

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1238-02
Bill No.: HB 566
Subject: Charities; Gambling
Type: Original
Date: February 9, 2009

Bill Summary: This proposal allows fraternal organizations to have one electronic gaming device per each forty members of the organization.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Commission	Up to (\$1,354,082)	Up to (\$1,421,720)	Up to (\$1,462,571)
Total Estimated Net Effect on <u>Other</u> State Funds	Up to (\$1,354,082)	Up to (\$1,421,720)	Up to (\$1,462,571)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Commission	16 FTE	16 FTE	16 FTE
Total Estimated Net Effect on FTE	16	16	16

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state they would require an additional sixteen FTE to license, audit and regulate the devices at all fraternal organizations licensed for bingo. The fraternal organizations would have to be audited to ensure that the proceeds were being used for charitable, religious and philanthropic purposes of the organization as required by the Missouri Constitution. There would be a substantial number of regulations to be written and revised. Auditing procedures would have to be written and revised. GAM assumes the approximate cost for the sixteen new FTE to be roughly \$1,239,000 annually to the Gaming Fund. GAM assumes the need for the following additional FTE;

- 2 Office Support Assistants - to process the various paperwork involved in regulating these organizations;
- 3 Auditors to audit these organizations to ensure the proceeds are being used correctly;
- 2 Electronic Gaming Device Specialists to ensure the gaming devices conform to standards; and
- 9 Troopers to conduct background investigations, enforcement, and regulation.

GAM assumed the need for two vehicles to be shared by the Auditors and the Electronic Gaming Device Specialists.

As the number of fraternal organizations licensed to conduct bingo increases in order to have the Class II devices, the amount of bingo paper and pull-tabs sold would decrease resulting in the loss of tax collected for Education. This could also cause the other bingo licensees (charitable, religious, veteran and service organizations) to lose their players which could result in them ceasing activity and not being able to fund their various charitable programs.

The potential for players to play Class II slot machines would result in a decrease in the sale of bingo paper and pull-tabs. Without any real statistical information to base the numbers on, GAM used an assumption of a 25% decrease. FY 2008 tax collected from bingo paper and pull-tabs of approximately \$2,190,000 times 25% equal \$547,500 rounded to roughly \$500,000 loss of tax collections which are deposited in the Proceeds for Education account.

There would also be an undetermined potential loss of Education proceeds from riverboats if players choose to stay closer to home and play Class II slot machines at their fraternal organizations instead of driving to the riverboat casino. There would also be an undetermined amount lost from admission fee revenue to the Gaming Fund.

ASSUMPTION (continued)

GAM assumes there would be a small amount of new revenue coming into the Gaming Fund as a result of this proposal, but state that this new revenue would be offset by the cost to administer the background investigations. GAM assumes the cost of the investigations outdistance the anticipated fees from the manufactures and suppliers by \$10,000 for each investigation. GAM assumes conducting six of these investigations each year.

Oversight is unsure if all of the FTE as estimated by the Gaming Commission would be needed in administering this proposal and if less expensive vehicles could be purchased; therefore, Oversight will assume the cost to be “up to” the estimates provided by GAM. Oversight is unsure if some of the responsibilities outlined for the various FTE is redundant and could be covered by others already withing GAM or if the number of fraternal organizations that decide to install these Class II devices would warrant the number of FTE requested. However, additional fraternal organizations that are not currently providing Bingo to their members may be inclined to install Class II devices with passage of this proposal.

GAM did not provide floor space expense for the sixteen new FTE in their estimate; therefore, **Oversight** will assume GAM will be able to house these additional FTE throughout the state. This assumption may be revised with later versions of the bill. Oversight revised the fringe benefit expense for the nine estimated Troopers to reflect the calculated rate for uniformed Highway Patrol members (70.91% instead of 48.63%).

Oversight assumes the impact this proposal may have on existing sales of bingo paper and pull tabs as well as the impact on riverboat casinos to be an indirect effect of the proposal and has not reflected it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GAMING COMMISSION FUND			
<u>Costs - Missouri Gaming Commission</u>			
Personal Service (16 FTE)	(\$673,435)	(\$832,365)	(\$857,336)
Fringe Benefits	(\$428,281)	(\$529,355)	(\$545,235)
Expense and Equipment	(\$122,400)	\$0	\$0
Server Room w/ Fire Suppression sys.	(\$23,450)	\$0	\$0
Dodge Chargers (2)	(\$46,516)	\$0	\$0
Background Investigations (6 annually)	<u>(\$60,000)</u>	<u>(\$60,000)</u>	<u>(\$60,000)</u>
	Up to	Up to	Up to
<u>Total Costs - MCG</u>	<u>(\$1,354,082)</u>	<u>(\$1,421,720)</u>	<u>(\$1,462,571)</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	Up to <u>(\$1,354,082)</u>	Up to <u>(\$1,421,720)</u>	Up to <u>(\$1,462,571)</u>
Estimated Net FTE Change for Gaming Fund	16 FTE	16 FTE	16 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2010 (10 Mo.)	 FY 2011	 FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that manufacture and/or distribute Class II gaming devices could be positively impacted as a result of this proposal.


FISCAL DESCRIPTION

This proposal allows fraternal organizations licensed to conduct bingo games to have one electronic class II gaming device for each 40 members. The gaming device can be conducted or managed by an independent contractor, and there is no limit on the number of days it can be in use. Vending machines and mechanized coin-operated machines will be allowed to sell pull-tab cards or to pay prize money, merchandise gifts, or other prizes where bingo games are conducted.

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



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