the Criminal Record System Fund (0671)

In addition to the expense indicated for the twenty (20) trooper positions (14 related to VLT provisions and 6 to sports wagering provisions) that will be transferring from Highway funded positions, it is assumed there will be an unknown savings to the Highway Fund (0644), as those 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.

**Oversight** further assumes income into the Criminal Records System Fund for both the Video Lottery Control Act and the Sports Wagering provisions of this proposal will exceed \$250,000 per year.

#### Bill as a Whole

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 (#0249) and no State General Revenue beyond that balance will be expended.

In FY23 DMH served approximately 25 consumers through compulsive gambling (CG) treatment services with an average cost of \$987 per consumer for a total of \$24,675.

A recent prevalence study was conducted in Missouri (Spare, K., Wiley, H. D., Mills, D. J., Lee, U., & Lewis, L. E. (2023) 2022 Missouri Gambling Prevalence Study) revealed that from a sample of 3,259 adults, 4.1% of the population or 200,000 adult Missourians met the criteria for a Gambling Disorder, and an additional 20.8% (or 1 million adult Missourians) were at risk for a gambling disorder. According to the journal *Addiction*, by the Society for the Study of Addiction, 1 in 5 people with problem gambling had sought help for problem gambling. Other more conservative research studies estimate 10% of individuals with a gambling disorder seek treatment.

Based on the recent prevalence study, if even .05% of the estimated total of Missourians meeting the criteria for a gambling disorder sought treatment, the number would be equal to 1,000 individuals. Based on our current numbers and in the event of serving 100 individuals with an average cost per consumer at \$987 for FY23, it would equate to \$98,700.

Currently, DMH has seven (7) 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 \$8,000 in FY 25. 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 **\$227,583** in FY 25. For FY 26, the cost would be **\$278,562** and in FY 27, the cost would be **\$284,133** 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. In addition, gamblers that have signed a voluntarily exclusion document will forfeit winnings and the winnings will be credited to the Compulsive Gamblers Fund (§313.813). It is unknown how much in winnings may be forfeited but Oversight assumes the amount could exceed \$250,000 annually.

**Oversight** will reflect the estimated cost provided by DMH and will also reflect the transfers of monies as required by Section 313.1021.6.

The balance of the Compulsive Gamblers Fund (0249) was \$103,805 on July 1, 2023 and \$102,884 on December 31, 2023.

Officials from the **University of Missouri System (UM)** state this proposal would have a significant negative financial impact due to increased monitoring and educational requirements.

Officials from the **University of Central Missouri (UCM)** state the proposal would have an indeterminate fiscal impact and increased costs to monitor sports wagering activities.

**Oversight** does not have any information to the contrary. Due to the limited number of colleges and universities responding to this proposal, Oversight will reflect an Unknown cost to College and University Funds. Oversight assumes the impact could exceed \$250,000 annually

Officials from the **Office of Attorney General (AGO)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to similar legislation from the current session (SB 852), the AGO assumed any potential litigation costs arising from this proposal could be absorbed with existing resources. However, the AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation.

**Oversight** does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Office of Administration - Budget and Planning** defer to the Department of Public Safety, Missouri Gaming Commission for the potential fiscal impact of this proposal.

Officials from the **Department of Corrections (DOC)** state as misdemeanors fall outside the purview of the DOC, this legislation will have no fiscal impact on the department.

Officials from the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Missouri Department of Transportation**, the **Missouri National Guard**, the **Office of Administration**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, the **Office of the State Courts Administrator**, the **City of O'Fallon**, the **City of Kansas City**, **Missouri State University**, **Northwest Missouri State University**, and the **Missouri Office of Prosecution Services** each 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.

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

#### 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.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities, county officials and 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 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2029)
<b>GENERAL REVENUE FUND</b>				
Cost – DOR (§§313.1000 – 313.1022) Tax collection database p. 23	(\$100,445)	\$0	\$0	\$0
<u>Transfer-in</u> from Lottery Enterprise Fund (§313.429.11) - for supervising/enforcing proposal and Public Safety peace officer funding p.7	<u>\$2,643,622</u>	<u>\$5,079,344</u>	<u>\$6,746,874</u>	Could exceed <u>\$6,746,874</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$2,543,177</u></b>	<b><u>\$5,079,344</u></b>	<b><u>\$6,746,874</u></b>	<b><u>Could exceed \$6,746,874</u></b>

<b>STATE LOTTERY FUND (0682)</b>				
<u>Revenue</u> – LOT				Could exceed...
Initial Application Fees (§313.429.3) p. 11	\$985,950	\$985,950	\$985,950	\$985,950
Annual Renewal Fees & Terminal Admin Fees (§313.429.3) p.11	\$1,684,375	\$4,144,700	\$5,829,075	\$5,829,075
VLT Proceeds (Local Portion - 4% of the 33% AGR) (§313.429.11) p.11	\$6,147,969	\$12,295,938	\$18,443,906	\$18,443,906
VLT Proceeds (State Portion -29% of the 33% AGR) (§313.429.10 & 313.431) p.8 &11	\$50,750,742	\$101,441,485	\$152,162,226	\$152,162,226
<u>Total Revenue</u> – LOT	\$59,569,036	\$118,868,073	\$177,421,157	\$177,421,157
<u>Loss</u> – LOT (§313.431) Lost profits from Keno and Pull-Tab Sales from competition p. 8 &10	(\$3,569,191)	(\$14,276,763)	(\$14,276,763)	(\$14,276,763)
<u>Transfer Out</u> - to Lottery Enterprise Fund	Up to (\$17,220,828)	Up to (\$25,323,763)	Up to (\$33,311,565)	Could exceed (\$33,311,565)
<u>Transfer Out</u> - to Lottery Proceeds Fund to be appropriated to DESE (33% of AGR) (§313.429.10) p.11	Could exceed (\$38,779,017)	Could exceed (\$79,267,547)	Could exceed (\$129,832,829)	Could exceed (\$129,832,829)
<b>ESTIMATED NETEFFECT ON THE STATE LOTTERY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<b>LOTTERY ENTERPRISE FUND (0657)</b>				
<u>Transfer In</u> – from State Lottery Fund	Up to \$17,220,828	Up to \$25,323,763	Up to \$33,311,565	Could exceed \$33,311,565
<u>Cost</u> – LOT (§313.429) p.4-8 & 10				Could exceed...
Personal Service	(\$1,232,467)	(\$1,508,534)	(\$1,538,704)	(\$1,538,704)
Fringe Benefits	(\$815,656)	(\$922,665)	(\$934,360)	(\$934,360)
Equipment and Expense	(\$2,640,780)	(\$2,377,304)	(\$2,435,584)	(\$2,435,584)
<u>Total Costs</u> – LOT	(\$4,688,903)	(\$4,808,503)	(\$4,908,648)	(\$4,908,648)
FTE Change – LOT	27 FTE	27 FTE	27 FTE	27 FTE
<u>Costs</u> - MHP (§313.429.12) p.9				Could exceed...
Personal Services	(\$1,195,280)	(\$1,463,023)	(\$1,492,283)	(\$1,492,283)
Fringe Benefits	(\$1,064,397)	(\$1,302,822)	(\$1,328,878)	(\$1,328,878)
Other Cost	(\$1,453,954)	(\$322,826)	(\$322,826)	(\$322,826)
<u>Total Costs</u> – MHP	(\$3,713,631)	(\$3,088,671)	(\$3,143,987)	(\$3,143,987)
FTE Change – MHP	15 FTE	15 FTE	15 FTE	15 FTE
<u>Transfer-Out</u> – to General Revenue Fund (§313.429.11) – for administrative/enforcement expenses and Public Safety peace officer funding p.7	(\$2,643,622)	(\$5,079,344)	(\$6,746,874)	Could exceed (\$6,746,874)
<u>Transfer Out</u> – to Veterans Commission Capital Improvement Trust Fund (§313.429.11) p.7	Up to (\$26,703)	Up to (\$51,307)	Up to (\$68,150)	Could exceed (\$68,150)

<b>LOTTERY ENTERPRISE FUND</b> (continued)				
<u>Transfer Out - To municipalities</u> 4% of AGR of video lottery game to municipalities to cover admin. costs (§313.429.10) p.6 & 11	(\$6,147,969)	(\$12,295,938)	(\$18,443,906)	<u>Could exceed</u> (\$18,443,906)
<b>ESTIMATED NET EFFECT ON THE LOTTERY ENTERPRISE FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Effect on the Lottery Enterprise Fund	42 FTE	42 FTE	42 FTE	42 FTE
<b>LOTTERY PROCEEDS FUND (0291)</b>				
<u>Transfer In - from State Lottery Fund to be appropriated DESE</u> (§313.429.10) p.11	Could exceed \$38,779,017	Could exceed \$79,267,547	Could exceed \$129,832,829	Could exceed \$129,832,829
<b>ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND</b>	<u>Could exceed</u> <u>\$38,779,017</u>	<u>Could exceed</u> <u>\$79,267,547</u>	<u>Could exceed</u> <u>\$129,832,829</u>	<u>Could exceed</u> <u>\$129,832,829</u>

<b>GAMING COMMISSION FUND (0286)</b>				
Revenue - MGC (§§313.1006 – 313.1022) Annual and Renewal Fees p. 19 & 21	\$2,950,000	\$4,225,000	\$4,225,000	\$4,225,000
Reinvestigation Fees - (§313.1021) - \$130,000 not shown because occurs in FY2028 p. 18 & 21	\$0	\$0	\$0	\$0
Cost – MGC (§§ 313.800 - 313.1022) p. 20				
Personal Services	(\$823,647)	(\$988,376)	(\$988,376)	(\$988,376)
Fringe Benefits	(\$495,291)	(\$594,349)	(\$594,349)	(\$594,349)
Equipment and Expenses	(\$206,762)	(\$177,860)	(\$177,860)	(\$177,860)
Socioeconomic study p. 12-13	(\$500,000)	\$0	\$0	(\$500,000)
Other Cost* p. 20	\$0	\$0	\$0	\$0
<b>Total Cost – MGC</b>	<b>(\$2,025,700)</b>	<b>(\$1,760,585)</b>	<b>(\$1,760,585)</b>	<b>(\$2,260,585)</b>
FTE Change – MGC	15 FTE	15 FTE	15 FTE	15 FTE
Cost – MHP (§§ 313.800 - 313.1022) p.25				Could exceed...
Personal Services	(\$498,240)	(\$609,846)	(\$622,043)	(\$622,043)
Fringe Benefits	(\$443,683)	(\$543,068)	(\$553,929)	(\$553,929)
Other Cost	(\$614,515)	(\$128,069)	(\$128,069)	(\$128,069)
<b>Total Cost – MHP</b>	<b>(\$1,556,438)</b>	<b>(\$1,280,982)</b>	<b>(\$1,304,041)</b>	<b>(\$1,304,041)</b>
FTE Change – MHP	6 FTE	6 FTE	6 FTE	6 FTE
Transfer Out – to Compulsive Gamblers Fund (§313.1021) p. 9&18	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)



<b>GAMING COMMISSION FUND</b> (continued)				
<u>Loss</u> – MGC – Loss of revenue resulting from video lottery competition (§§313.427-313.437) p.18	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<u>(Less than \$1,132,138)</u>	<u>Less than \$683,433</u>	<u>Less than \$660,374</u>	<u>Less than \$160,374</u>
Estimated Net FTE Change to the Gaming Commission Fund	21 FTE	21 FTE	21 FTE	21 FTE
<b>GAMING PROCEEDS FOR EDUCATION FUND (0285)</b>				
<u>Revenue</u> - (§313.1021) - 90% of the 10% Wagering Tax p. 17, 21 & 24	\$6,875,674	\$19,993,817	\$28,048,437	\$34,732,440
<u>Loss</u> – MGC – Loss of revenue resulting from video lottery competition (§§313.427-313.437) p.18	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND</b>	<u>Less than \$6,875,674</u>	<u>Less than \$19,993,817</u>	<u>Less than \$28,048,437</u>	<u>Less than \$34,732,440</u>

<b>HIGHWAY FUND (0644)</b>				
<u>Savings</u> – MHP ((§§313.427-313.43 and 313.800 - 313.1022) Tenured troopers replacement p.25	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
<b>COMPULSIVE GAMBLERS FUND (0249)</b>				
<u>Income</u> – MGC (§313.813) -Forfeited winnings p.12	Unknown	Unknown	Unknown	Unknown
<u>Transfer In</u> – from Gaming Commission Fund (§313.1021.6) p. 9 & 18	\$500,000	\$500,000	\$500,000	\$500,000
<u>Cost</u> – DMH (§313.1021.6) -Administrative cost for treating additional consumers p.26	<u>(\$227,583)</u>	<u>(\$278,562)</u>	<u>(\$284,133)</u>	<u>(\$289,795)</u>
<b>ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBERS FUND</b>	<b><u>Could exceed \$272,417</u></b>	<b><u>Could exceed \$221,438</u></b>	<b><u>Could exceed \$215,867</u></b>	<b><u>Could exceed \$210,205</u></b>

<b>CRIMINAL RECORDS SYSTEM FUND (0671)</b>				
<u>Income</u> – MHP ((§§313.427-313.43 and 313.800 - 313.1022) – increase in background check fees p.9 and 25	Unknown	Unknown	Unknown	Unknown
<b>ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS SYSTEM FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
<b>VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND</b>				
Transfer-in – from Lottery Enterprise Fund (§313.429.11) – up to 1% of license fees and fines p.7	Up to \$26,703	Up to \$51,307	Up to \$68,150	Could exceed \$68,150
<b>ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND</b>	<b><u>Up to \$26,703</u></b>	<b><u>Up to \$51,307</u></b>	<b><u>Up to \$68,150</u></b>	<b><u>Could exceed \$68,150</u></b>

<b>COLLEGE &amp; UNIVERSITY FUNDS</b>				
Costs – Colleges & Universities (§§313.1000 – 313.1022) - increased monitoring p. 26-27	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON COLLEGE &amp; UNIVERSITY FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
<b>LOCAL GOVERNMENTS – SCHOOL DISTRICTS</b>				
<u>Income</u> – School Districts (§313.429.9) – Fine income p.6	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Income</u> – School Districts (§313.1012) – Fine income p.16	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>

<b>LOCAL HOME DOCKS</b>				
<u>Revenue</u> - Home Dock City or County (§313.429.10) - 4% AGR p.11	\$6,147,969	\$12,295,938	\$18,443,906	Could exceed \$18,443,906
<u>Revenue</u> - Home Dock City or County (§313.1021) - 10% of the 10% Wagering Tax p. 28	\$763,964	\$2,221,535	\$3,116,493	\$3,859,160
<u>Loss</u> – Home Dock City or County – Loss of gaming revenue from video lottery competition (§§313.427-313.437) p.18	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL HOME DOCKS</b>	<u>Less than \$6,911,933</u>	<u>Less than \$14,517,473</u>	<u>Less than \$21,560,399</u>	<u>Could exceed \$22,303,066</u>

FISCAL IMPACT – Small Business

This legislation could have an impact on small businesses related to sports wagering.

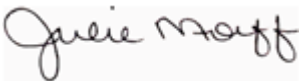
FISCAL DESCRIPTION

This proposal modifies provisions relating to sports wagering.

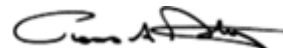
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office  
Office of Administration - Budget and Planning  
Department of Elementary and Secondary Education  
Department of Higher Education and Workforce Development  
Department of Mental Health  
Department of Corrections  
Department of Revenue  
Department of Public Safety  
    Missouri Gaming Commission  
    Missouri Highway Patrol  
    Missouri Veterans Commission  
Missouri Department of Transportation  
Missouri National Guard  
Office of Administration  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
University of Missouri  
Office of the State Courts Administrator  
City of O'Fallon  
City of Kansas City  
Missouri State University  
Northwest Missouri State University  
University of Central Missouri  
Joint Committee on Administrative Rules  
Missouri Lottery Commission  
Missouri Office of Prosecution Services



Julie Morff  
Director  
April 29, 2024



Ross Strobe  
Assistant Director  
April 29, 2024