

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3185-07
Bill No.: HCS for HB 1141
Subject: Gambling
Type: Original
Date: February 28, 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
Veterans Commission Capital Improvement Trust	\$5,470,376	\$6,564,451	\$6,564,451
National Guard Trust	\$5,470,376	\$6,564,451	\$6,564,451
Missouri College Guarantee	\$5,470,376	\$6,564,451	\$6,564,451
Early Childhood Development	(\$16,411,128)	(\$19,693,353)	(\$19,693,353)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 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 **Coordinating Board for Higher Education (CBH)** state this bill could impact funding for the Missouri College Guarantee Program. This scholarship is based on financial need as well as high school and college academic achievement. The Missouri College Guarantee Fund currently receives \$5 million from the Gaming Commission Fund. Any change in the distribution method may impact the amount, either positively or negatively, transferred to the Missouri College Guarantee Fund.

As the Missouri College Guarantee program is currently funded at a level to provide assistance to only 25 percent of eligible students, the CBH would be most appreciative of additional revenue for this program. However, the amount transferred to this fund will be determined annually based on the amount of remaining proceeds in the Gaming Commission Fund. This annual fluctuation of the available funding amount may make administration of this program difficult. Notifying eligible students of the amount available to them may take longer under this method, and therefore may impede our ability to distribute scholarship funds in a timely manner.

Officials from the **Missouri Veterans' Commission** state they believe additional funds would be coming into the Veterans Commission Capital Improvement Trust Fund, but do not have the calculations in order to provide the figures.

ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (GAM)** assume the proposal would have the following fiscal impact;

Revenues	\$65,680,825	
Obligations (Admin)	<u>(\$23,433,171)</u>	
	(\$18,746,537)	Section 1 80%
	(\$4,686,637)	Section 4(m) 20%
Balance	\$42,247,654	

Distributing Formula:

Gangs/Homeless	(\$500,000)	Section 2
Compulsive Gamblers	<u>(\$489,850)</u>	1 Cent Admission Fee
TOTAL	(\$989,850)	
College Guarantee	(\$4,500,000)	Section 4(a)
Veterans	(\$3,000,000)	Section 4(b)
National Guard	<u>(\$3,000,000)</u>	Section 4(c)
TOTAL	(\$10,500,000)	
Early Childhood	-	Section 4(d) 100% left after deduct 4 a,b,c,l m,n
College Guarantee	(\$500,000)	Section 4(l)
Veterans	(\$3,000,000)	Section 4(l)
National Guard	(\$1,000,000)	Section 4(l)
Early Childhood	-	Section 4(l)
TOTAL	(\$4,500,000)	
REMAINDER	\$26,257,804	TO DIVIDE EQUALLY
College Guarantee	(\$6,564,451)	Section 4(n)
Veterans	(\$6,564,451)	Section 4(n)
National Guard	(\$6,564,451)	Section 4(n)
Early Childhood	(\$6,564,451)	Section 4(n)
TOTAL	<u>-</u>	
BALANCE	<u>\$0</u>	100% left for Section 4(d)

ASSUMPTION (continued)

GAM states the current formula (Section 4(d)) provides that Early Childhood receive 100% of the remaining funds with the exception stated in Section 4(l). HCS for HB 1141 removes Early Childhood from receiving 100% of remaining funds and shares their portion equally four ways in Section 4(d)(n).

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. **Oversight** assumes, based on GAM's response that the distribution totals and the resulting difference between the current distribution formula and this proposal, by fund, would be;

Fund	Current	HCS for HB 1141	Difference
Gangs / Homeless	\$500,000	\$500,000	\$0
Compulsive Gamblers	\$489,850	\$489,850	\$0
College Guarantee	\$5,000,000	\$11,564,451	\$6,564,451
Veterans	\$6,000,000	\$12,564,451	\$6,564,451
National Guard	\$4,000,000	\$10,564,451	\$6,564,451
Early Childhood	\$26,257,804	\$6,564,451	(\$19,693,353)
TOTALS	\$42,247,654	\$42,247,654	\$0

Officials from the **Office of Administration - Division of Accounting** assume the proposal will not fiscally impact their agency.

Officials from the **Department of Elementary and Secondary Education (DESE)** state they will defer to the Missouri Gaming Commission regarding administrative costs. However, the proposal will likely result in a significant reduction in revenues to the "Early Childhood Development, Education and Care Fund" (ECDED).

DESE states that monies deposited into the ECDEC fund are appropriated to the DOSS and DESE. Of the first 60% appropriation, 20% goes to DOSS and 80% goes to DESE. DESE uses the ECDEC monies to fund First Steps and the Missouri Preschool Program (MPP). A reduction in the amount of annual deposits into the ECDEC fund would mean a reduction to these programs.

Officials from the **Department of Social Services (DOS)** state the original version of this bill split all proceeds in quarters to each of the 4 groups, Early Childhood Development Education and Care Fund (ECDECF), Veterans' Capital Improvement Trust Fund (VCITF), Missouri

ASSUMPTION (continued)

College Guarantee Fund (MCGF), and National Guard Trust Fund (NGTF). This version allows not only the initial split to the ECDECF, VCITF, MCGF, and NGTF, but also the second round split to the VCITF, MCGF, NGTF before making the 4 way split.

DOS assumes the ECDEC Fund will receive \$23,500,000 in the initial split in Section 4(d), as well as 25% of the remaining proceeds at the 4(n) split, or an additional \$91,550. In total, DOS assumes the ECDEC fund will receive \$23,591,550 as a result of the proposal.

Oversight assumes the ECDEC Funds will only receive funding through Section 4(n) of the proposal, such as GAM has shown in their response. Section 4(d) states that one hundred percent of remaining net proceeds in the gaming commission fund except as provided in paragraphs (l), (m) and (n) of this subdivision....shall be transferred to the ECDEC fund. However, Section 4(n) states 'any remaining funds shall be equally divided' between the four funds. Therefore, Oversight assumes there will not be additional funds to distribute to the ECDEC fund through Section 4(d).

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.

In response to a previous version of the proposal, officials from the **Department of Public Safety - Office of the Adjutant General (OTAG)** stated the legislation potentially would increase the annual amount of funding received from the Gaming Commission deposited in the National Guard Trust Fund. OTAG stated 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.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume the bill proposes that BAP would perform the transfers from the Gaming Commission Fund. These transfers are currently performed by the Missouri Gaming Commission and would create additional duties for the Division of Budget and Planning. The Division could accomplish these increased duties with existing staff; therefore there should be no added cost to the Office of Administration/Budget and Planning as a result of this bill.

ASSUMPTION (continued)

BAP states bill does not impact the receipts of the Gaming Commission Fund, but greatly impacts the distribution by a substantial decrease in the transfer to the Early Childhood Development, Education, and Care Fund (\$19.7 million). In addition, there would be a \$6.6 million increase in each of the transfers to the Missouri College Guarantee Fund, Veterans' Commission Capital Improvement Trust Fund, and National Guard Trust Fund. The Division of Budget and Planning has attached an estimate of how this bill affects the transfers from the Gaming Commission Fund.

	Current Distribution	HCS for HB 1141 Fiscal Impact		
Revenues	\$65,680,825	\$65,680,825		
Obligations (Admin)	<u>(\$23,433,171)</u>	<u>(\$23,433,171)</u>		
			(\$18,746,537)	Section 1 80%
			(\$4,686,637)	Section 4(m) 20%
 Balance	 \$42,247,654	 \$42,247,654		

Distributing Formula:

Gangs/Homeless	(\$500,000)	(\$500,000)	Section 2
Compulsive Gamblers	<u>(\$489,850)</u>	<u>(\$489,850)</u>	1 Cent Admission Fee
TOTAL	<u>(\$989,850)</u>	<u>(\$989,850)</u>	
 College Guarantee	 (\$4,500,000)	 (\$4,500,000)	 Section 4(a)
Veterans	(\$3,000,000)	(\$3,000,000)	Section 4(b)
National Guard	<u>(\$3,000,000)</u>	<u>(\$3,000,000)</u>	Section 4(c)
TOTAL	<u>(\$10,500,000)</u>	<u>(\$10,500,000)</u>	
Early Childhood	<u>(\$23,500,000)</u>	-	Section 4(d) 100% left after deduct 4 a,b,c,l, m,n
 College Guarantee	 (\$500,000)	 (\$ 500,000)	 Section 4(l)
Veterans	(\$3,000,000)	(\$3,000,000)	Section 4(l)
National Guard	(\$1,000,000)	(\$1,000,000)	Section 4(l)
Early Childhood	-	-	Section 4(l)
TOTAL	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>	
 REMAINDER	 <u>(\$2,757,804)</u>	 \$26,257,804	 TO DIVIDE EQUALLY

ASSUMPTION (continued)

	Current Distribution	HCS for HB 1141 Fiscal Impact	
REMAINDER	(\$2,757,804)	\$26,257,804	TO DIVIDE EQUALLY (from p.6)
College Guarantee		(\$6,564,451)	Section 4(n)
Veterans		(\$6,564,451)	Section 4(n)
National Guard		(\$6,564,451)	Section 4(n)
Early Childhood	_____	<u>(\$6,564,451)</u>	Section 4(n)
Early Childhood	(\$2,757,804)	\$ 0	Section 4(d)

BAP assumes the distribution would impact the four funds in the following manner;

Fund	Current	HCS for HB 1141	Difference
College Guarantee	\$5,000,000	\$11,564,451	\$6,564,451
Veterans	\$6,000,000	\$12,564,451	\$6,564,451
National Guard	\$4,000,000	\$10,564,451	\$6,564,451
Early Childhood	\$26,257,804	\$6,564,451	(\$19,693,353)

Oversight will utilize the Gaming Commission's and Budget and Planning's estimates for the fiscal note. Oversight will assume 10 months of impact in FY 2007

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>
ESTIMATED NET EFFECT TO THE VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>
 MISSOURI NATIONAL GUARD TRUST FUND			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>
MISSOURI NATIONAL GUARD TRUST FUND	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>
 MISSOURI COLLEGE GUARANTEE TRUST FUND			
<u>Transfer In</u> - new allocation and expense formula of the gaming commission fund	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>
MISSOURI COLLEGE GUARANTEE TRUST FUND	<u>\$5,470,376</u>	<u>\$6,564,451</u>	<u>\$6,564,451</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
(continued)	(10 Mo.)		

**EARLY CHILDHOOD
 DEVELOPMENT, EDUCATION AND
 CARE FUND**

<u>Loss</u> - new allocation and expense formula of the gaming commission fund	<u>(\$16,411,128)</u>	<u>(\$19,693,353)</u>	<u>(\$19,693,353)</u>
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EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND	<u>(\$16,411,128)</u>	<u>(\$19,693,353)</u>	<u>(\$19,693,353)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
	(10 Mo.)		
	<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.

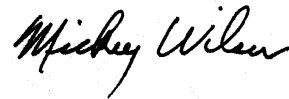
DESCRIPTION

This proposal changes the distribution of some of the remaining net proceeds in the Gaming Commission Fund. The proposal adds two additional distribution layers before moneys in the fund is distributed to the Early Childhood Development, Education and Care Fund. One of the layers is the last twenty percent of the Gaming Commission's total appropriation for administrative costs. The last layer is to distribute all of the remaining funds equally between the Missouri College Guarantee Fund, the Veterans' Commission Capital Improvement Trust Fund, the National Guard Trust Fund and the Early Childhood Development, Education and Care Fund.

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
Missouri Veterans' Commission
Office of the Adjutant General
Department of Elementary and Secondary Education
Department of Social Services
Department of Higher Education
Office of Administration



Mickey Wilson, CPA
Director
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