

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0968H.02P
Bill No.: Perfected HCS for HB 970
Subject: Gambling; Entertainment, Sports and Amusements; Department of Public Safety;
Education, Elementary and Secondary; Lotteries; Veterans
Type: Original
Date: April 8, 2025

Bill Summary: This proposal establishes provisions relating to video lottery gaming terminals, licenses, and regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Lottery Fund (0682) *	\$0	\$0	\$0
Lottery Enterprise Fund (0657) *	\$0	\$0	\$0
Lottery Proceeds Fund (0291) **	\$84,177,126	\$191,960,313	\$307,040,897
Gamblers Fund (0249) ***	(\$179,678)	(\$79,156)	(\$79,106)
Criminal Records Fund (0671)	Unknown	Unknown	Unknown
Gaming for Education Proceeds Fund (0285)****	(Unknown)	(Unknown)	(Unknown)
Gaming Commission Fund (0286)****	(Unknown)	(Unknown)	(Unknown)
State Road Fund (0320)	\$761,250	\$761,250	\$761,250
Illegal Gaming Enforcement Fund	\$761,250	\$761,250	\$761,250
Veterans Commission Capital Improvement Trust Fund (0304)	\$50,095,235	\$59,505,282	\$59,505,282
Total Estimated Net Effect on <u>Other</u> State Funds	More or Less than \$135,615,183	More or Less than \$252,908,939	More or Less than \$367,989,573

*Revenues and Expenses Net to \$0.

**Oversight reflects revenue tax of 34% is imposed on adjusted gross gaming revenue due to Section 313.429.13 less administrative expenses and transfers.

***Oversight reflects the net difference between cost of 1% of the license fee under Section 313.429.14 and compulsive gambling treatment on page 7 as specified by DMH.

****Per the MGC, the extent of the reduction in revenue in both state and local taxes from riverboat gaming and charitable bingo is unknown but could be significant.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Lottery Enterprise Fund (LOT)	27 FTE	27 FTE	27 FTE
Lottery Enterprise Fund (MHP)	54 FTE	54 FTE	54 FTE
Lottery Enterprise Fund (DPS-DO)	27 FTE	27 FTE	27 FTE
Total Estimated Net Effect on FTE	108 FTE	108 FTE	108 FTE

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0 to More or Less than \$13,331,391	\$0 to More or Less than \$38,870,281	\$0 to More or Less than \$37,046,672

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 27.180 – Illegal Gaming Enforcement Fund

Oversight notes this section of the proposal establishes the Illegal Gaming Enforcement Fund which shall consist of revenues received by the Missouri Lottery Commission pursuant to sections 313.425 to 313.437.

Oversight does not assume there will be a fiscal impact as a result of section 27.180. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

Sections 313.425 - 313.437 – Honoring Missouri Veterans and Supporting Missouri Education Act

Officials from the **Missouri Lottery Commission (Commission/LOT)** state:

Section 313.429.1

LOT assumes this section of the proposal would require the Commission to implement a system of video lottery game terminals and issue licenses to video lottery game manufacturers, video lottery game distributors, video lottery game operators, video lottery game handlers, and video lottery game retailers.

Section 313.429.2

Video lottery game terminals shall meet independent testing standards approved by the commission. The commission shall promulgate rules for minimum standards for video lottery game terminals operating in the state.

Section 313.429.3

LOT assumes this section of the proposal states the Commission to impose license application fees, annual renewal fees and annual terminal administration fees. The terminal administration fees shall be distributed to the highway patrol, attorney general's office, veterans commission, and municipalities.

- It is assumed four (4) additional lead administrative support assistant positions at a salary of \$38,888 each will be needed to process applications and renewals, which includes completing background checks on owners and handlers and determining eligibility.

- It is assumed revenues from initial application/administrative and registration fees will total \$37.9 million spread over a 4-year ramp up period.
- Revenues will be offset by the cost of background checks for operators, manufacturers, distributors, retailers and handlers of approximately \$79,000 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 \$79,000 per year.
- \$9.5 million in revenues assumed from the first year of renewal/administrative fees, ramping up to approximately \$37.0 million in year 6 and beyond.

Oversight will reflect the revenues and cost as provided by the LOT. A detailed breakdown of revenue can be found on page 8 of the fiscal note. A detailed breakdown of cost can be found in the tables below.

Oversight notes this section also specifies:

- (a) One hundred dollars shall be transmitted to the Missouri state highway patrol for use in investigations and enforcement of sections 313.425 to 313.437;
- (b) One hundred dollars shall be transmitted to the Missouri attorney general's office for use in illegal gambling enforcement;
- (c) Four hundred dollars shall be transmitted to the veterans commission; and
- (d) Two hundred dollars shall be transmitted to the municipality in which the video lottery game terminal is located, except that if a video lottery game terminal is located in an unincorporated area of a county, the two hundred dollars shall be transmitted to the county in which the video lottery game terminal is located.

The **LOT** assumes the following revenue:

- \$761,250 per year will be remitted to the Missouri State Highway Patrol
- \$761,250 per year to the Missouri Attorney General's Gaming Enforcement Fund
- \$3,045,000 per year to the Veterans' Commission Capital Improvement Trust Fund, and
- \$1,522,500 per year to the municipality or county from the \$1,000 annual per terminal administrative fee.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect estimates provided by LOT. Oversight notes the legislation does not specify which fund the Missouri State Highway Patrol funds should be transmitted to, therefore, oversight will reflect the revenue to the State Road Fund (0320).

Section 313.429.8

LOT assumes this section of the proposal states lottery game terminals shall be inspected and approved by the commission. Redemption terminals shall meet independent testing standards.

Section 313.429.9

LOT assumes this section of the proposal states Video lottery terminals must be connected to a centralized computer system approved by the Commission.

Section 313.429.10

LOT assumes this section of the proposal states operators shall provide the Commission with a list of players who have been elected to be excluded from video lottery game play.

Section 313.429.11

LOT assumes this section of the proposal states no operator shall operate more than twelve video lottery terminals per location.

Section 313.429.12

LOT assumes this section of the proposal states no person under the age of twenty-one shall play video lottery game terminals. Retailers shall have a video surveillance system where the video lottery game terminals are located. An operator or retailer that fails to report a violation may be subject to an administrative fine or suspension or revocation of their license.

LOT assumes:

- Nine (9) Lottery Security Specialists at an annual salary of \$61,940 each are needed to ensure the centralized system uses industry protocols, to activate or deactivate terminals, to monitor and audit plays, and ensure operators are following requirements for plays and payouts, where terminals can be operated, number of terminals operated per establishment, advertising, posting age requirement and the problem gambling helpline, and reviewing video surveillance and assessing fines for noncompliance.
- Four (4) additional Lottery Security Specialists at an annual salary of \$61,940 are needed to facilitate and document VLT investigations.
- One (1) responsible gaming public relations coordinator is needed at an annual salary of \$60,000 to educate operators and retailers on problem gambling and manage the self-exclusion program.
- One (1) human resource specialist is needed at an annual salary of \$65,083 to assist with hiring and training FTE to administer the program.

The Commission will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators.

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

Oversight notes provisions of 313.429.12 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 313.429.13

LOT assumes this section of the proposal imposes an adjusted gross gaming revenue tax of 34% on adjusted gross gaming revenue. The commission must identify and compensate the municipality where a licensed video lottery retailer maintains an establishment 10% of the tax (10% of adjusted gross gaming revenue). Appropriation authority will be needed to remit compensation to the municipalities. The remaining amount of the tax after Lottery administrative costs shall supplement education funding (i.e. transferred to the Lottery Proceeds Fund for appropriation to public education).

LOT estimates total AGR to be \$347,320,313 in FY 2026, \$694,640,625 in FY 2027 and \$1,041,960,938 in FY 2028.

Oversight notes the 34% (state and municipality) adjusted gross gaming revenue tax revenue imposed on the above listed AGR totals to be:

FY 2026 - \$118,088,906

FY 2027 - \$236,177,813

FY 2028 - \$354,266,719

Oversight provides the following table to summarize the Lottery Commissions revenues from this section (Section 313.429.13).

<u>State Revenue Impact</u>			
Provision	FY26	FY27	FY28
Initial Application Fee	\$9,342,200	\$9,342,200	\$9,342,200
Annual Renewal and Terminal Admin Fees*	\$0	\$9,257,200	\$18,514,400
VLT Proceeds (State Portion, 34% of AGR)	\$106,280,016	\$212,560,031	\$318,840,047
Total State Impact	\$115,747,216	\$231,159,431	\$346,696,647
<u>Local Revenue Impact</u>			
VLT Proceeds (Cities/Counties - 10% of 34% AGR Tax)	\$11,808,891	\$23,617,781	\$35,426,672

* There are no renewal fees in the first year per (Section 313.429.3(2)).

Oversight will reflect an adjusted gross gaming revenue tax of 34% that is imposed on adjusted gross gaming revenue. The remaining amount of the tax after Lottery administrative costs, losses, and transfers to appropriate funding as listed in this section, shall supplement education funding (i.e. transferred to the Lottery Proceeds Fund for appropriation to public education).

Combined revenue to the Lottery Proceeds Fund, after expenses and losses, will total \$84,177,126 in FY 2026, \$191,960,313 in FY 2027 and \$307,040,897 in FY 2028.

Oversight will also show 10% of adjusted gross gaming revenue 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.

LOT assumes approximately \$11.8 million, \$23.6 million and \$35.4 million per year will be remitted to municipalities where video lottery establishments are located in 2026, 2027 and 2028, respectively, from 10% of the tax revenue generated by the video lottery game terminals.

Section 313.429.14

The **LOT** notes up to one percent of license fees shall be deposited to the credit of the compulsive gamblers fund.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$94,672 in FY 2026 and \$187,244 in FY 2027 and 2028.

Oversight will reflect the one percent of license fees transferred from the Lottery Enterprise Fund (0657) to the Compulsive Gamblers Fund (0249) as estimated by the LOT.

The LOT assumes:

- Three (3) senior accounts assistants are needed at an annual salary of \$46,188 each to collect license, renewal, administrative and registration fees, verify and collect the 34% adjusted gross gaming revenue tax, and remit payments to municipalities, the Missouri State Highway Patrol, the Missouri Attorney General's Gaming Enforcement Fund, the Veterans' Commission Capital Improvements Trust Fund, and the Compulsive Gamblers Fund.
- Two (2) data analysts/applications developers are needed at an annual salary of \$63,391 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.

Officials from the **Department of Mental Health (DMH)** assume all revenues received by the commission from license fees shall be deposited into the state lottery fund. Subject to appropriation, up to one percent of such license fees shall be deposited to the credit of the compulsive gamblers fund created under section 313.842.

DMH assumes the increase in gambling opportunities will increase the number of individuals who voluntarily seek treatment for a gambling problem. However, the bill does not mandate that any individual receive treatment and treatment will remain voluntary. Therefore, DMH assumes that expenditures cannot exceed the balance of the Compulsive Gamblers fund and no State General Revenue beyond that balance will be expended.

In FY 24 DMH served approximately 15 consumers through compulsive gambling (CG) treatment services with an average cost of \$987 per consumer for a total of \$14,805. These numbers are not reflective of the need for gambling treatment services in Missouri. The state has experienced a reduction of credentialed professionals (retirement, workforce shortages) that have resulted in fewer referrals.

A recent prevalence study conducted in Missouri in 2022 (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 FY 24, 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 26. 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 \$273,100 in FY 26, this includes treatment cost, advertising, and new counselor training (first year only). For FY 27 and beyond the amount would be \$265,100 or more based upon the need for compulsive gambling services.

Oversight will reflect the estimated cost provided by DMH and will also reflect the transfers of monies as required by sections 313.429.14.

Oversight notes section 313.429.14 states "Subject to appropriation, up to one percent of such license fees deposited to the credit of the state lottery fund shall be deposited to the credit of the compulsive gamblers fund created under section 313.842." One percent of license fees credited to the Compulsive Gamblers Fund is estimated by the Missouri Lottery Commission to be \$93,422 in FY 2026 and \$185,994 in FY 2027 and 2028.

The balance of the Compulsive Gamblers Fund (0249) was \$3,530 as of December 2024.

Section 313.429.15

The **Commission** shall contract with a state law enforcement entity to assist in conducting background investigations and for enforcement.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the commission may 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 313.425 to 313F.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.

The MHP further states that Funding for this review is shown as the Lottery Fund as outlined in Section 313.429.14, however, there is also another identified fund (Illegal Gaming Enforcement Fund) in Section 27.180, and the Patrol is specified as receiving appropriation from this fund in Section 313.429.3(3)(a). Both specify funding is for the purposes of the administration of Section 313.425 to Section 313.437.

It is assumed that expenses incurred by the Patrol will be reimbursed by the Lottery Commission

from the Lottery Fund or the Illegal Gaming Enforcement Fund. However, the minimum resources required by the Patrol 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 the following:

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. This legislation now moves the investigative responsibility to the Attorney General in Section 27.180.

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

Below are calculations for the name or fingerprint based criminal history checks and how much is deposited into the Criminal Record System Fund for each check performed:

- 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 of 15 FTE to the State Lottery Fund (0682). In addition, Oversight will reflect an unknown gain to the Criminal Record System Fund (0671) for the number of fingerprints or name only criminal record checks performed based on the regulatory criteria for the video lottery.

Section 313.429.17

The **Commission** shall adopt rules for the implementation of the video lottery game system and will require:

- One (1) paralegal FTE at an annual salary of \$60,757
- One (1) legal assistant at an annual salary of \$62,579

These positions are assumed to assist with additional legal work involved with promulgating rules and seeking prosecution of violations by the Attorney General.

Section 313.431

The **LOT** states the Commission shall procure and implement a centralized computer system, make a form use agreement and form license applications available for manufacturers, distributors, operators, retailers and handlers, promulgate rules, establish a start date for when

operators may begin soliciting use agreements with retailers, approve or deny applications, and establish and operational date by which the system of video lottery game terminals shall be operational.

The **LOT** assumes this section of the proposal will require:

- One (1) VLT manager FTE at an annual salary of \$104,326

This position would manage and oversee the VLT program and related FTE.

In summary, the **LOT** assumes this proposal will require 27 new FTE, fringe benefits, equipment and supplies at a cost of \$4,791,055 in FY 2026, \$4,569,218 in FY 2027 and \$4,659,833 in FY 2028 to implement the changes in this proposal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the 27 FTE cost as reflected by the Missouri Lottery Commission to the Lottery Enterprise Fund.

The **LOT** assumes Pull-Tab sales at fraternal organizations are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be cannibalized by 31.3%.

Oversight notes the Commission estimated a loss of revenue of \$3,309,418 in FY 2026, \$13,237,672 in FY 2027 and \$13,237,672 in FY 2028 as a result of the potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the loss to the State Lottery Fund in the fiscal note.

The **LOT** also assumes 4,500 retailers will operate 30,450 terminals after a 4-year ramp up period. Additional revenue to the Lottery and municipalities from video lottery sales are anticipated to be \$118.1 million in year one and grow to \$382.2 million in year three, offset by lost profits from Pull-Tabs and Keno of approximately \$13.2 million per year.

Oversight currently does not have the data or resources available to produce independent revenue projections 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.

The net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$84 million in FY 2026, \$191.9 million in FY 2027, and \$307 million in FY 2028.

House Amendment 1

Oversight assumes House Amendment 1 is a title change and will have no fiscal impact on state or local governments.

House Amendment 2

Oversight assumes House Amendment 2 makes multiple significant changes to the underlying bill. Oversight notes House Amendment 2 decreases the dollar amount of multiple fees applied in the underlying bill as well as decreases the number of video lottery game terminals allowed per location from 12 to 8. Fiscal impact, as a result of this amendment, has been reflected in the note.

House Amendment 1 to House Amendment 2

Oversight assumes House Amendment 1 to House Amendment 2 changes the definition of “video lottery game terminal” to include “Electronic gaming machine”. Fiscal impact, as a result of this amendment, has been reflected in the note.

House Amendment 2 to House Amendment 2

Oversight assumes House Amendment 2 to House Amendment 2 allows municipalities and counties to opt in or opt out of permitting or prohibiting video lottery game terminals. According to the Missouri Lottery Commission, their fiscal estimate is based on a 75% penetration rate, meaning the LOT assumes only 75% of potential locations will participate (for various reasons, one being their municipality/county opts out). For fiscal note purposes, Oversight will reflect the estimates as provided by the LOT.

House Amendment 3 - §650.930 – Missouri Gaming Bureau

Officials from the **Department of Public Safety – Directors Office** assume this amendment requires DPS to do investigations. DPS believes it will need 25 support staff (at \$68,712 annually) and 2 legal counsel (at \$93,366 annually) will also be needed. After discussions with lottery and MSHP, DPS-DO assumes the Directors Office will be providing administrative functions.

DPS - DO will need additional space to house @ 27 employees at any one time. Jefferson City leased space rate is \$18.00/square foot plus \$2.45/square foot for janitorial costs and \$2.48/square foot for utility expenses. OA FMDC estimates a need of 200 square feet per FTE/employee. A secure location in either a leased location or within a state owned facility in Jefferson City covering 1,200 square feet will be needed.

In summary, DPS-DO assumes a cost of \$2,680,529 in FY 2026, \$3,147,611 in FY 2027 and \$3,202,036 in FY 2028 to the General Revenue Fund to provide for the implementation of the changes in this proposal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact as reflected by the DPS-DO to the Lottery Enterprise Fund.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume the Highway Patrol anticipates the need to assign forty eight (48) troopers to conduct background investigations, subsequent renewals, criminal investigations, evidence management, and regulatory functions of this proposed legislation. Additionally, the Patrol will need two (2) civilian clerical staff, one (1) Human Resources Specialist, one (1) Program Assistant, one (1)

Automotive Technician, and one (1) Communications Technician to support this function, which all would be paid from the Lottery Fund (0682), if contracted with the Patrol. The one time and on-going expenses would include salary, fringe, vehicles, gasoline, and related equipment. These expense and equipment costs are shown in the "Other Costs or Savings" section as it allows the Patrol to differentiate between the one time and on-going costs for the FTE. With the expense of the FTE that will be transferring from Highway funded positions into the new positions, it is assumed there will be an unknown savings to the Highway Fund (0644), as these tenured troopers would be replaced with Highway funded probationary troopers.

Oversight assumes House Amendment 3 creates the Missouri Gaming Bureau within the Department of Public Safety in which the Missouri Gaming Commission and the Missouri Lottery Commission may contract for assistance in criminal and regulatory investigations. For fiscal note purposes, Oversight will assume these two agencies will contract with the newly created Bureau.

Oversight notes this amendment states, members of the Gaming Bureau shall be paid from funds designated as administrative within the State Lottery Fund and the Gaming Commission Fund". For fiscal note purposes, Oversight will reflect fiscal responsibility of the 52 request FTE to be paid for out of the Lottery Enterprise Fund.

Oversight assumes (after discussion with the Highway Patrol Officials) that the Missouri Highway Patrol - Gaming Division would now be under the umbrella of the newly created Gaming Bureau. These employees are currently paid out of the Gaming Commission Fund, therefore, a transfer, or savings would not be reflected.

For fiscal note purposes, Oversight will estimate a need of 52 new FTE and reflect the cost to the Lottery Enterprise Fund, in replacement of the original requested 15 FTE.

House Amendment 5 - §313.820- Admission Fees to Casinos

Officials from the **Missouri Gaming Commission (MGC)** assume the following regarding House Amendment 5:

- Increases the casino admission fee from two dollars (\$2) (the current casino admission fee) to four dollars (\$4).
- Provides that the first two dollars (\$2) of the admission fee be split between the Missouri Gaming Commission Fund and the home dock city where the casino is located. This is not a change from the current statute.
- The additional two-dollar (\$2) admission fee added by the statute is designated for distribution to be paid to the Veterans Commission Capital Improvement Fund.

MGC assumes the repeal of Missouri Revised Statute §313.820 and the enactment of a new statutory section in lieu thereof, section 313.820, would have minimal fiscal impact on the Missouri Gaming Commission. The additional fees are allocated to the Missouri Veterans Commission. MGC notes the repeal of the current section 313.820 and the enactment of the new statutory section would have an immediate fiscal impact on the Missouri Veterans Commission of \$58,000,000 annually.

MGC does not expect an increase in admissions over the next few years as the current rate of admissions has been stable.

Officials from the **Department of Revenue (DOR)** state under current law, an excursion gaming boat pays an admission fee of \$2 per person that enters the boat. The money is transferred to the Department where it is distributed \$1 to the Missouri Gaming Commission to cover their expenses and \$1 to the home dock city or county where the excursion boat is located.

DOR assumes this provision is changing the fee from \$2 per person to \$4.00 per person starting August 28, 2025. The increased fee would be in effect for 10 months of FY 2026. The increased \$2.00 fee is to be transferred to the Missouri Veterans Commission.

In order to determine the amount of future revenue that may be expected from the increased fee, DOR notes that in 2024, excursion gaming boats paid fees on 28,230,141 admissions, bringing in \$56,460,282. Therefore, the Gaming Commission and home dock cities received \$28,230,141 each.

total amount that would be collected by fund type by increasing the fee by \$2.00 additional dollars per person. The increased fee is to be transferred to the Veterans Commission Capital Improvement Fund.

Total Collection by Fund Type			
Fiscal Year	Gaming Comm.(\$1.00)	Home Dock (\$1.00)	Veterans (\$2.00)
2026 (10 months)	\$28,230,141	\$28,230,141	\$56,460,282
2027	\$28,230,141	\$28,230,141	\$56,460,282
2028+	\$28,230,141	\$28,230,141	\$56,460,282

DOR assumes the total amount of increased revenue per this proposal:

Total Increased Revenue by Fund	
Fiscal Year	Veterans \$2.00
2026 (10 months)	\$47,050,235
2027	\$56,460,282

2028+	\$56,460,282
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DOR assumes their department will need to update computer programs for the new distribution of the funds. This is estimated to cost \$7,327.

Oversight assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to updating the necessary computer programs to ensure that the new distribution of the funds listed in this proposal is accurately calculated. If multiple bills pass which require additional staffing and duties at substantial costs, the DOR could request funding through the appropriation process.

Oversight notes the current \$2 admission fee splits \$1 to the Gaming Commission Fund (with a \$0.01 transfer to the Compulsive Gambling Fund) and \$1 to the local Home Dock City or County.

Oversight notes this proposal increases the gambling boat admission fee from \$2 to \$4. The increase of \$2 will be paid to the Veteran Commission Capital Improvement Trust Fund. In FY 2026, the Missouri Veterans Commission Capital Improvement Fund would see an immediate increase. For fiscal note purposes, Oversight will use the revenue projections as provided by the DOR.

In response to a similar proposal from this year (HB 84), officials from the **Missouri Veterans Commission** assumed there is probable positive fiscal impact to MVC but defer to the Gaming Commission for fiscal impact.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume his proposal would increase the gambling boat admission fees by \$2 starting August 28, 2025. Unlike similar legislation (2424S.01I) this language would not make any adjustment for inflation.

Admission fee revenues were \$61,020,391 in FY22, \$59,423,103 in FY23, and \$57,763,732 in FY24. B&P notes that on average, admission fees have been declining about 2.7% per year. B&P will account for this consistent decline when estimating the impact from this proposal.

B&P estimates that the admission fee would be \$4.00 for ten months of FY26, and remain constant through FY 27 and 28. Using the information above on annual admissions, B&P estimates that this proposal could generate \$45,567,438 in revenues for ten months in FY26. This proposal could then generate \$53,201,784 in FY27 and \$51,762,650 in FY28.

However, admission fees are distributed 50% to the Gaming Commission Fund and 50% to the home dock city or county. Therefore, B&P estimates that this proposal could increase revenues to each fund by \$22,783,719 in FY26, \$26,600,892 in FY27, and \$25,881,325 in FY28.

Oversight will use the revenue projections as provided by the DOR.

House Amendment 6

Oversight assumes House Amendment 6 will have no fiscal impact on state or local government.

Bill as a whole:

In response to a previous version, officials from the **Missouri Gaming Commission (MGC)** state this bill proposes the Honoring Missouri Veterans and Supporting Missouri Education Act as a new form of entertainment, which would be regulated by the Missouri Lottery Commission. It also provides avenues for formal legalization of No Chance Games, or NCGs. The bill provides for administrative fees to be paid by VLT operators and retailers, with such fees to be split among causes including the Missouri State Highway Patrol for investigations and enforcement of the new bill, the Missouri attorney general's office for use in illegal gambling enforcement, the veterans' commission capital improvement fund, and the municipality or county where the VLT is located. The bill also provides that the tax revenue generated shall be in addition to, and shall supplement, and shall not supplant, any education funding otherwise appropriated by the general assembly. It also specifically provides that each city and county in which a VLT is operating, as determined in rules set forth by the Lottery Commission, shall receive ten percent (10%) of the gross gaming revenue tax collected, remitted, and assessed on the gross gaming revenue generated by the VLTs in that jurisdiction, with such funds to be used to provide services necessary for the safety of the public in visiting a VLT retail location.

It is assumed that video lottery terminals (VLTs) and no chance game devices would be in direct competition with bingo and excursion gambling boats, resulting in a reduction in state gaming taxes to education. The extent to which 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 to excursion gambling boats. Such admission fees benefit Veterans, National Guard and Access Missouri programs. The extent to which these reductions would be offset by the administrative fees proposed by the bill is unknown. The Act would likely also result in reductions in casino taxes and admission fees paid to local governments in home dock cities. The extent of the reduction in revenue in both state and local taxes from riverboat gaming and charitable bingo (and the potential offset associated with the administrative fees identified in the bill) is unknown, but significant, as evidenced in other states with legalized video lottery terminals. Illinois, in particular, noted a 15% decline in state revenue in the first five years of legalized VLTs while VLT revenue grew nearly 900%. That shift in revenue resulted in a significant decrease in the amount of funding going to the Education Assistance Fund during that same time period.

In response to a previous version, officials from **Kansas City** stated the proposed legislation has a potential negative fiscal impact of an indeterminate amount as video lottery terminal revenues may not fully offset the potential loss in casino boarding fee and tax revenues due to substitution. The City currently receives \$6.9 million revenue from the casinos of which \$1.725 million goes to fund the Kansas City Police Department.

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 amount of loss to the Gaming Commission Fund (0286), the Gaming Proceeds for Education Fund (0285) and local political subdivisions.

Officials from the **Department of Elementary and Secondary Education**, the **Department of Corrections**, the **Department of Public Safety - State Emergency Management Agency**, the **Missouri Office of Prosecution Services**, the **State Tax Commission**, the **Missouri Department of Transportation**, the **Department of Higher Education and Workforce Development** and the **Office of the State Public Defender** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of Administration - Administrative Hearing Commission**, the **Office of the State Treasurer**, the **Office of Administration** and the **Office of the State Courts Administrator** 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.

In response to a previous version, officials from the **Office of Attorney General (AGO)** assumed any additional litigation costs arising from this proposal can be absorbed with existing personnel and resources. However, the AGO may seek additional appropriations if there is a significant increase in litigation or investigation cost.

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.

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 (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
STATE LOTTERY FUND (0682)			
(§313.429)			
<u>Revenue</u> - Initial Application Fees p. 8	\$9,342,200	\$9,342,200	\$9,342,200
<u>Revenue</u> - Annual Renewal Fees & Terminal Admin Fees p. 8	\$0	\$9,257,200	\$18,514,400
<u>Revenue</u> - VLT Proceeds (State Portion 34% AGR) p.8	\$106,280,016	\$212,560,031	\$318,840,047
<u>Revenue</u> – VLT Proceeds (Local Portion, 10% of 34% AGR) p. 8	\$11,808,891	\$23,617,781	\$35,426,672
<u>Total Revenue</u> - LOT	<u>\$127,431,107</u>	<u>\$254,777,212</u>	<u>\$382,123,319</u>
<u>Loss</u> – LOT Lost profits from Keno and Pull-Tab Sales p. 12	(\$3,309,418)	(\$13,237,672)	(\$13,237,672)
<u>Transfer Out</u> - to Lottery Enterprise Fund p.8	(\$39,944,563)	(\$49,579,227)	(\$61,844,750)
<u>Transfer Out</u> - to Lottery Proceeds Fund p.8	(\$84,177,126)	(\$191,960,313)	(\$307,040,897)
ESTIMATED NET EFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
LOTTERY ENTERPRISE FUND (0657)			
<u>Transfer In</u> – from State Lottery Fund p.8	\$39,944,563	\$49,579,227	\$61,844,750

<u>Cost – LOT p. 12</u>			
Personal Service	(\$1,315,747)	(\$1,609,424)	(\$1,640,559)
Fringe Benefits	(\$882,671)	(\$1,000,377)	(\$1,012,856)
Equipment and Expense	(\$2,592,637)	(\$1,959,417)	(\$2,006,418)
<u>Total Costs – LOT</u>	(\$4,791,055)	(\$4,569,218)	(\$4,659,833)
FTE Change – LOT	27 FTE	27 FTE	27 FTE
<u>Costs - MHP (HA 3) §650.930</u>			
Personal Services	(\$4,459,160)	(\$5,458,012)	(\$5,567,172)
Fringe Benefits	(\$4,054,268)	(\$4,962,424)	(\$5,061,673)
Other Cost	(\$5,967,238)	(\$1,548,187)	(\$1,553,870)
<u>Total Costs – MHP</u>	(\$14,480,666)	(\$11,968,623)	(\$12,182,715)
FTE Change – MHP	54 FTE	54 FTE	54 FTE
<u>Costs – DPS-DO (HA 3) §650.930 p.13</u>			
Personal Services	(\$1,587,111)	(\$1,942,624)	(\$1,981,476)
Fringe Benefits	(\$991,434)	(\$1,204,988)	(\$1,220,560)
Other Cost	(\$101,984)	\$0	\$0
<u>Total Costs – DPS-DO</u>	(\$2,680,529)	(\$3,147,611)	(\$3,202,036)
FTE Change – DPS-DO	27 FTE	27 FTE	27 FTE
<u>Transfer Out – to Compulsive Gamblers Fund §313.429.14</u>	(\$93,422)	(\$185,994)	(\$185,994)
<u>Transfer Out - To municipalities (10% of the 34% AGR) of video lottery game to municipalities to cover admin. costs (§313.429.13) p.8</u>	(\$11,808,891)	(\$23,617,781)	(\$35,426,672)
<u>Transfer Out - To Missouri State Highway Patrol State Road Fund - \$100 of annual per terminal admin fee (§313.429.14) p.5</u>	(\$761,250)	(\$761,250)	(\$761,250)
<u>Transfer Out - To Illegal Gaming Enforcement Fund - \$100 of annual per terminal admin fee (§313.429.14) p.5</u>	(\$761,250)	(\$761,250)	(\$761,250)
<u>Transfer Out - To Veterans Commission Capital Improvement Trust Fund - \$400 of annual per terminal admin fee (§313.429.14) p.5</u>	(\$3,045,000)	(\$3,045,000)	(\$3,045,000)

<u>Transfer Out - Municipality or County - \$200 of annual per terminal admin fee (§313.429.14) p.5</u>	<u>(\$1,522,500)</u>	<u>(\$1,522,500)</u>	<u>(\$1,620,000)</u>
ESTIMATED NET EFFECT ON THE LOTTERY ENTERPRISE FUND (0657)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	108 FTE	108 FTE	108 FTE
LOTTERY PROCEEDS FUND (0291)			
<u>Transfer In – from State Lottery Fund (§313.429.13) p.8</u>	<u>\$84,177,126</u>	<u>\$191,960,313</u>	<u>\$307,040,897</u>
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	<u>\$84,177,126</u>	<u>\$191,960,313</u>	<u>\$307,040,897</u>
COMPULSIVE GAMBLERS FUND (0249)			
<u>Transfer In – from Lottery Enterprise Fund p. 8</u>	<u>\$93,422</u>	<u>\$185,994</u>	<u>\$185,994</u>
<u>Cost – DMH</u> Administrative cost for treating additional consumers §313.429.14	<u>(\$273,100)</u>	<u>(\$265,100)</u>	<u>(\$265,100)</u>
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>(\$179,678)</u>	<u>(79,156)</u>	<u>(79,106)</u>
STATE ROAD FUND (0320)			
<u>Transfer In – from Lottery Enterprise Fund (§Section 313.429.3) p. 5</u>	<u>\$761,250</u>	<u>\$761,250</u>	<u>\$761,250</u>

ESTIMATED NET EFFECT TO THE STATE ROAD FUND	<u>\$761,250</u>	<u>\$761,250</u>	<u>\$761,250</u>
CRIMINAL RECORDS SYSTEM FUND (0671)	\$0 to...	\$0 to...	\$0 to...
Revenue – MHP – Criminal history request fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS SYSTEM FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
GAMING COMMISSION FUND (0286)			
Transfer Out – to Compulsive Gamblers Fund (0304)	<u>\$0</u>	More or Less than <u>(\$5,800)</u>	More or Less than <u>(\$11,716)</u>
Loss – MGC – loss of revenue resulting from video lottery competition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GAMING COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
GAMING PROCEEDS FOR EDUCATION FUND (0285)			
Loss – MGC – loss of revenue resulting from video lottery competition	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GAMING PROCEEDS FOR EDUCATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ILLEGAL GAMING ENFORCEMENT FUND			
<u>Transfer In</u> – from Lottery Enterprise Fund (§Section 313.429.3) p. 5	<u>\$761,250</u>	<u>\$761,250</u>	<u>\$761,250</u>
ESTIMATED NET EFFECT TO THE ILLEGAL GAMING ENFORCEMENT FUND	<u>\$761,250</u>	<u>\$761,250</u>	<u>\$761,250</u>
VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND (0304)			
<u>Revenue</u> - § 313.820 Excursion Boat Admission Fees (HA5) p.14	47,050,235	\$56,460,282	\$56,460,282
<u>Transfer In</u> – from Lottery Enterprise Fund p. 5	<u>\$3,045,000</u>	<u>\$3,045,000</u>	<u>\$3,045,000</u>
ESTIMATED NET EFFECT TO THE VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND	<u>\$50,095,235</u>	<u>\$59,505,282</u>	<u>\$59,505,282</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - School districts Fines from violations (§313.429.12) p. 7	Unknown	Unknown	Unknown
<u>Transfer In</u> - from Lottery Enterprise Fund - Cities and Counties compensation paid to municipalities or counties (10% of the 34% AGR) (§313.429.13) p.8	\$11,808,891	\$23,617,781	\$35,426,672

<u>Transfer In</u> - Municipality or County - \$200 of annual per terminal admin fee (§Section 313.429.3) p. 5	\$1,522,500	\$1,522,500	\$1,620,000
<u>Loss</u> - Cities and Counties - loss of gaming revenue from video lottery competition**	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to More or Less than \$13,331,391</u>	<u>\$0 to More or Less than \$38,870,281</u>	<u>\$0 to More or Less than \$37,046,672</u>

**Per the MGC, the extent of the reduction in revenue in both state and local taxes from riverboat gaming and charitable bingo is unknown, but significant.

FISCAL IMPACT – Small Business

This legislation will impact fraternal and veteran organizations, truck stops, and establishments that sell liquor by the drink who become video lottery retailers, as well as video lottery manufacturers, operators, and distributors. In addition to revenue generated by license application fees, renewal fees, and fines for non-compliance, the proposed legislation taxes the adjusted gross receipts of video lottery terminal operators and directs revenue to the State Lottery Fund.

FISCAL DESCRIPTION

This proposal establishes provisions relating to video lottery gaming terminals, licenses, and regulation.

This legislation is not federally mandated, would not duplicate any other program and may require rental space.

SOURCES OF INFORMATION

Office of Administration - Administrative Hearing Commission
 Department of Elementary and Secondary Education
 Department of Higher Education and Workforce Development
 Department of Mental Health
 Department of Corrections
 Department of Revenue
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri Veterans Commission

Missouri Department of Transportation
State Emergency Management Agency
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Office of Administration - Budget and Planning
Joint Committee on Administrative Rules
Missouri Lottery Commission
State Tax Commission
Office of the State Courts Administrator
City of Kansas City



Julie Morff
Director
April 8, 2025



Jessica Harris
Assistant Director
April 8, 2025