

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3185-01
Bill No.: HB 1141
Subject: Appropriations; Gambling.
Type: Original
Date: January 30, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Gaming Commission	\$0	\$0	\$0
Veterans Commission Capital Improvement Trust	\$5,740,585	\$6,888,702	\$6,888,702
National Guard Trust	\$7,407,252	\$8,888,702	\$8,888,702
Missouri College Guarantee	\$6,573,918	\$7,888,702	\$7,888,702
Early Childhood Development	(\$11,140,317)	(\$13,368,380)	(\$13,368,380)
Total Estimated Net Effect on Other State Funds	\$8,581,438	\$10,297,726	\$10,297,726

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state current (FY 2006) appropriation out of the Gaming Commission Fund is broken out as follows;

<u>Agency</u>	<u>FY 2006 Appropriation</u>
Gaming Commission	\$18,941,421
Highway Patrol	\$ 1,133,794
Attorney General	\$ 129,794
Office of Administration	\$ 3,223,882
Department of Revenue	\$ 5,000
Total (Admin. Costs)	<u>\$23,433,891</u>

GAM also calculated the differences between the current allocation of gaming revenues and the distribution under this proposal.

ASSUMPTION (continued)

	<u>Current</u>	<u>HB 1141 calculation</u>	<u>Difference</u>
FY '06 Revenue	\$65,680,825	\$65,680,825	\$0
FY '06 Obligations	<u>\$23,433,891</u>	<u>\$13,136,165</u> (capped @ 20%)	(\$10,297,726)
Avail. to Transfer	\$42,246,934	\$52,544,660	\$10,297,726
Gangs/Homeless	\$ 500,000	\$ 500,000	\$0
Compulsive			
Gamblers Fund	\$ 489,850	\$ 489,850	\$0
Veterans	\$6,000,000	\$12,888,703 (25%)	\$6,888,703
National Guard	\$4,000,000	\$12,888,703 (25%)	\$8,888,703
College Guarantee	\$5,000,000	\$12,888,703 (25%)	\$7,888,703
Early Childhood	\$26,257,084	\$12,888,703 (25%)	(\$13,368,381)

Officials from the **Department of Public Safety - Missouri Veterans Commission** assume the proposal would have an unknown fiscal impact.

Officials from the **Department of Public Safety - Office of the Adjutant General (OTAG)** state the legislation potentially will increase the annual amount of funding received from the Gaming Commission deposited in the National Guard Trust Fund. OTAG states the amount of additional funding coming to the Adjutant General will be expended in total to operate the Missouri National Guard Tuition Assistance, Military Funeral Honors Program, fund the Missouri WWI Monument repairs and support RSMo 41 Office of the Adjutant General Programs and facilities.

OTAG assumes approximately \$60 million will be available from the Gaming Commission for distribution. Estimating that \$22 million will be retained by gaming for administrative and other cost, \$38 million would be available for 25% distribution shares to the Missouri College Guarantee Trust Fund, the Missouri National Guard Trust Fund, Veterans Commission CI Trust fund, and the Early Childhood Development, Education and Care fund. OTAG's share would be \$9,500,000 (25% x \$38 million). This represents an increase of \$5,500,000 annually.

It is assumed that the Missouri National Guard Trust Fund would receive approximately \$5.5 million dollars in additional funding. OTAG states this amount would be fully expended by the Office of the Adjutant General/Missouri National Guard annually to catch up with funding reductions experienced in recent years. This would allow the OTAG to keep pace with

ASSUMPTION (continued)

inflationary operating expenses, armory utility costs, Tuition Assistance, Military Honors, Facility backlog maintenance and repair projects, fund the state share of Federal /State Matching Agreements, and sustain statutory programs.

Officials from the **Coordinating Board for Higher Education (CBHE)** state the Missouri College Guarantee Fund currently receives \$5 million from the Gaming Commission Fund. However, changing the distribution method from a set dollar amount to a percentage may negatively impact the amount transferred to the Missouri College Guarantee Fund.

The amount transferred to this fund will be determined annually based on the amount of remaining proceeds in the Gaming Commission Fund. The amount remaining in the Gaming Commission Fund must be at least \$20 million for the Missouri College Guarantee Program to receive the same annual amount of \$5 million. If the remaining amount is less than \$20 million, this scholarship program, which currently only serves 25% of eligible students, will receive reduced funding. Conversely, if the remaining amount exceeds \$20 million the Missouri College Guarantee Program will receive additional funding.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the fiscal impact of the distribution of funds during FY 2005 under this proposal would have been;

	FY 2005 Actual	Under this Bill	Difference
Veterans' Commission	\$6,000,000	\$11,448,157	\$5,488,157
National Guard Trust	\$4,000,000	\$11,448,157	\$7,488,157
College Guarantee Fund	\$5,000,000	\$11,448,157	\$6,488,157
Early Childhood Development, Education and Care Fund	\$30,952,628	\$11,448,157	(\$19,464,471)
TOTALS	\$45,952,628	\$45,952,628	\$0

DESE states that monies deposited into the Early Childhood Development, Education and Care Fund (ECDEC) are appropriated to the Department of Social Services (DOS) as well as DESE. Of the first 60 percent appropriation, 20 percent goes to DOS and 80 percent goes to DESE. DESE uses the ECDEC monies to fund First Steps and the Missouri Preschool Program. A \$19,464,471 reduction in the amount of annual deposits into the ECDEC fund would mean a reduction of \$9.34 million (\$19,464,471 x 60% x 80%) per year to these programs.

ASSUMPTION (continued)

Oversight assumes DESE's calculations do not account for the 20% cap on administrative expenses of the Gaming Commission.

According to the **Department of Social Services (DOS)** stated that funding from riverboat casino entrance fees is set aside for a variety of programs. Currently after the initial costs for the gaming commission administration and a small amount of funding for certain local programs is set aside upfront, the remainder is distributed based on statutory language between the veterans' commission capital improvement fund, the Missouri college guarantee fund, the Missouri national guard trust fund, and any remaining net proceeds are transferred to the Early Childhood Development Education and Care Fund (ECDECF) to be jointly administered primarily by DoS and DESE (with a small portion, 10%, of the funds labeled as "undesignated" and distributed by OA to supplement a variety of early childhood programs throughout DOS, DESE, and DHSS).

This bill proposes to change the distribution of these funds very significantly decreasing the amount available for Early Childhood programs.

DOS assumes that unless they are held harmless by the appropriation of General Revenue to replace these gaming funds, they estimate that this will decrease DOS's ability to fund the grant programs by an undetermined but very significant amount. This funding is currently obligated in ongoing contracts to child care providers, Early Head Start programs, community partnerships, and other community organizations. Without GR funding, DOS will be unable to fulfill its commitments to these grantees resulting in loss of services to both families and providers, a severe impact in DSS's ability to impact quality programming primarily for the low income birth to age 3 population, and loss of jobs at the local level that are funded by grants to community based agencies and organizations.

In addition, DOS receives an additional \$1,250,000 to provide additional Early Head Start services and an additional \$229,740 to provide a subsidy increase for child care providers serving a disproportionate share of subsidized children from the Early Childhood Development Education and Care "undesignated portion" administered by OA. It is impossible to estimate the additional potential loss to DOS from these two services as the distribution of this funding is at the discretion of OA.

In FY 06 the Department of Social Services received approximately \$14.4 million from Gaming Commission funds. (This includes \$1,479,740 allocated from the undesignated funds.)

To estimate the loss of funding should this bill pass, DOS estimated the funds they would potentially receive under the new allocation in the legislation.

ASSUMPTION (continued)

As part of this calculation, DOS assumes:

- The amount spent on administrative costs, which comes off the top, will remain the same.
- The amount available for distribution, after administrative costs, will be the same in future years as in FY 06. The amount available in FY 06 is: \$39,366,200.
- DSS assumes that the proportion of the total undesignated funds allocated to DOS will remain the same. In FY 06 total undesignated funds were \$3,074,500. DOS received \$1,479,740 or 48.13%.

DOS assumes the following distribution of funds from the Gaming Commission

\$39,366,200	Total
<u>\$ 500,000</u>	Gangs and Homeless
\$38,866,200	FY 2006
\$ 9,716,550	College Guarantee Fund
\$ 9,716,550	VCCIT
\$ 9,716,550	National Guard
<u>\$ 9,716,550</u>	Early Childhood Development, Education & Care
\$ 0	
\$ 4,548,609	DOS's portion of \$9,716,550
<u>\$14,400,000</u>	DOS's funding under current law
\$ 9,851,391	Loss of gaming funds to DOS

Therefore, DOS assumes a loss to their programs of \$9,851,391 as a result of this proposal.

Oversight assumes DOS's calculations do not account for the 20% cap on administrative expenses of the Gaming Commission.

According to the Missouri Gaming Commission Fund Report for Fiscal Year 2005, the fund had revenues of \$64,148,136, which is comparable to GAM's estimate of \$65,680,825 for FY '06. This proposal limits the proceeds that shall be used to cover the administrative costs for the commission at 20%. For FY 2005, according to the Gaming Commission Fund report, administrative expenses totaling \$16.5 million were paid out of the fund versus \$64.15 million in total revenues. Therefore, actual expenses totaled 25.7% of the funds collections for the year.

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ASSUMPTION (continued)

For FY '06, the administrative costs budgeted to be allocated from the Gaming Commission Fund are roughly 35.7% (\$23,433,891 / \$65,680,825) of projected revenues. **Oversight** will show the difference between the FY '06 appropriation for administrative expenses to the Gaming Commission Fund (\$23,433,891) and the new restriction on administrative expenses, 20% of the anticipated revenues (\$13,136,165 = 20% x \$65,680,825) as a savings to the Gaming Commission Fund since the Gaming Commission will be required to reduce administrative expenses to meet the new limit. Oversight will assume 10 months of impact in FY 2007.

Oversight assumes there will be other indirect effects (less funding for local programs, etc.) from the reduction of funding to the Early Childhood Development and Education Fund, however, for purposes of the fiscal note, Oversight will only show the direct fiscal impact to the fund from the new distribution percentages.

Oversight will utilize the Gaming Commission's estimates for the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GAMING COMMISSION FUND			
<u>Savings</u> - Gaming Commission now limited to 20% of fund's revenues to cover administrative expenses	\$8,581,438	\$10,297,726	\$10,297,726
<u>Transfer Out</u> - More funds to transfer out	(\$8,581,438)	(\$10,297,726)	(\$10,297,726)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	\$5,740,585	\$6,888,702	\$6,888,702
ESTIMATED NET EFFECT TO THE VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST	<u>\$5,740,585</u>	<u>\$6,888,702</u>	<u>\$6,888,702</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2007 (10 Mo.)	FY 2008	FY 2009
MISSOURI NATIONAL GUARD TRUST FUND			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	<u>\$7,407,252</u>	<u>\$8,888,702</u>	<u>\$8,888,702</u>
MISSOURI NATIONAL GUARD TRUST FUND	<u>\$7,407,252</u>	<u>\$8,888,702</u>	<u>\$8,888,702</u>
MISSOURI COLLEGE GUARANTEE TRUST FUND			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	<u>\$6,573,918</u>	<u>\$7,888,702</u>	<u>\$7,888,702</u>
MISSOURI COLLEGE GUARANTEE TRUST FUND	<u>\$6,573,918</u>	<u>\$7,888,702</u>	<u>\$7,888,702</u>
EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND			
<u>Loss</u> - new allocation and expense formula of the gaming commission fund	<u>(\$11,140,317)</u>	<u>(\$13,368,380)</u>	<u>(\$13,368,380)</u>
EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND	<u>(\$11,140,317)</u>	<u>(\$13,368,380)</u>	<u>(\$13,368,380)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

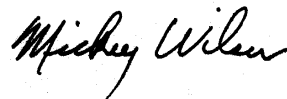
DESCRIPTION

This proposal changes the distribution of some of the remaining net proceeds in the Gaming Commission Fund and specifies that no more than 20% of the proceeds can be used for the administrative costs of the commission. The first \$500,000 will continue to be appropriated on a per-capita basis to certain cities and counties that have demonstrated a need for funding community neighborhood organization programs for the homeless and to deter gang-related violence and crimes. The remaining money in the fund will be transferred to the Missouri College Guarantee Fund, the Veterans' Commission Capital Improvement Trust Fund, the Missouri National Guard Trust Fund, and the Early Childhood Development, Education, and Care Fund, with each receiving 25%.

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

Missouri Gaming Commission
Department of Public Safety
Department of Elementary and Secondary Education
Department of Social Services
Coordinating Board for Higher Education



Mickey Wilson, CPA
Director
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