

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4945-02
Bill No.: HCS for HB 2284
Subject: Gambling; Athletics; Taxation and Revenue - General
Type: Original
Date: April 27, 2020

Bill Summary: This proposal authorizes sports wagering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
General Revenue	(Less than \$105,322)	(Less than \$113,027)	(Less than \$113,288)	(Less than \$113,825)
Total Estimated Net Effect on General Revenue	(Less than \$105,322)	(Less than \$113,027)	(Less than \$113,288)	(Less than \$113,825)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 20 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
Gaming Commission (0286)	(\$144,694)	\$335,910	\$315,279	\$402,545
Gaming Proceeds for Education (0285)	\$7,401,883 to \$17,097,750	\$8,882,187 to \$20,517,300	\$8,882,187 to \$20,517,300	\$8,882,187 to \$20,517,300
Total Estimated Net Effect on <u>Other</u> State Funds	\$7,257,189 to \$16,953,056	\$9,218,097 to \$20,853,227	\$9,197,466 to \$20,832,579	\$9,284,732 to \$20,919,845

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
Gaming Commission (0286)	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE	2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
Local Government	Could exceed \$822,425 to \$1,899,750	Could exceed \$986,910 to \$2,279,700	Could exceed \$986,910 to \$2,279,700	Could exceed \$986,910 to \$2,279,700

FISCAL ANALYSIS

ASSUMPTION

313.1000, 313.1002, 313.1003, 313.1004, 313.1006, 313.1008, 313.1010, 313.1012, 313.1014, 313.1016, 313.1018, 313.1021, 313.1022, and 572.015 - Sports wagering

Officials from the **Missouri Gaming Commission (MGC)** estimate this proposal would increase total state revenue by approximately \$35 million annually. MGC bases those estimates off of a comparison to Mississippi's Sports Betting experience for the past 12 months, Rubin Brown and an Oxford Study. Based on MGC calculations (Oxford and Rubin Brown study), adjusted gross receipts under this proposal could be approximately \$109 million. At a tax rate of 9%, revenues generated from the tax could be approximately \$9.8 million (distributed 90/10 between the state and local governments).

MGC states they annualized the state of Mississippi's Total Revenue from sports betting by taking their total revenue from November 2018 through October 2019. They determined their sports betting revenue was 2% of their total gaming revenue. This was calculated by taking \$45,036,857 and dividing by \$2,141,840,000 ($\$45,036,856.59 / \$2,141,840,000 = .02$ or 2%). MGC assumes Missouri's sports betting revenue would also be 2% of total gaming revenue or \$35,089,400 ($\$1,754,470,000$ total sports revenue x 2% = \$35,089,400). Mississippi sports betting is limited to bets placed in person at the casinos. In making fiscal estimates, MGC assumes allowing online wagering, in addition to casino-based wagering, will significantly increase MGC's overall revenues. Based on the Oxford study and the experience in other states, including Pennsylvania, West Virginia, and New Jersey, MGC was led to the assumption that the estimated \$35 million calculated for wagers placed in person at casinos would comprise approximately 30% of the total sports wagers placed. Therefore, sports betting revenue would be comprised of 70% mobile wagering and 30% retail wagering if the law would allow mobile wagers to be placed [$(\$35,089,400 \times 70\%) / 30\% = \$81,875,266$]. Per §313.1000 of this proposal, Adjusted Gross Receipts are calculated by taking total revenue less payouts, excise tax payments, voided wagers and uncollectible sports wagering receivables. MGC estimates Missouri's total revenue to be \$116,964,666 (\$35,089,400 sports betting + \$81,875,266 mobile betting).

Total Revenue	\$116,964,666
Less Payouts	\$6,433,056 ($\$116,964,666 \times 5.5\%$)
Less Excise Tax	<u>\$874,975</u>
Adjusted Gross Receipts (AGR)	\$109,656,635

ASSUMPTION (continued)

Oversight notes, according to a New York Times article dated April 16, 2019, sports betting revenue has only brought in half of what Tunica officials had expected. Since sports betting is a fairly new concept for Mississippi, Oversight notes the revenue used by MGC to calculate revenue generated from this proposal could be overstated. Oversight does not currently have the resources or ability to produce an independent estimate. Therefore, Oversight will reflect the AGR listed above as estimated by MGC.

MGC officials state this bill allows for a Certificate of Authority Application Fee (initial) of \$25,000/Section 313.1006, a Certificate Holder Administration Fee (annual after the first year) of \$50,000/Section 313.1021, a Certificate Holder Reinvestigation Fee of \$10,000/Section 313.1021 (in the 5th year after sports wagering commences and each 5 years thereafter), a Sports Wagering Platform License Application Fee (initial) of \$25,000/Section 313.1010, and a Sports Wagering Platform License Annual Renewal Fee of \$50,000/Section 313.1010 (annual after the first year) to be deposited in the Gaming Commission Fund.

Oversight will reflect revenue generated from these fees into the Gaming Commission Fund.

Section 313.1018.3

Oversight notes that any person, firm, corporation, association, agent, or employee that violates any procedure implemented under section 313.1000 to 313.1022 shall be liable for a civil penalty of not more than \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction or occurrence. Oversight assumes if there are penalties assessed from these provisions, the fine revenue would be paid to the local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula the following year. Since the number of violations may vary, Oversight will range the revenue of these fines from \$0 (no fines are collected) to Unknown.

Section 313.1021.1

MGC states this section imposes a wagering tax of 9% on the AGR received from sports wagering conducted by a certificate holder. Revenues from this tax are to be deposited in the Gaming Proceeds for Education Fund and distributed pursuant to section 313.822.

Oversight will reflect revenue generated from this tax into the Gaming Proceeds for Education Fund.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal will increase TSR and 18e calculations by imposing fees and penalties related to the regulation of legal sports betting and levying an adjusted gross receipts tax on sport wagers. Additional administrative fee revenues will be deposited into the Gaming Commission Fund. Additional gross receipts tax revenues will be deposited into the Gaming Proceeds for Education Fund. B&P defers to the MGC for an estimate of increased revenues.

Oversight also notes that the Missouri Gaming Commission and the Office of Administration - Budget and Planning have stated the proposal will have a direct fiscal impact on total state revenue. Oversight does not currently have the resources or ability to produce an independent estimate. Therefore, Oversight will reflect the revenues listed below as estimated by MGC:

State Impact - Estimated by MGC						
Provision	FY21	FY22	FY23	FY24	FY25	Fund to Deposit
Cert of Authority App Fee (Initial) 313.1006	\$325,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
Cert Holder Admin Fee (Annual after the first year) 313.1021	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
Cert Holder Reinvestigation Fee (in the 5 th year and each 5 th year thereafter) 313.1021	\$0	\$0	\$0	\$0	\$130,000	Gaming Commission Fund
Sports Wagering Platform License App Fee (Initially) 313.1010	\$325,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
Sports Wagering Platform License Annual Review Fee (Annual after the first year) 313.1010	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
Total Fees Collected	\$650,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,430,000	Gaming Fund
AGR tax (90%)*	\$8,882,187	\$8,882,187	\$8,882,187	\$8,882,187	\$8,882,187	Gaming for Education Fund
Total State Impact	\$9,869,097	\$9,869,097	\$9,869,097	\$9,869,097	\$9,869,097	
Local Impact						
Dock* Cities/Counties (10% AGR tax)	\$986,910	\$986,910	\$986,910	\$986,910	\$986,910	

Source: MGC

ASSUMPTION (continued)

MGC estimates needing two FTEs, one (1) Information Technology Specialist I and one (1) Public Safety Manager Band I, if this bill passes, at an annual salary of \$71,726 each. These FTEs would result in an additional cost to the MGC of \$196,182 for FY 2021 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance).

Besides the 2 FTE positions, MGC also estimates an additional cost to the Gaming Fund of approximately \$718,217 (which represents 2.5% of MGC existing budget) each year. This cost represents the average number of hours and expenses to cover the costs of current background investigators, financial investigators, compliance auditors and tax auditors needed to license and regulate sports wagering.

Oversight does not have any information contrary to that provided by MGC. Therefore, Oversight will reflect MGC's impact for fiscal note purposes.

Officials from the **Department of Revenue (DOR)** assume the following:

Section 313.1021

This proposed section states that a wagering tax of nine percent is imposed on the adjusted gross receipts received from sports wagering conducted by a certificate holder under Sections 313.1000 to 313.1024. If a third party is contracted with to conduct sports wagering at a certificate holders' licensed facility, the third party contractor shall fulfill the certificate holder's duties under this section.

This proposed section states that the revenues received from the tax imposed under subsection 1 of this section shall be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund, and shall be distributed as provided under Section 313.822.

This proposed section also states that a certificate holder shall pay to the commission an annual administrative fee of fifty thousand dollars. The fee imposed shall be due one year after the date on which the certificate holder commences sporting wagering operations under Sections 313.1000 to 313.1022, and on each annual anniversary date thereafter. The commission shall deposit the administrative fees received under this subsection in the sports wagering fund established under section 313.835.

In addition to the annual administrative fee required under this subsection, a certificate holder shall pay to the commission a fee of ten thousand dollars to cover the costs of a full reinvestigation of a certificate holder in the fifth year after the date on which the certificate

ASSUMPTION (continued)

holder commences sports wagering operations under Sections 313.1000 to 313.1022 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the sports wagering fund established under section 313.835.

Methodology

Using the Oxford Economics report titled “Economic Impact of Legalized Sports Betting,” the DOR believes TSR will increase an estimated \$16.3 – \$20.5 million. This report breaks out the possible revenue impacts into three categories. They are Limited Availability, Moderate Availability, and Convenient Availability. For the purpose of this fiscal note response, the DOR utilized the Moderate Availability, due to the proposed legislation allowing sports wagering to occur in any of Missouri’s casinos, and online. If online wagering would have not been permitted, the DOR would have used the Limited Availability number, and if it were to be treated like the lottery, Convenient Availability would have been used.

\$202,200,000 - \$253,300,000 (Moderate Availability AGR Estimate per Oxford report)
 \$18,198,000 - \$22,797,000 (9% tax imposed on AGR)

Breakout of the 9% per Section 313.822 RSMo.

\$18,198,000 - \$22,797,000 (9% tax imposed on AGR)
 10% to Dock Cities (Local) - \$1,819,800 - \$2,279,700
 90% to Gaming Proceeds for Education Fund - \$16,378,200 - \$20,517,300

Oversight currently does not have the data or resources available to produce independent revenue projections, including an Economist to estimate the elasticity of demand for sports wagering in relation to other games of chance offered at casinos or the Missouri Lottery. Therefore, for purposes of this fiscal note, Oversight will range the anticipated revenue from the “low” estimates of the MGC to DOR’s estimate.

	MGC	DOR (low)	DOR (high)
Sports Betting Adjusted Gross Receipts	\$109,656,635	\$202,200,000	\$253,300,000
9% tax on AGR (state portion - 90%)	\$8,882,187	\$16,378,200	\$20,517,300
9% tax on AGR (local portion - 10%)	\$986,910	\$1,819,800	\$2,279,700

Bill as a Whole

Officials from the **Department of Mental Health (DMH)** assume 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 FY19, DMH served approximately 118 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,030 per consumer for a total of \$121,540.

If the number of consumers served triples, DMH estimates treatment for 354 consumers with an average cost of \$1,030 per treatment episode for a total treatment cost of \$364,620. Total cost to DMH would be estimated at \$445,850 in FY 21. For FY 22 and beyond, the amount would be \$535,020 or more based upon the need for compulsive gambling services. Currently, DMH has twelve 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 \$160 per person for a total of \$4,000 in FY 21. If additional advertising is needed, DMH anticipates annual cost for advertising with public service announcements for help with compulsive gambling at \$166,400.

Oversight notes the ending balance of the Compulsive Gamblers Fund (0249) was \$82,720 on December 31, 2019 and \$6,832 on June 28, 2019.

For the purpose of this proposed legislation, officials from the **Office of State Public Defender (SPD)** state they cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed new crime of engaging in, facilitating, or concealing conduct that improperly influences a betting outcome of a sporting event for the purpose of financial gain, a new class E felony. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

In FY 2019, SPD opened 13 gambling related cases of the 62,002 cases opened by the Trial Division.

ASSUMPTION (continued)

Charge Code	Description	Number of Cases
313.813	Trespassing - 1 st Degree (gambling boat)	2
313.817	Presenting false ID to enter gambling boat	6
313.830	Gaming violations	5
	Total Number of Cases	13

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation in all cases where the right to counsel attaches.

Oversight notes over the last three fiscal years, the SPD has lapsed a total of \$153 of General Revenue appropriations (\$2 out of \$28.0 million in FY 2017; \$150 out of \$42.5 million in FY 2018; and \$1 out of \$46.0 million in FY 2019). Therefore, Oversight assumes the SPD is at maximum capacity, and the increase in workload resulting from this bill cannot be absorbed with SPD's current resources.

Adding one additional Assistant Public Defender 1 (APD) with a starting salary of \$47,000, will cost approximately \$74,500 per year in personal service and fringe benefit costs. One additional APD II (\$52,000 per year; eligible for consideration after 1 year of successful performance at

APD I) will cost the state approximately \$81,000 per year in personal service and fringe benefit costs. When expense and equipment costs such as travel, training, furniture, equipment and supplies are included, Oversight assumes the cost for a new APD could approach \$100,000 per year.

Oversight assumes the SPD cannot absorb the additional caseload that may result from this proposal within their existing resources and, therefore, will reflect a potential additional cost of (Less than \$100,000) per year to the General Revenue Fund.

Officials from the **Department of Corrections (DOC)** state this proposal creates a class E felony if any person places a bet or wager on the basis of material nonpublic information, knowingly engages in, facilitates, or conceals conduct that intends to improperly influence a betting outcome.

ASSUMPTION (continued)

This bill creates a new offense; therefore, the DOC will use a standard E felony response to estimate a fiscal impact. For each nonviolent class E felony, the DOC estimates one person will be sentenced to prison and two to probation. The average sentence for a nonviolent class E felony offense is 3.4 years, of which 2.1 years will be served in prison with 1.4 years to first release. The remaining 1.3 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the DOC is estimated to be two additional offenders in prison and seven on field supervision by FY 2023.

	# to prison	Cost per year	Total Costs for prison	# to probation & parole	Cost per year	Total cost for probation and parole	Grand Total - Prison and Probation (includes a 2% inflation)
Year 1	1	(\$6,386)	(\$5,322)	2	absorbed	\$0	(\$5,322)
Year 2	2	(\$6,386)	(\$13,027)	4	absorbed	\$0	(\$13,027)
Year 3	2	(\$6,386)	(\$13,288)	7	absorbed	\$0	(\$13,288)
Year 4	2	(\$6,386)	(\$13,554)	7	absorbed	\$0	(\$13,554)
Year 5	2	(\$6,386)	(\$13,825)	7	absorbed	\$0	(\$13,825)
Year 6	2	(\$6,386)	(\$14,101)	7	absorbed	\$0	(\$14,101)
Year 7	2	(\$6,386)	(\$14,383)	7	absorbed	\$0	(\$14,383)
Year 8	2	(\$6,386)	(\$14,671)	7	absorbed	\$0	(\$14,671)
Year 9	2	(\$6,386)	(\$14,964)	7	absorbed	\$0	(\$14,964)
Year 10	2	(\$6,386)	(\$15,264)	7	absorbed	\$0	(\$15,264)

If this impact statement has changed from statements submitted in previous years, it is because the DOC has changed the way probation and parole daily costs are calculated to more accurately reflect the way the Division of Probation and Parole is staffed across the entire state.

In December 2019, the DOC reevaluated the calculation used for computing the Probation and Parole average daily cost of supervision and revised the cost calculation to be used for 2020 fiscal notes. For the purposes of fiscal note calculations, the DOC averaged district caseloads across the state and came up with an average caseload of 51 offender cases per officer. The new calculation assumes that an increase/decrease of 51 cases would result in a change in costs/cost avoidance equal to the cost of one FTE staff person. Increases/decreases smaller than 51 offenders are assumed to be absorbable.

ASSUMPTION (continued)

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases. For instances where the proposed legislation affects a less specific caseload, DOC projects the impact based on prior year(s) actual data for DOC's 44 probation and parole districts.

The DOC cost of incarceration is \$17.496 per day or an annual cost of \$6,386 per offender. The DOC cost of probation or parole is determined by the number of P&P Officer II positions that would be needed to cover the new caseload.

Oversight does not have any information contrary to that provided by DOC. Therefore, Oversight will reflect DOC's impact for fiscal note purposes.

Officials from the **Missouri Office of Prosecution Services (MOPS)** assume the proposal will have no measurable fiscal impact on MOPS. The creation of a new crime creates additional responsibilities for county prosecutors which may, in turn, result in additional costs, which are difficult to determine.

Officials from the **Office of the Secretary of State (SOS)** state 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Oversight notes the **Department of Public Safety - Missouri State Highway Patrol**, the **Department of Social Services**, the **Office of State Courts Administrator**, and the **State Treasurer's Office** have each stated the proposal would not have a direct 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

This proposal could increase Total State Revenue.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2025)
GENERAL REVENUE FUND				
<u>Cost - SPD p. 10</u> (§313.1018) Salaries, fringe benefits, and equipment and expense				
	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Costs - DOC p. 11</u> (§313.1018) Increased incarceration costs				
	<u>(\$5,322)</u>	<u>(\$13,027)</u>	<u>(\$13,288)</u>	<u>(\$13,825)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Less than \$105,322)</u>	<u>(Less than \$113,027)</u>	<u>(Less than \$113,288)</u>	<u>(Less than \$113,825)</u>

FISCAL IMPACT -
State Government

	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2025)
GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC</u> (§313.1006) Initial Application Fee p. 7	\$325,000	\$0	\$0	\$0
<u>Revenue - MGC p. 7</u> (§313.1010) Sports Wagering Platform License App Fee	\$325,000	\$0	\$0	\$0
<u>Revenue - MGC p. 7</u> (§313.1010) Sports Wagering Platform License Annual Renewal Fee	\$0	\$650,000	\$650,000	\$650,000
<u>Revenue - MGC p. 7</u> (§313.1021) Cert Holder Admin Fee	\$0	\$650,000	\$650,000	\$650,000
<u>Revenue - MCG p. 7</u> (§313.1021) Certificate Holder Reinvestment Fee	\$0	\$0	\$0	\$130,000

FISCAL IMPACT -
State Government

	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2025)
GAMING COMMISSION FUND (0286) (Continued)				
<u>Cost - MGC p. 8</u> (§313.1021)				
Personal Services	(\$119,543)	(\$144,887)	(\$146,335)	(\$149,277)
Fringe Benefits	(\$58,900)	(\$71,157)	(\$71,638)	(\$72,615)
Equipment and Expenses	(\$17,739)	(\$11,874)	(\$12,171)	(\$12,786)
Investigators and auditors to license and regulate sports wagering	(\$598,514)	(\$736,172)	(\$754,577)	(\$792,777)
<u>Total Cost - MGC</u>	<u>(\$794,696)</u>	<u>(\$964,090)</u>	<u>(\$984,721)</u>	<u>(\$1,027,455)</u>
FTE Change - MGC	2 FTE	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>(\$144,694)</u>	<u>\$335,910</u>	<u>\$315,279</u>	<u>\$402,545</u>
Estimated Net FTE Change to the Gaming Commission Fund	2 FTE	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2025)
GAMING PROCEEDS FOR EDUCATION FUND (0285)				
Revenue - 90% of the 9% Wagering Tax §313.1021 p. 9	<u>\$7,401,883 to</u> <u>\$17,097,750</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$7,401,883 to</u> <u>\$17,097,750</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>	<u>\$8,882,187 to</u> <u>\$20,517,300</u>
<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2025)
LOCAL HOME DOCKS				
Revenue - Home Dock City or County 10% of the 9% Wagering Tax §313.1021 p. 9	\$822,425 to \$1,899,750	\$986,910 to \$2,279,700	\$986,910 to \$2,279,700	\$986,910 to \$2,279,700
<u>Revenue</u> - School districts (§313.1018) Fines from violations	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>Could exceed</u> <u>\$822,425 to</u> <u>\$1,899,750</u>	<u>Could exceed</u> <u>\$986,910 to</u> <u>\$2,279,700</u>	<u>Could exceed</u> <u>\$986,910 to</u> <u>\$2,279,700</u>	<u>Could exceed</u> <u>\$986,910 to</u> <u>\$2,279,700</u>

FISCAL IMPACT - Small Business

This legislation could have an impact on small businesses that offer sports wagering.

FISCAL DESCRIPTION

This bill permits sports wagering only by a licensed facility. A licensed facility may offer sports wagering in person at the licensed facility and over the Internet.

The rules adopted under this section must include the manner in which wagers are received, payouts are paid, and point spreads, lines, and odds are disclosed. The rules must establish standards to govern how a certificate holder offers sports wagering over the Internet and the manner a certificate holder's books and financial records related to sports wagering are maintained. The standards must also detect and prevent compulsive gambling.

The rules adopted under this standard requires a certificate holder to make commercially reasonable efforts by designating an area within the facility for sports wagering, ensure the security and integrity of sports wagering, ensure that the certificate holder's surveillance system covers all areas, allow the commission's gaming agents to be present, prevent people under the age of 21 to make sports wagers, provide written information about sports wagering, and post a sign in areas indicating the minimum and maximum amounts to be waged.

A licensed applicant who wants to offer sports wagering must submit an application to the commission and pay an initial application fee of \$25,000.

The commission must test new sports wagering devices and new forms that the commission considered appropriate prior to allowing a certificate holder to offer a new sports wagering device or new form. A certificate holder must designate an area within their facility for conducting sports wagering. A certificate holder may administer up to three individually branded interactive sports wagering platforms. Sports wagering may be conducted with negotiable currency. A certificate holder determines the minimum and maximum wagers in sports wagering.

An interactive sports wagering platform provider may offer sports wagering if the platform holds an interactive sports wagering platform license issued by the commission. An application for such license must be submitted with a \$25,000 application fee. An annual renewal fee of \$50,000 is required. An interactive sports wagering platform may request for a temporary license, which will require an application fee.

FISCAL DESCRIPTION (continued)

A certificate holder must verify that a person placing a wager is at least 21 years of age. The commission must adopt rules that require interactive sports wagering platforms to make reasonable efforts to not target minors, disclose the identity of the sports wagering certificate holder, provide resources relating to gambling addiction, and to not deceive a reasonable consumer.

The commission shall not grant a license until the commission determines that each person that has control of the applicant seeking a license meets all qualifications. The commission and certificate holders must cooperate with investigations conducted by sports governing bodies or law enforcement agencies. A certificate holder is required to report criminal activity and wagers that violate law.

A certificate holder is required to maintain records for a period of at least three years for bets and wagers that exceed \$10,000.

Any person, corporation, or employee who violates sections of this bill will be liable for civil penalty of \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction. A person may also be guilty of a class E felony for specified violations.

Additionally, a wagering tax of 9% is imposed on the adjusted gross receipts received from sports wagering conducted by a certificate holder. The tax imposed must be deposited to the "Gaming Proceeds for Education Fund" and distributed.

All sports wagering shall be initiated and made on the property of an excursion gambling boat within this state. A raffle using tickets, a device, or a machine, where a person or persons buy(s) one or more chances from a finite number of draws for a prize are authorized activities.

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

Department of Corrections
Department of Revenue
Department of Mental Health
Department of Public Safety
Department of Social Services
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services
Office of Administration - Budget and Planning
Office of State Courts Administrator
Office of Secretary of State
State Public Defender's Office
State Treasurer's Office



Julie Morff
Director
April 27, 2020



Ross Strope
Assistant Director
April 27, 2020