

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1238-04  
Bill No.: HCS for HB 566  
Subject: Charities; Gambling  
Type: Original  
Date: March 10, 2009

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

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Commission	Up to (\$1,797,501)	Up to (\$1,632,560)	Up to (\$1,681,764)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to (\$1,797,501)</b>	<b>Up to (\$1,632,560)</b>	<b>Up to (\$1,681,764)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Commission	18 FTE	18 FTE	18 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>18</b>	<b>18</b>	<b>18</b>

☒ 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).

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

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Missouri Veterans' Commission** assume the proposal will not fiscally impact their agency.

Officials from the **Office of Administration - Administrative Hearing Commission** assume the proposal will not significantly alter its caseload.

Officials from the **Missouri Gaming Commission (MGC)** state there would be a substantial cost to the Gaming Fund to process additional manufacturer and supplier applications, perform background investigations, and regulate the usage of Class II devices for potentially 280 plus locations. Additional license fees would offset some of the cost at the rate of \$1,000 per manufacturer and \$5,000 per supplier.

There would be an undetermined loss from admission fees from the riverboats to the Gaming Fund

The Education Fund would see a decrease due to the loss of tax collected on the sale of bingo paper and pull-tabs.

There would also be an undetermined loss to Education for the tax from the riverboat casinos as players would go to their local fraternal and veteran organizations to play these devices versus traveling to a riverboat to play slot machines.

The Missouri Gaming Commission (MGC) would require two Office Support Assistants to process license applications and reports that will be required of the organizations. Three additional Auditor I's would be required to monitor the server room and travel throughout the State performing frequent compliance audits. The MGC would also need four Electronic Gaming Device Specialist to inspect the Class II devices and ensure they remain in compliance with regulatory requirements. MGC would also require nine Highway Patrol Troopers to perform extensive background investigations on any new manufacturers and suppliers and the key people associated with those companies. They would also travel throughout the State to address complaints, criminal activity and regulatory investigations.

There would be a substantial number of regulations to be written and revised. Auditing procedures would have to be written and revised. Updates to the computer system would be required to maintain an accurate list of organizations using the devices, the number of devices and location of each.

ASSUMPTION (continued)

The Missouri State Highway Patrol (MSHP) was asked to prepare a fiscal impact statement based on the potential requirements of HB-566, which would allow for Class II gaming devices within eligible licensed bingo establishments statewide. If this particular legislation is enacted, there would be potential for considerable fiscal impact related to MSHP manpower resources.

At present, the MSHP is empowered to assist with the regulation and enforcement of state law and Missouri Gaming Commission rules and regulations related to the conduct, licensure and administration of bingo. There are presently three MSHP investigators assigned to the Charitable Games Unit and those investigators routinely conduct joint operations and enforcement efforts with Missouri Gaming Commission (MGC) staff.

Based upon the current stipulations contained within HB-566, it appears there would be ample justification to increase the MSHP's Charitable Games Unit within the Gaming Division. The latter justification centers on the potential for more regulatory responsibilities and oversight for Class II gaming, as well as more investigations related to enforcement, licensure related to operators, contractors, current and new licensees and new supplier/manufacturing companies of Class II devices.

While much of HB-566 is vague, in terms of what overall responsibilities or authority the MGC or MSHP would have related to Class II gaming devices, the potential for impact on organizational resources was considered. In order to come up with a useful methodology for estimating potential manpower needs related to passage of HB-566, a comparison of the investigative functions that are directly related to Missouri's casino industry was conducted.

The MSHP Background Investigations unit is comprised of 12 investigators, who are charged with conducting investigations related to Missouri's 13 casino properties (one of which is still under construction), as well as licensed supplier and manufacturing companies that provide gambling supplies (which include electronic gambling devices (EGD's)). The unit is also responsible for regulatory oversight and conducts investigations on key persons associated with both the casino and supplier/manufacturing companies.

Statistics Related to the Background Investigations Unit;

1. Currently responsible for 421 individual entities that are investigated on a regular basis. The latter number includes the following:
  - 387 Key/Level I licensees;
  - 21 Supplier/Manufacturing companies; and
  - 13 Casino companies

ASSUMPTION (continued)

2. There are currently 12 investigators located in three locations throughout the state - noted as follows:

- Six investigators in Jefferson City;
- Three investigators in Kansas City; and
- Three investigators in St. Louis

3. Due to changes within the MGC licensing regulations, a 60% increase in casework is anticipated and as such, a request for two additional investigators was included with the MGC's FY2010 budget. If the latter budget request is approved, the number of Background Investigators will increase to 14; however, so will the number of total individual entities noted above.

Statistics Related to the Charitable Games Investigative Unit;

1. Currently responsible for 423 individual entities that are investigated on a regular basis. The latter number includes the following:

- 372 current bingo licensees;
- 51 licensed key personnel

2. There are currently three investigators located in the Jefferson City office and those investigators are routinely involved with investigations related to charitable gaming, casino supplier companies and special investigations related to illegal gambling devices.

3. Since the latter number does not include the unknown variables, such as number of potential licensees that will operate Class II gaming and device supplier/manufacturing companies related to the latter, it is appropriate to apply the methodology used to staff the Background Investigative Units for this purpose.

Proposed Fiscal Impact on MSHP Personnel Resources;

Based on the aforementioned criteria, it would be reasonable to assume passage of HB-566 would require a manpower increase within the Charitable Games Unit of approximately nine investigators. In order to more adequately cover the state and to keep costs related to overtime and travel to a minimum, it would be prudent to assign those investigators at the remote MGC offices (located in Kansas City and St. Louis), similar to how the Background Units are divided. There would obviously be additional costs related to preparing or securing office space for the additional investigative staff. There are also myriad costs related to conducting regulatory/criminal investigations and background investigations on contractors, licensees and supplier/manufactures of Class II devices.

ASSUMPTION (continued)

The primary cost factor related to an increase in staffing would obviously be salary and benefits. Since vacancies are posted statewide for investigative positions within the Gaming Division, personnel from the rank of Trooper First Class to Sergeant would be eligible to apply for any new positions within the Charitable Games Unit. As such, the average monthly salary for a new investigator would be \$5,689 per month, in addition to approximately 75% of that amount in costs related to fringe benefits. The dollar amount noted above is based on an average of the top salary scale for the ranks of Trooper First Class, Corporal and Sergeant.

In addition to the justification for additional Missouri State Highway Patrol (MSHP) assets noted above, those assets will incur travel costs associated with the addition of Class II gaming to licensed charitable gaming organizations.

The unique nature of this level of enforcement would create a "hybrid-type" enforcement unit, which would essentially combine the job functions and responsibilities that are currently reflected in positions within riverboat enforcement operations, charitable gaming and the background investigative function. As such, an average of all travel costs related to the latter three functions was used as a determinate of anticipated travel costs associated with the passage of Class II gaming.

Based on the aforementioned criteria, assume the following :

•	FY2010 Background Unit in-state travel	\$33/mo ea. FTE
•	FY2010 Background Unit out-state travel	\$1144/mo ea. FTE
•	FY2010 Boat Enforcement Unit in-state travel	\$78/mo ea. FTE
	<u>Total</u>	<b>\$1,255/mo</b>
	 Average	 \$418/mo ea. FTE
	9 FTE's Total	<b>\$3,762/mo</b>
	 In-state Travel Percentage (70%)	 \$2,633/mo
	Out-state Travel Percentage (30%)	\$1,129/mo

In response to the previous version of this proposal, the MGC assumed the need for two FTE Electronic Gaming Device Specialist. However, since this proposal expands the number of licensees that may have these devices by including veterans' organizations, GAM now assumes the number of licenses and gaming devices would warrant the need for four FTE Electronic Gaming Device Specialist.

ASSUMPTION (continued)

Also, in MGC's response to the original bill, the Highway Patrol failed to include certain costs that will be incurred by adding nine patrol persons to the force. These expenses include supplies (gasoline, ammo, other) totaling roughly \$60,000 per year, nine new patrol vehicles at roughly \$210,000 in first fiscal year, and other equipment (radio, law enforcement equip., other) for roughly \$73,000 in the first fiscal year. The MGC also added expenses such as travel for the MGC FTE and the patrol officers of roughly \$66,000 per year, professional development of the patrol of \$24,000 and additional office space and server room for the new FTE (roughly \$15,000 per year). The MGC also assumes application fee revenue of \$18,000 per year from this proposal.

**Oversight** is unsure if all of the FTE as estimated by the Gaming Commission would be needed in administering this proposal and also if less expense and equipment costs would be incurred by the MGC and the Highway Patrol; therefore, Oversight will assume the cost to be "up to" the estimates provided by the MGC. Oversight is unsure if some of the responsibilities outlined for the various FTE is redundant and could be covered by others already within the MGC or if the number of fraternal and veterans organizations that decide to install these Class II devices would warrant the number of FTE requested. However, additional fraternal or veterans organizations that are not currently providing Bingo to their members may be inclined to install Class II devices with passage of this proposal.

**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
<b>GAMING COMMISSION FUND</b>			
<u>Income</u> - Missouri Gaming Commission Application Fees	\$18,000	\$18,000	\$18,000
<u>Costs</u> - Missouri Gaming Commission			
Personal Service (16 FTE)	(\$749,346)	(\$926,191)	(\$953,977)
Fringe Benefits	(\$465,197)	(\$574,983)	(\$592,378)
Patrol cars (9)	(\$209,322)	\$0	\$0
Patrol supplies (gasoline, ammo, etc.)	(\$57,405)	(\$59,127)	(\$60,901)
Other Patrol equipment (radio, law enforcement, other vehicle equipment)	(\$72,891)	\$0	\$0
Office equipment (cubicles, chairs, etc.)	(\$106,020)	\$0	\$0
Travel	(\$54,560)	(\$67,030)	(\$69,040)
Other Expense and Equipment	(\$71,246)	(\$7,965)	(\$8,204)
Office Space w/ Server Room	<u>(\$29,514)</u>	<u>(\$15,264)</u>	<u>(\$15,264)</u>
	Up to	Up to	Up to
<u>Total Costs</u> - MCG	<u>(\$1,815,501)</u>	<u>(\$1,650,560)</u>	<u>(\$1,699,764)</u>
<b>ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND</b>	<b>Up to <u>(\$1,797,501)</u></b>	<b>Up to <u>(\$1,632,560)</u></b>	<b>Up to <u>(\$1,681,764)</u></b>
Estimated Net FTE Change for Gaming Fund	18 FTE	18 FTE	18 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2010 (10 Mo.)	 FY 2011	 FY 2012
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></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.

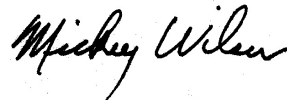
### FISCAL DESCRIPTION

This proposal allows fraternal and veterans 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  
Missouri Veterans' Commission  
Office of Administration



Mickey Wilson, CPA  
Director  
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