

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0740S.08C
Bill No.: SCS for SB 98
Subject: Gambling
Type: Original
Date: March 9, 2021

Bill Summary: This proposal modifies provisions relating to gaming.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue Fund	\$0	(\$126,298)	(\$63,289)	(\$83,953)
Total Estimated Net Effect on General Revenue	\$0	(\$126,298)	(\$63,289)	(\$83,953)

The provisions of the bill (and corresponding fiscal impact) are subject to voter approval at the November 2022 election (Section B).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
	\$0 or ...	\$0 or ...	\$0 or ...	\$0 or ...
Highway Fund	\$0	Unknown	Unknown	Unknown
Gaming Commission Fund (0286)	\$0	\$60,649	(Could exceed \$548)	(Could exceed \$106,568)
Gaming Proceeds for Education Fund (0285)	\$0	Could be less than \$20,256,023 to \$47,873,700	Could be less than \$20,256,023 to \$47,873,700	Could be less than \$20,256,023 to \$47,873,700
State Lottery Fund (0682)*	\$0	\$0	\$0	\$0
Lottery Enterprise Fund (0657)*	\$0	(\$827,014)	\$0	\$0
Lottery Proceeds Fund (0291)	\$0	\$0	\$55,428,216	\$127,711,629
Compulsive Gamblers Fund (0249)	\$0	\$0	\$0 to Unknown	\$0 to Unknown
Criminal Records System Fund (0671)	\$0	\$0	Unknown	Unknown
ATC Fund (0544)	\$0	(\$614,501)	(\$453,255)	(\$460,518)
Colleges and Universities	\$0	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	\$0	Could be less than \$18,875,157 to \$46,492,834	Could be less than \$75,230,436 to \$102,848,113	Could be less than \$147,400,566 to \$175,018,243

*Estimated Revenues and Cost Net to \$0 in some years

** Oversight notes, according to the Missouri Lottery Commission, revenue from the implementation of video lottery game terminals will significantly ramp up after the fourth year of implementation. For fiscal note purposes, Oversight will only reflect revenue generated as “Could Exceed” revenues from FY 27

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Lottery Enterprise Fund	0 FTE	4 FTE	28 FTE	29 FTE
Gaming Commission Fund	0 FTE	2 FTE	2 FTE	2 FTE
ATC Fund	0 FTE	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	0 FTE	10 FTE	34 FTE	35 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Local Government*	\$0	Could exceed \$2,250,669 to \$5,319,300	Could exceed \$2,619,558 to \$5,688,189	Could exceed \$4,472,891 to \$7,541,522

FISCAL ANALYSIS

ASSUMPTIONS

Note:

Oversight notes that this proposal has a referendum clause whereby the act is submitted for approval by a vote of the people in November 2022. Oversight will therefore assume the revenue and cost of this proposal will be \$0 (the act submitted does not pass the vote of the people) **OR** the estimated revenue and cost estimated by each agency starting January 1, 2023 (FY 2023/ 6 mo.).

Oversight also notes that Section 313.429.1 of this proposal provides a start date of January 1, 2024 to implement a system of video lottery game terminals. Oversight assumes there will be no revenue generated in fiscal years 2022 or 2023 from the VLT portion of this proposal. Therefore, it is assumed fiscal year 2024 will be the first partial year with impact.

311.660 (10)

Officials from the **Department of Public Safety – Missouri Highway Patrol (MHP)** assume this section states the Supervisor of Liquor Control is “To refer to the Missouri gaming commission, Missouri lottery commission, Missouri state highway patrol, and local law enforcement agencies any suspected illegal gambling activity punishable under chapter 572 or sections 313.425 to 313.437 being conducted on the premises of a location licensed under this chapter, which shall be investigated under section 43.380; and...”

MHP states currently, the Gaming Division has 122 FTEs, enough to minimally staff the positions necessary, during all operational hours at the 13 casinos, to enforce the rules, regulations and laws associated with legalized gaming in the State.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section of the proposal.

Officials from the **Department of Public Safety - Alcohol and Tobacco Control (ATC)** state the following:

Section 311.660(10)

This section of the proposal requires the supervisor of Alcohol and Tobacco Control (or employees of the supervisor) to report any suspected illegal gambling activity being conducted on the premises of licensed liquor locations.

Section 311.680.6(1)

This section of the proposal states upon notification from the Missouri Gaming Commission or a law enforcement agency, requires the supervisor of alcohol and tobacco control to suspend or revoke a liquor licensee who is found in possession of an illegal gambling device, whichever the supervisor deems appropriate; provided that the licensee is given ten days to remove the illegal gambling device from the premises prior to the supervisor taking action. Upon a second or subsequent notification, the supervisor shall not be required to give the licensee ten days to remove the gambling device prior to taking action.

Section 311.680.6(2)

This section of the proposal requires the supervisor of alcohol and tobacco control to inform all liquor licensees of the provisions of this subsection and section 311.720.

Section 311.710.1(7)

This section of the proposal allows the sheriff, or any peace officer of the county, or eight or more taxpaying citizens of the county or city, to bring proceedings in circuit court against any licensee that permits any form of gambling on their licensed premises.

Section 313.230

Officials from the **Missouri Lottery Commission (LOT)** state this proposal removes the prohibition on lottery games based on the outcome of sporting events and allows for electronic lottery game plays and electronically generated tickets or shares. If the Lottery begins offering parlay lottery games based on the outcome of sporting events and electronic game plays, proceeds to education are estimated to be a positive \$55.9 million to unknown the first partial year (FY 2024); a positive \$114.1 million to unknown the first full year (FY 2025); and a positive \$116.4 million to unknown the second full year (FY 2026).

These amounts are net of one lottery marketing and promotions manager at a salary of \$55,204 and related fringes/E&E to manage the sports wagering program; a sports betting platform, player account management and sportsbook operation estimated at 2.5% of lottery sports wagers; prizes for lottery sports games estimated at 85% of lottery sports wagers; and retailer commissions for lottery sports games estimated at 6% of lottery sports wagers.

Sports wagers and revenue estimates are based on the forecast of revenues from Global Market Advisors (Nov 2017) and assume a 6.5% hold which is on par with the Nevada market. Distribution is assumed across the total Lottery retail network and through mobile.

Officials from the **Office of Administration - Budget and Planning** state this language includes changes to Section 313.230, RSMo, which allow for player activated terminals to be used to conduct lottery games, offer electronic lottery game plays on approved devices, and print and dispense lottery tickets. The language also removes a prohibition that no lottery games shall be based on the outcome of sporting events. To the extent that these changes result in increased lottery game revenue, TSR will increase.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated revenue generated by this section, provided by the Lottery Commission, of \$860,800,000 in FY 2024, \$1,756,700,000 in FY 2025 and \$1,792,600,000 in FY 2026 for the sale of parlay sports lottery games to the State Lottery Fund. Oversight will also reflect an unknown positive fiscal impact for the sale of electronically generated tickets or shares to the State Lottery Fund.

Officials from **the Department of Public Safety - Missouri Gaming Commission (MGC)** state that as a new form of entertainment, it is assumed the video lottery terminals (VLTs) would be in direct competition with bingo and excursion gambling boats, resulting in a reduction in state taxes to education. It would also result in a reduction of state admission fees for Veteran's, National Guard, and Access Missouri programs, as well as reductions in casino taxes and admission fees paid to local government in home dock cities.

The extent of the reduction in revenue in both state and local taxes from riverboat gaming casinos and charitable bingo is unknown but significant, as has been the case in other states which have authorized video lottery terminals, specifically in Illinois. The extent that these reductions will be offset by new revenue generated by VLTs is unknown but significant.

Oversight assumes the implementation of video lottery in Missouri may have a negative impact on the utilization of Missouri's casinos (patrons may choose to play video lottery instead of visiting a Missouri casino). Therefore, Oversight will reflect an unknown amount of loss to the Gaming Commission Fund (0286) and the Gaming Proceeds for Education Fund (0285).

Oversight will show a negative unknown impact to home dock cities of riverboat casinos due to reduced casino taxes and admission fees.

Section 313.255.7

Officials from the **Lottery Commission (LOT)** estimate that illegal gambling machines result in lost profits to public elementary, secondary, and higher education of \$5 million to \$20 million per year. This proposal will reduce or eliminate illegal gambling which will then restore lost Lottery sales and increase Lottery profits to education accordingly.

Oversight notes these machines are no longer limited to fraternal and private clubs but are now in convenience stores, truck stops, bars, clubs, etc. Oversight contacted the Lottery Commission to get some clarification on how they determined the fiscal impact.

The **Lottery Commission** provided the following chart as an estimated impact of "gray" machines:

			Actual Less Expected	Actual Less Expected	Machine Less Non-Machines	Machine Less Non-Machines
Estimated Number of Retailers	Average Number of Machines/ Location	Estimated Number of Machines	Estimated Sales Impact	Estimated Profit Impact	Estimated Sales Impact	Estimated Profit Impact
770	3.2	2,500	\$ 5,035,946	\$1,167,332	\$ 22,213,162	\$ 5,149,011
1,000	5.0	5,000	\$10,071,892	\$2,334,665	\$ 44,426,324	\$10,298,022
1,429	7.0	10,000	\$20,143,784	\$4,669,329	\$ 88,852,648	\$20,596,044
2,000	7.0	14,000	\$28,201,298	\$6,537,061	\$124,393,707	\$28,834,461

Source: Missouri Lottery Commission

The **Lottery Commission** stated the “Actual Less Expected” estimate is the same methodology used last year which measures the expected sales less the actual sales, with the expected sales being the previous year’s average times the growth rate of the non-gray machine retailers. The “Machines Less Non-Machine” estimate uses the gray machine retailers’ average less the non-gray machine average by route. Both methods used totals from routes that are impacted more. There are some routes/retailers where the gray machine retailer has a higher average which tends to happen when there is a higher percentage of gray machine retailers. This indicates routes with more gray machine locations on them are getting placed in some of the better sales locations but haven’t had the same apparent impact on sales. This chart also illustrates what the potential impacts might be with more locations and machines since they believe the 2,500 machine and \$5.1 million profit/transfer impact is the low end of the range.

There are many moving parts to this analysis and it is virtually impossible to account for all of them (timing, number of game launches, weather events, large jackpot runs, etc.). Therefore, the Lottery Commission used the FY 2019 “traditional lottery” overall profitability percentage of 23.18 percent to estimate the profit/transfer.

Oversight is unsure of LOT’s estimate, and therefore, will reflect a positive sales impact of \$0 or Unknown, Could exceed \$5,000,000 to the Lottery Proceeds Fund for fiscal note purposes.

Section 313.429.1

The commission shall implement a system of video lottery game terminals utilizing a licensing structure for processing license applications and issuing licenses to manufacturers, distributors, operators, handlers and retailers of video lottery, following specific requirements for eligibility.

- It is assumed four additional lead admin support assistant positions at a salary of \$32,214 each will be needed to process applications and renewals, which includes completing background checks on owners and handlers and determining eligibility.
- The commission may impose initial application fees that will cover initial background checks. Renewal fees and penalties may also be assessed by the commission.
- It is assumed revenues from initial application fees will total \$304,000 spread over a 4-year ramp up period, which will be offset by the cost of background checks for operators, manufacturers, distributors, retailers and handlers of approximately \$13,000 per year (background checks are estimated to be \$45 per person, and each operator, manufacturer, distributor and retailer is assumed to have at least two owners requiring a check, with each handler requiring one check).
- Cost of background checks beyond the fiscal note period will continue at approximately \$13,000 per year, with approximately \$135,000 in revenues assumed from the first year of renewal fees, ramping up to approximately \$540,000 in year 4 and beyond.

Section 313.429.3

The video lottery terminals must be connected to a centralized system that uses industry protocols approved by the commission that allows the commission to activate or deactivate a terminal from a remote location and capable of monitoring and auditing plays.

They will need appropriation authority for the central system but there is no cost associated since the cost will be reimbursed by operators/retailers.

Section 313.429.6

LOT assumes this section of the proposal requires video lottery game terminals to meet independent testing standards approved by the commission and shall be inspected and approved by the commission prior to being sold, leased or transferred. Anticipated cost for contracting with the gaming commission is \$50,000 per year.

Officials from the **Missouri Gaming Commission (MGC)** assume this proposal requires video lottery game terminals (VLT) to “be inspected and approved by the MGC prior to being sold, leased, or transferred.” These machines already have to meet independent test lab (ITL) standards approved by the MGC or lottery commission. If they meet those ITL standards, they do not need to be inspected again and approved by the MGC a second time. Therefore, the sentence, “Such video lottery game terminals shall be inspected and approved by the Missouri gaming commission prior to being sold, leased, or transferred” can be removed from the bill.

Oversight does not have any information to the contrary. Therefore, Oversight will not reflect the contract cost of \$50,000 that the LOT has estimated in the fiscal note.

Section 313.429.7-8

Operators must follow guidelines for plays and payouts, where terminals can be operated, number of terminals operated per establishment, responsible gambling and refrain from advertising. Retailers may participate in an advertising program that is promoted through and sponsored by the Lottery.

Section 313.429.9

Video lottery game terminals must be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under 21 years of age is denied by a procedure approved by the commission. Operators must post age requirement and problem gambling helpline and provide video surveillance in the immediate area of the video lottery terminals.

Recorded video must be reviewed by video lottery game operators for compliance with law, rules and regulations and fines up to \$10,000 per occurrence may be assessed by the commission for violations and for failing to review or report violations. Such fines shall be deposited in the compulsive gamblers fund.

Two Lottery Security Specialists at an annual salary of \$51,310 each are needed to ensure the centralized system uses industry protocols, to activate or deactivate terminals, to monitor and audit plays, and ensure operators are following requirements for plays and payouts, where terminals can be operated, number of terminals operated per establishment, advertising, posting age requirement and the problem gambling helpline, and reviewing video surveillance and assessing fines for noncompliance. Four additional Lottery Security Specialists at an annual salary of \$51,310 are needed to facilitate and document VLT investigations, review cases/video surveillance and recommend fines for noncompliance to the Commission. Video lottery game terminals must also meet independent testing standards approved by the commission and must be inspected and approved by the commission prior to being sold, leased or transferred.

One responsible Gaming Public Information Coordinator is needed at an annual salary of \$45,655 to educate operators and retailers on problem gambling and manage the self-exclusion program.

One Human Resources Specialist is needed at an annual salary of \$53,915 to assist with hiring and training FTE to administer the program.

Advertising, promotions and point-of-sales costs associated with the program are estimated to be \$225,000 per year.

Oversight notes provisions of 313.429.9 provide for administrative fines against a video lottery game operator or retailer that violates provisions of this subsection. These administrative fines may not exceed \$5,000 per occurrence. Oversight notes that violations resulting in fines could vary widely from year to year. Civil penalties collected per Article IX, Section 7 of the Missouri

Constitution requires fines to be distributed to the school district where the violation occurred; therefore, Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts on the fiscal note.

Section 313.429.10

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume that this section of the proposal states video lottery game operators shall pay the commission 36% of the video lottery adjusted gross receipts, which, except for administrative expenses, is to be transferred to the Lottery Proceeds Fund. The commission must compensate the municipality where a licensed video lottery retailer maintains an establishment 4% of the 36% to cover administrative costs. Appropriation authority will be needed to remit the 4% compensation to the municipalities.

The Lottery assumes approximately \$369,000, \$1.5 million and \$2.2 million per year will be remitted to municipalities where video lottery establishments are located in 2024, 2025, and 2026, respectively, ramping up to \$3 million annually after year four.

Oversight notes, according to the Missouri Lottery Commission, revenue from the implementing of video lottery game terminals will significantly ramp up after the fourth year of implementation. For fiscal note purposes, Oversight will only reflect revenue generated as “Could Exceed” in FY 2027.

The **Lottery** assumes 325 retailers will operate 1,625 terminals after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from video lottery sales are anticipated to be \$3.3 million in the first partial year (FY 2024) and grow to \$20 million in year three, offset by lost profits from Pull-Tab and Keno of approximately \$8 million per year. Pull-Tab sales at fraternal organizations are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be cannibalized by 5%.

The Lottery estimates a loss of revenue of \$3,918,783 in FY 2024, \$7,837,565 in FY 2025 and \$7,837,565 in FY 2026 and FY 2027 as a result potential elimination of current Pull-Tab programs at fraternal organizations and reduction in Keno sales.

Oversight currently does not have the data or resources available to produce independent revenue projections, including a PhD Economist to estimate the elasticity of demand for video lottery wagering in relation to other games of chance offered by the Missouri Lottery or at casinos. Therefore, for purposes of this fiscal note, Oversight will utilize the estimates provided by the Missouri Lottery Commission.

Oversight provides the following table to summarize the Lottery Commissions revenues from this section (Section 313.429.10), Section 313.230 mentioned on page 3 and Section 313.255 mentioned on page 5.

<u>LOTTERY COMMISSION REVENUES</u>			
Provision	FY24	FY25	FY26
Initial Application Fee (§313.429.10)	\$38,006	\$76,012	\$76,012
Renewal Fee (§313.429.10)	\$0	\$134,278	\$134,278
*VLT Proceeds (32% AGR Tax) (§313.429.10)	\$3,320,000	\$13,400,000	\$20,000,000
Sale of Parlay Sports Lottery games (§313.230)	\$860,800,000	\$1,756,700,000	\$1,792,600,000
Sale of Electronically generated tickets or shares (§313.230)	Unknown	Unknown	Unknown
Elimination of illegal machines (§313.255)	\$0 to Unknown, Could Exceed \$5,000,000	\$0 to Unknown, Could Exceed \$5,000,000	\$0 to Unknown, Could Exceed \$5,000,000
Total State Impact	Could Exceed \$869,158,006	Could Exceed \$1,780,310,290	Could Exceed \$1,827,810,290
<u>Local Revenue Impact</u>			
**Dock Cities/Counties (4% AGR Tax)	\$368,889	\$1,488,889	\$2,222,222

* 32% of the 36% AGR Tax
 **4% of the 36% AGR Tax

In response to a similar proposal from this year (SB 19), officials from the **Department of Elementary and Secondary Education (DESE)** stated the potential amount of adjusted gross receipts resulting from video lottery cannot be estimated. Net proceeds transferred to the Lottery Proceeds Fund shall be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis on funding elementary and secondary education student transportation costs pursuant to §163.161 and public institutions of higher education.

Oversight will show 32% of gross receipts from video lottery terminals plus revenue generated from sale of parlay sports lottery games as income to the State Lottery Fund and then will show a transfer to the Lottery Proceeds Fund to be appropriated equally to public elementary and secondary education and public institutions of higher education with an emphasis on funding elementary and secondary education student transportation costs. Combined revenue after expenses will total \$90,669,958 in FY 2022, \$187,815,023 in FY 2023 and \$235,231,117 in FY 2024.

Oversight will show 4% of gross receipts video lottery terminals as income to municipalities or counties where a licensed video lottery game retailer maintains an established license for the operation of video lottery game terminals.

Section 313.429.11

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume, subject to appropriation, up to one percent of such license fees deposited to the credit of the state lottery fund shall be deposited to the credit of the compulsive gamblers fund created under section 313.842.

The Commission assumes one senior accounts assistant is needed at an annual salary of \$34,126 each to collect license fees, verify and collect Lottery's share of video lottery adjusted gross receipts, and remit payments to municipalities.

One percent of license fees credited to the Compulsive Gamblers Fund is estimated to be \$2,100 per year.

In response to a similar proposal from this year (SB 18), officials from the **Department of Mental Health (DMH)** assumed, subject to appropriation, up to one percent of license fees shall be deposited into the Compulsive Gamblers Fund created under Section 313.842. Therefore, no State general revenue would be required for the below assumptions.

DMH assumes this would increase the need for and utilization of compulsive gambling (CG) treatment. Based on current number of consumers served, DMH estimates treatment for 354 additional consumers with an average cost of \$1,412 per treatment episode for a total treatment cost of \$499,848 in FY 22. Currently, DMH has twelve certified compulsive gambling treatment providers; this number would likely 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 22. DMH anticipates annual cost for advertising with public service announcements for help with compulsive gambling at \$166,400. Total cost to DMH would be estimated at \$558,540 in FY 22. For FY 23 and beyond the amount would be \$670,248 or more based upon the need for compulsive gambling services.

Oversight notes the balance of the Compulsive Gamblers Fund (0249) was \$51,769 on December 31, 2020 and \$3,049 on June 30, 2020. Therefore, Oversight assumes DMH will only be allowed to spend the anticipated income into the fund on mental health services. Therefore, Oversight will reflect DMH utilizing all of the proceeds into the fund as estimated by LOT.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state section 313.429.11 is the funding mechanism which would ensure any potential memorandum of understanding (MOU) between MSHP and Lottery Commission were paid by the state lottery

funds. This would mirror the current arrangement of Gaming officers now being paid by the Gaming Industry per the current MOU.

Section 313.429.12

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume the Commission may contract with a state law enforcement entity to assist in conducting investigations.

The Commission assumes \$75,000 per year is the estimated cost to contract with state law enforcement. One paralegal FTE at an annual salary of \$51,841 and one associate hearings/appeals referee at an annual salary of \$51,841 are assumed to assist with additional legal work involved with promulgating rules and handling administrative hearings.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state this section of the proposal establishes Video Lottery Terminals in certain truck stops and fraternal and veteran's associations. The Video Lottery Terminal portion of the bill gives statutory authority for Lottery to contract with a law enforcement agency as well as the Missouri Gaming Commission (MGC) when it says, "The director may contract with a state law enforcement entity or the Missouri gaming commission to assist in such background investigations or any investigation of a violation of sections 313.425 to 313.437."

In both contractual instances, it appears the highway patrol would be the likely agency since they are the enforcement arm of the MGC and have the jurisdictional authority throughout the entire state.

Section (12) [2] gives the MGC the obligation to be the enforcement arm of the VLTs and to conduct the regulatory investigations as well as legal enforcement.

Section one [1] would increase the background unit's workload. This would cause a significant increase in the workload for the background/investigation unit of the Gaming Division. Section two [2] would significantly increase the workload on the enforcement sections of the Gaming Division.

The potential impact would depend upon how the Lottery Commission interprets, "The director may contract with a state law enforcement entity or the Missouri gaming commission to assist in such background investigations or any investigation..."

Currently, the Missouri State Highway Patrol Division of Drug and Crime Control is responsible for conducting investigations related to criminal offenses, and the Gaming Division is responsible for conducting investigations into license applications and regulatory violations on licensed gambling properties throughout the state.

The Gaming Division anticipates approximately fifteen (15) new FTEs would be necessary to perform our two primary functions; background investigations on vendors/operators and regulate

the vast number of sites across the state. This would include two (2) background investigators in the Jefferson City office, twelve (12) officers to oversee regulatory and criminal investigations in the field and one (1) administrative support person to process related reports. The 12 field investigators would include 1 officer in six of the troops, and 2 officers in the most heavily populated 3 troops (A, C, and D). In order to enforce the provisions of chapter 313, related to illegal gambling, these 12 field investigators could also be utilized for these purposes.

For comparison, the Gaming Division, in its current format, has 122 FTEs to cover every operating hour and administrative function of the 13 casinos in the state. This bill could potentially increase the locations to hundreds of locations in every county of the state. It is the Patrol's belief that other administrative duties can be absorbed by the current division staff and prorated with the Missouri Gaming Commission.

Having to perform background checks would increase the workload of the background investigation unit by a significant amount, separate from the VLT legislative portion. Due to this increase, the Gaming Division would ask for two (2) additional FTEs in order to accomplish this task to the current levels mandated by 313.810.

In summary, according to the MHP, 2 FTE (Sergeants/ \$79,584 annually) would start January 1, FY 2023, 12 FTE (Sergeants/ \$79,584 annually) would start July 1, 2023 and 1 FTE (Clerk Typist/ \$23,688 annually) would start January 1, 2024. In total, this legislation would create a need for a total of 17 FTE.

Oversight does not know how many “gray” machines exist throughout the state. Because Oversight cannot determine how many “gray” machines exist statewide or how many will continue to exist after the passage of this bill, Oversight will reflect the estimated number of FTE the MHP as requested to the Gaming Commission Fund for fiscal note purposes.

Oversight states according the MHP’s website, state and federal background checks will cost \$41.75 per applicant. Of this amount, the MHP retains the \$20 state fee plus a \$2 pass-thru fee for the federal check. Therefore, Oversight will present an unknown revenues to the Criminal Records Fund for background checks performed for this proposal.

Officials from the **Missouri Gaming Commission (MGC)** state section 313.429.12(1) puts the responsibility of conducting background investigations into VLT license applicants on the MGC. In its regulation of excursion gambling boat, bingo, and daily fantasy sports operator licensees, the MGC does not conduct its own background investigations of those applicants. Instead, it utilizes the authority granted under section 313.004.9 to enter into an agreement with the Missouri State Highway Patrol (MSHP) for the MSHP to conduct those background investigations on the MGC’s behalf. As such, it is not necessary for the lottery commission to contract with the MGC to conduct the background investigations.

MCG states section 313.429.12(2) also requires the MGC to report violations of sections 313.425 to 313.437 to the lottery commission or law enforcement, depending on the type of violation.

According to the language in sections 313.425 to 313.437, the MGC's only obligations relative to the regulation of VLTs would be to investigate VLT applicants and report regulatory and criminal violations of the VLT laws. Requiring the MGC to do so would add additional burdens and costs to the MGC, which otherwise has minimal obligations under the "Missouri Video Lottery Control Act," (sections 313.425 to 313.437).

Section 313.429.13

Officials from the **Missouri Lottery Commission (Commission/LOT)** assume the Commission shall have the power to investigate suspected violations by any video lottery license holder and refer violations to law enforcement and suspend or revoke the license of any lottery vendor or licensee that allows the use of any machine or device not authorized.

Section 313.429.14

LOT states this section of the proposal allows the Commission to adopt rules for implementing video lottery.

Section 313.431.1

LOT states that this section of the proposal allows for the commission to contract for a centralized communication system, make license applications available for manufacturers, distributors, operators, retailers and handlers, and promulgate rules within 120 days of the effective date.

In summary, the Lottery assumes 325 retailers will operate 1,625 terminals after a 4-year ramp up period. Additional proceeds to the Lottery and municipalities from video lottery sales are anticipated to be \$3.3 million in the first partial year (FY 2024) and grow to \$20 million in year three, offset by lost profits from Pull-Tabs and Keno of approximately \$8 million per year. Pull-Tab sales at fraternal are assumed to be completely cannibalized by video lottery sales; Keno sales are expected to be cannibalized by 5%.

In summary, the Missouri Lottery Commission assumes this proposal will require 12 new FTE at a cost of \$1,664,644 in FY 2024, \$957,960 in FY 2025 and \$674,068 in FY 2026, which includes fringe benefits, equipment and vehicle cost, annual office supplies, fuel and ongoing IT cost for the new FTE to provide for the implementation of the changes in this proposal.

Net effect of the above impacts on the Lottery Proceeds Fund is anticipated to be a positive \$59.1 million to unknown in FY 2024, positive \$127.1 million to unknown in FY 2025 and positive \$140.3 million to unknown in FY 2026.

Officials from the **Missouri Gaming Commission (MGC)** estimate this proposal would increase sports betting revenue by approximately \$32 million annually. MGC bases this estimate 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 \$107 million. At a wagering tax rate of 9% (of AGR), revenues generated from the tax could be approximately \$9.6 million (distributed 90/10 between the state and local governments).

MGC annualized the state of Mississippi's Total Revenue from sports betting by taking Mississippi's actual total revenue amounts from November 2018 through October 2020. MGC then determined their sports betting revenue was 1.87% of their total gaming revenue.

This was calculated by taking \$40,085,363 and dividing by \$2,141,840,000 ($\$40,085,363/\$2,141,840,000=.0187$). MGC assumes Missouri's sports betting revenue would also be 1.87% of our total gaming revenue of \$1,754,470,000 ($\$1,754,470,000 \times 1.87\% = \$32,808,589$). Mississippi sports betting is limited to bets placed in person at the casinos. In making fiscal estimates, MGC assumes that allowing online wagering will significantly increase revenue. Based on the experience in other states, including Pennsylvania and New Jersey, MGC made the assumption that the estimated \$32 million calculated for wagers placed in person at casinos would comprise approximately 30% of the adjusted gross receipts. 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 ($(\$32,808,589 \times 70\%)/30\% = \$76,553,374$ = additional revenue).

Note: MGC analysis completed this year is different from last year due to additional data being available.

Total Revenue	\$109,361,963
Less Deductions	<u>\$2,187,239</u> ($\$109,361,963 \times 2\%$ per §313.1000)
Adjusted Gross Receipts	\$107,174,724

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 estimated by MGC.

Per section 313.1000, Adjusted Gross Receipts is calculated by starting with total revenue minus winnings, minus voided wagers and uncollectible receivables. MGC estimated Missouri's total revenue to be \$109,361,963 (shown above). MGC then subtracted an estimated amount (2.0% of total revenue) for uncollectible receivables, as allowed in section 313.1000.

Section 313.1006.2

MGC states this section of the proposal imposes an initial application fee for a licensed applicant of \$25,000 to be deposited in the gaming commission fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1008.1

MGC states this section of the proposal requires the MGC to “test new sports wagering devices and new forms, variations, or composite of sports wagering” but does not provide for any funding to the MGC to pay for such testing.

For interactive sports wagering platform licenses, section 313.1010.2 imposes an initial application fee for of \$25,000 and section 313.1010.3 imposes an annual license renewal fee of \$50,000. Both fees shall be deposited in the gaming commission fund and distributed according to section 313.835. MGC anticipate a minimum of eight interactive sports wagering platform providers to apply for licensure.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund.

Section 313.1010

MGC states this section imposes an initial application fee for an interactive sports wagering platform license of \$25,000 and an annual license renewal fee of \$50,000 to be deposited in the gaming commission fund and distributed according to section 313.835. They anticipate a minimum of eight interactive sports wagering platform providers to apply for licensure.

Oversight will reflect revenue generated from this fee in the Gaming Commission Fund

Section 313.1018.3

MGC states this section imposes civil penalties against anyone "who knowingly violates" the provisions of §§313.1000 – 313.1024 of "not more than \$5,000 for each violation, not to exceed \$50,000 for violations arising out of the same transaction or occurrence." Those violating these sections are also subject to the penalties provided under section 313.805(6), "excluding any financial penalties in excess of those provided under this subsection."

Oversight notes that any person, firm, corporation, association, agent, or employee that violates any procedure implemented under section 313.1000 to 313.1024 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 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 poses a wagering tax equal to the rate imposed by section 313.822 on the adjusted gross receipts (AGR) received from sports wagering conducted by a certificate holder, which is 21%. Revenues from this tax are to be deposited in the Gaming Proceeds for Education Fund” and distributed as provided under section 313.822.

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

Section 313.1021.5(1)

MGC states this section imposes an annual administrative fee of \$50,000 on a certificate holder to be deposited in the gaming commission fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this tax into the Gaming Commission Fund.

Section 313.1021.5(2)

MGC states this section requires a certificate holder to also pay a \$10,000 fee to the MGC to cover the costs of a full investigation of the certificate holder in the fifth year after the date on which the certificate holder begins offering sports wagering. This fee is to be paid every five years, thereafter. This fee is in addition to the annual administrative fee required to be paid by Section 313.1021.5(1). Fees received under section 313.1021 shall be deposited in the gaming commission fund and distributed according to section 313.835.

Oversight will reflect revenue generated from this section into the Gaming Commission Fund.

Oversight has provided a table below to summarize the estimated revenue generated to state and local governments as a result of this proposal as provided by the MGC:

State Impact - Estimated by MGC						
Provision	FY23	FY24	FY25	FY26	FY27	Fund to Deposit
(13) Cert of Authority App Fee (Initial) 313.1006	\$325,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(13) Cert Holder Admin Fee (Annual after the first year) 313.1021	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
(13) 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
(8) Sports Wagering Platform License App Fee (Initially) 313.1010	\$200,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
(8) Sports Wagering Platform License Annual Review Fee (Annual after the first year) 313.1010	\$0	\$400,000	\$400,000	\$400,000	\$400,000	Gaming Commission Fund
Total Fees Collected	\$525,000	\$1,050,000	\$1,050,000	\$1,050,000	\$1,180,000	Gaming Commission Fund
AGR tax (90%)*	\$22,506,692	\$22,506,692	\$22,506,692	\$22,506,692	\$22,506,692	Gaming for Education Fund
Total State Impact	\$23,031,692	\$23,556,692	\$23,556,692	\$23,556,692	\$23,556,692	
Local Impact						
Dock* Cities/Counties (10% AGR tax)	\$2,250,669	\$2,250,669	\$2,250,669	\$2,250,669	\$2,250,669	

*21% of \$107,174,724 AGR

Section 313.1021

This proposed section states that a wagering tax equal to the rate imposed under Section 313.822 (which is 21%) 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 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 313.1024, and on each annual anniversary date thereafter. The commission shall deposit the administrative fees received under this subsection in the gaming commission 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 holder commences sports wagering operations under Sections 313.1000 to 313.1024 and on each fifth year thereafter. The commission shall deposit the fees received under this subdivision in the gaming commission fund established under section 313.835.

The Department defers to the Gaming Commission for determining the amount of administrative fees that may be collected.

Methodology

Using the Oxford Economics report titled "Economic Impact of Legalized Sports Betting," 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 Department utilized the Moderate Availability, due to the proposed legislation allowing sports wagering to occur in any of our casinos, and online. If online would have not been permitted, the Department 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)
\$42,462,000-\$53,193,000 (21% tax imposed on AGR)

Breakout of the 21% per Section 313.822 RSMo.

\$42,462,000 – 53,193,000 (21% tax imposed on AGR)

10% to Dock Cities (Local) - \$4,246,200-\$5,319,300

90% to Gaming Proceeds for Education Fund- \$38,215,800 - \$47,873,700

Administrative Impact

DOR assumes this legislation will result in an increase in the number of payments received. If the increase significant, the Department will require the following FTE.

1 Associate Customer Service Representative

2022 -\$45,812

2023 -\$45,339

2024 -\$45,680

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the cost related to an increase in payments received. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

DOR also anticipates ITSD will need to create a new sports betting tax collection database.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, **ITSD** assumes they will contract out the programming and development cost for this new program. ITSD estimates the project would take 1,057 hours at a contract rate of \$95 for a total cost of **\$100,445** in FY 2022 only. Oversight notes that an average salary for a current IT Specialist within ITSD is approximately \$54,641, which totals roughly \$85,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill; however, for fiscal note purposes, Oversight will reflect the ITSD estimated cost of **\$100,445** in FY 2022.

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 notes that the Missouri Gaming Commission the Department of Revenue and Office of Administration - Budget and Planning has stated the proposal will have a direct fiscal impact on total state revenue.

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 estimates of the MGC (low) to the DOR’s (high) estimate.

	MGC	DOR (low)	DOR (high)
Sports Betting Adjusted Gross Receipts	\$107,174,724	\$202,200,000	\$253,300,000
21% tax on AGR (State portion - 90%)	\$20,256,023	\$38,215,800	\$47,873,700
21% tax on AGR (Local portion - 10%)	\$2,250,669	\$4,246,200	\$5,319,300

Section 313.1024

MGC states this section of the proposal requires the MGC to establish a hotline and investigate “all reasonable allegations” of “conduct the person believes constitutes a violation of the provisions of sections 313.1000-313.1024” and refer those allegations “to the appropriate law enforcement authority” or “appropriate sport’s governing body.” The bill does not, however, provide for any funding to the MGC to pay for such investigations.

MGC estimates needing two FTE positions, a Senior Application Developer and a Program Coordinator if this bill passes. These FTE would result in an additional cost to the MGC of \$190,263 for FY 2023 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance). Anticipated costs for FY 2024 and FY 2025 would be \$221,419 and \$223,575, respectively.

Besides the two FTE positions and additional costs reflected in the fiscal note, MGC also estimates an additional cost of approximately \$808,906 (represents 2.5% of MGC existing budget) each year. \$808,906 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 to the contrary. Therefore, Oversight will reflect the estimated cost of the additional FTE the MGC has provided.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assumes this section of the legislation states, “The commission shall investigate all reasonable allegations and shall refer any allegations that it deems credible to the appropriate law enforcement entity. This section would be the current Gaming Division members, and would increase the workload of the existing division personnel. However, it is anticipated that no new FTE would be required.

In addition to the Gaming expense indicated for the 16 Sergeants that will be transferring from the Highway fund, it is assumed there will be some savings to the Highway fund as those 16 formerly Highway-funded Sergeants are ultimately replaced by 16 Highway-funded Probationary Troopers. While the exact dollar amount of that savings cannot be determined, due to the cost of promotions that will occur during the backfilling process, etc., there will likely be some amount of savings to the Highway fund.

Section 572.100

Officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control (ATC)** state this section of the proposal contains language that preempts any agency or governmental subdivision from regulating gambling as described in Chapter 572, but makes an exception for the revocation of a liquor license from applying under this preemption, which means the ATC would be allowed to revoke a liquor license for gambling violations.

ATC began tracking illegal gambling machines seen at liquor licensed establishments in March 2019 as a result of proposed bill SCS/SB 431 (1513-04) 2019. In comparing the number of illegal gambling machines reported to the number of active retail liquor licenses, approximately 25% of licensees are in possession of illegal gambling machines. This bill requires ATC to give licensees ten days to remove illegal gambling machines from their licensed premise, which would require an initial visit by ATC to issue the ten day warning and a subsequent visit to verify the removal. Therefore, $13,025 \text{ retail licensees} \times 25\% = 3,256 \text{ licensees}$ across the state that ATC would potentially need to visit twice to issue the warning and to verify they have removed their illegal gambling machines. This bill also requires the state supervisor to suspend or revoke any licensee who does not remove their gambling machines, however, ATC assumes that most licensees will be voluntarily compliant.

ATC is asking for 4 Special Agents (\$51,112), one for each district office. These special agents will visit the licensees on two occasions; once to issue warnings to those who are found in possession of illegal gambling machines and a subsequent visit to verify the removal of the machines. The agents will also process violations and reports for each location found in possession of these gambling machines.

Oversight does not have any information contrary to that provided by ATC and will reflect the estimated cost provided by ATC in FY 2023. Oversight assumes licensees will adhere to state law instead of risking the loss of their liquor license, therefore, Oversight will not reflect a loss of ATC license revenue.

Bill as a Whole

Officials from the **Department of Corrections (DOC)** state SB 98 (0740-02) modifies provisions relating to gaming by creating a new class E and class D felony.

Section 313.429 (13) creates a new Class D felony and a fine up to ten thousand dollars per occurrence, for unauthorized possession of devices capable of simulating lottery games, games of chance, or gambling games.

Section 313.1018 (4) creates a new class E felony for knowingly engaging in, facilitating, or concealing conduct that intends to improperly influence a betting outcome of a sporting event for purposes of financial gain, in connection with betting or wagering on a sporting event.

For each new nonviolent class E felony, the department 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.

Non-violent D felony:

	# 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 2% inflation)
Year 1	3	(\$7,756)	(\$19,390)	5	absorbed	\$0	(\$19,390)
Year 2	6	(\$7,756)	(\$47,467)	10	absorbed	\$0	(\$47,467)
Year 3	8	(\$7,756)	(\$64,555)	16	absorbed	\$0	(\$64,555)
Year 4	8	(\$7,756)	(\$65,846)	19	absorbed	\$0	(\$65,846)
Year 5	8	(\$7,756)	(\$67,163)	22	absorbed	\$0	(\$67,163)
Year 6	8	(\$7,756)	(\$68,506)	22	absorbed	\$0	(\$68,506)
Year 7	8	(\$7,756)	(\$69,876)	22	absorbed	\$0	(\$69,876)
Year 8	8	(\$7,756)	(\$71,274)	22	absorbed	\$0	(\$71,274)
Year 9	8	(\$7,756)	(\$72,699)	22	absorbed	\$0	(\$72,699)
Year 10	8	(\$7,756)	(\$74,153)	22	absorbed	\$0	(\$74,153)

For each new nonviolent class D felony, the department estimates three people will be sentenced to prison and five to probation. The average sentence for a nonviolent class D felony offense is 5 years, of which 2.8 years will be served in prison with 1.7 years to first release. The remaining 2.2 years will be on parole. Probation sentences will be 3 years.

Non-violent E felony:

	# 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 2% inflation)
Year 1	1	(\$7,756)	(\$6,463)	2	absorbed	\$0	(\$6,643)
Year 2	2	(\$7,756)	(\$15,822)	4	absorbed	\$0	(\$15,822)
Year 3	2	(\$7,756)	(\$16,139)	7	absorbed	\$0	(\$16,139)
Year 4	2	(\$7,756)	(\$16,461)	7	absorbed	\$0	(\$16,461)
Year 5	2	(\$7,756)	(\$16,791)	7	absorbed	\$0	(\$16,791)
Year 6	2	(\$7,756)	(\$17,127)	7	absorbed	\$0	(\$17,127)
Year 7	2	(\$7,756)	(\$17,469)	7	absorbed	\$0	(\$17,469)
Year 8	2	(\$7,756)	(\$17,818)	7	absorbed	\$0	(\$17,818)
Year 9	2	(\$7,756)	(\$18,175)	7	absorbed	\$0	(\$18,175)
Year 10	2	(\$7,756)	(\$18,538)	7	absorbed	\$0	(\$18,538)

The cumulative impact on the department is estimated to be 8 additional offenders in prison and 22 additional offenders on field supervision by FY 2026.

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.

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 \$21.251 per day or an annual cost of \$7,756 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 to the contrary. Therefore, Oversight will reflect estimated cost of incarceration provided by the DOC.

For the purpose of the proposed legislation, and as a result of excessive caseloads, the **Missouri State Public Defender (SPD)** cannot assume existing staff will be able to provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime(s) concerning law enforcement officers under Chapter 313, Sections 313.230 and 313.800, RSMo. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards. While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches.

Oversight assumes the SPD will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the SPD for fiscal note purposes.

Officials from the **Office of Administration - Budget and Planning** assume the proposal creates the Missouri Video Lottery Control Act. There are numerous fees and fines that will increase TSR and the 18(e) calculation. They defer to the Lottery for estimated amounts. Fees include the following:

- Application fees (Section 313.429.3(1)(a)-(c))
 - Video lottery game manufacturers, video lottery game distributors, and video lottery game operators (up to \$15,000)
 - Video lottery game retailer establishments (up to \$500)
 - Video lottery game handlers (up to \$100)
- License Fee (Section 313.429.3(2)(a)-(c) & Section 313.429.11)
 - Video lottery game manufacturer, video lottery game distributors, and video lottery game operators (\$5,000)
 - Video lottery game handlers (\$50)
 - Video lottery game retailer's establishment (\$500)
 - One percent of license fees are to be deposited into the Compulsive Gamblers Fund
- Video Lottery game terminal fee (Section 313.429.3(3))
 - \$200 annual fee for each machine placed in service
- Video lottery game lottery operators shall pay the Lottery Commission 32% of any unclaimed cash prize associated with unclaimed winning ticket within one hundred eighty days of issue. (Section 313.429.7(d))

- Failure to Review and Report (Section 313.429.9(1))
 - A video lottery game operator that fails to review surveillance video and report any known violation of law may be subject to an administrative fine up to \$5,000
 - Any video lottery game retailer that fails to report any known violation of law, rules or regulations governing the conduct of video lottery games in conformance with established commission procedures may be subject to an administrative fine up to \$5,000
 - A video lottery game operator or retailer is found to have knowingly committed a violation governing the conduct of video lottery games may be subject to an administrative fine up to \$5,000

- A percentage of adjusted gross receipts shall be deposited as follows (Section 313.429.10(1)):
 - 36% to the State Lottery Fund. Of this amount:
 - 4% is reimbursed to the city or county where the machine is located;
 - Any administrative expenses incurred by the Lottery Commission are deducted; and
 - The remainder is transferred to the Lottery Proceeds Fund.

- The possession or use of any unauthorized video gaming terminal (Section 313.429.13)
 - Any lottery vendor or licensee that possesses or uses a video gaming terminal, machine, or device that is not authorized by the commission shall be deemed guilty of a class D felony and fined \$1,000 per occurrence, and such fines shall be deposited in the Compulsive Gamblers Fund.

These fees and fines may increase both TSR and 18(e) by an unknown amount.

Article IX, Section 7 of the Missouri Constitution requires that penalties, forfeitures and fines collected for violations of state law be distributed to the schools. To the extent any additional such revenues are deposited into the state treasury, TSR may increase.

Additionally, this language includes changes to Section 313.230, RSMo, which allow for player activated terminals to be used to conduct lottery games, offer electronic lottery game plays on approved devices, and print and dispense lottery tickets. The language also removes a prohibition that no lottery games shall be based on the outcome of sporting events. To the extent that these changes result in increased lottery game revenue, TSR will increase.

Officials from **Office of the Secretary of State** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight assumes this proposal will be voted on during the next scheduled general election is in November 2022 (FY 2023). It is assumed the subject within this proposal could be on one of these ballots, therefore, Oversight will not reflect a fiscal impact of potential election cost reimbursement.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 our office can sustain with our core budget. Therefore, they reserve 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.

In response to a previous version, officials from the **University of Missouri** stated this legislation would have a potential positive fiscal impact by creating additional revenue designated for higher education institutions.

Officials from the **Missouri State University** assume this proposal will have a significant financial impact due to increased monitoring and educational requirements.

Officials from the **University of Central Missouri** anticipate an increased revenue of an indeterminate amount, to be decided by the State legislature.

Oversight will reflect an unknown cost to colleges and universities for increased monitoring cost.

Oversight notes the **Attorney General's Office**, the **Department of Higher Education and Workforce Development**, the **Department of Public Safety – Missouri Veterans Commission**, the **Office of Administration**, the **Department of Social Services**, the **Missouri Office of Prosecution Services**, the **Office of State Courts Administrator**, the **State Treasurer's Office**, **State Technical College of Missouri** and the **Northwest Missouri State University** 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.

In response to a similar proposal from this year (SB 19), officials from the **City of Kansas City** stated this legislation could have a positive fiscal impact on the City of Kansas City. If Kansas City did not prohibit video lottery games and collected four percent of video lottery game adjusted gross receipts as allowed by §313.429.

In response to a similar proposal from this year (SB 19), officials from the **City of Springfield** stated there is a positive fiscal impact to the City of Springfield. However, the impact is unquantifiable without knowing if the city will allow video lottery game terminals and the estimated gross receipts.

In response to a similar proposal from this year (SB 19), officials from the **City of Ballwin** and the **City of Corder** each assume the proposal will have no 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 notes the impact for municipalities has been determined by LOT. Oversight will use LOT's impact for fiscal note purposes.

In response to a similar proposal from this year (SB 19), officials from the **Crestwood Police Department**, the **Ellisville Police Department**, the **Kansas City Police Department**, the **Springfield Police Department** and the **St. Louis County Police Department** each assume the proposal will have no 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.

<u>FISCAL IMPACT</u> – State Government	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
	\$0	\$0 or...	\$0 or...	\$0 or...
GENERAL REVENUE FUND				
<u>Costs - DOC</u> (\$313.1018) Increased incarceration costs p.24	\$0	(\$25,853)	(\$63,289)	(\$83,953)
<u>Cost – DOR</u> Tax collection database p. 21	\$0	(\$100,445)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$126,298)</u>	<u>(\$63,289)</u>	<u>(\$83,953)</u>
HIGHWAY FUND				
<u>Savings – MHP</u> FTE Savings of hiring probationary troopers vs sergeants p. 23	\$0	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC p. 19 (§313.1006) Initial Application Fee</u>	\$0	\$325,000	\$0	\$0
<u>Revenue - MGC p. 19 (§313.1021) Cert Holder Admin Fee</u>	\$0	\$0	\$650,000	\$650,000
<u>Revenue - MGC p. 19 (§313.1021) Certificate Holder Reinvestigation Fee</u>	\$0	\$0	\$0	\$130,000
<u>Revenue - MGC p. 19 (§313.1010) Sports Wagering Platform License App Fee</u>	\$0	\$200,000	\$0	\$0
<u>Revenue - MGC p. 19 (§313.1010) Sports Wagering Platform License Annual Renewal Fee</u>	\$0	\$400,000	\$400,000	\$400,000
<u>Cost – FTE MGC p. 22 (§313.1024)</u>				
Personal Services	\$0	(\$114,398)	(\$138,651)	(\$140,037)
Fringe Benefits	\$0	(\$58,509)	(\$70,675)	(\$71,142)
Equipment and Expenses	\$0	(\$17,356)	(\$12,093)	(\$12,396)
Investigators and auditors to license and regulate sports wagering	\$0	(\$674,088)	(\$829,129)	(\$849,857)
<u>Total Cost - MGC</u>	<u>\$0</u>	<u>(\$864,351)</u>	<u>(\$1,050,548)</u>	<u>(\$1,073,432)</u>
FTE Change - MGC	0 FTE	2 FTE	2 FTE	2 FTE

<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 20	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>\$0</u>	<u>\$60,649</u>	<u>(Could exceed \$548)</u>	<u>(Could exceed \$106,568)</u>
Estimated Net FTE Change to the Gaming Commission Fund	0 FTE	2 FTE	2 FTE	2 FTE
GAMING PROCEEDS FOR EDUCATION FUND (0285)				
<u>Revenue</u> - 90% of the 9% Wagering Tax §313.1021 p. 19	\$0	\$20,256,023 to \$47,873,700	\$20,256,023 to \$47,873,700	\$20,256,023 to \$47,873,700
<u>Loss</u> - MGC Loss of revenue resulting from video lottery competition p. 6	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>Could be less than \$20,256,023 to \$47,873,700</u>	<u>Could be less than \$20,256,023 to \$47,873,700</u>	<u>Could be less than \$20,256,023 to \$47,873,700</u>

STATE LOTTERY FUND (0682)				Could exceed ...
<u>Revenue – LOT</u>				
Initial Application Fees (§313.429.10) p.11	\$0	\$0	\$38,006	\$76,012
Renewal Fees (§313.429.10) p.11	\$0	\$0	\$0	\$134,278
VLT Proceeds (36% of AGR) (§313.429.10) p.11	\$0	\$0	\$3,320,000	\$20,000,000
LOT Sale of parlay sports lottery games §313.230 p.11	\$0	\$0	\$860,800,000	\$1,792,600,000
Sale of electronically generated tickets or shares p.11 (§313.230)	\$0	\$0	Unknown	Unknown
Increased sales and profits from elimination of illegal machines p.11 (§313.255)	\$0	\$0	\$0 to Unknown, Could Exceed \$5,000,000	\$0 to Unknown, Could Exceed \$5,000,000
<u>Total Revenue - LOT</u>	<u>\$0</u>	<u>\$0</u>	<u>Could Exceed \$869,158,006</u>	<u>Could Exceed \$1,827,810,290</u>
<u>Cost - LOT Prizes for Lottery sports games §313.230 p. 5</u>	\$0	\$0	(\$731,680,000)	(\$1,523,710,000)
<u>Cost - LOT Retailer commissions for Lottery sports games §313.230 p. 5</u>	\$0	\$0	(\$51,648,000)	(\$107,556,000)

<u>Loss – LOT</u> Lost profits from Keno and Pull-Tab Sales from competition §313.230 p. 10	\$0	\$0	(\$3,918,783)	(\$7,837,565)
<u>Transfer Out - to</u> Lottery Proceeds Fund to be appropriated to DESE (32% of AGR) (§313.429.10) p. 11	\$0	\$0	(\$55,428,216)	(\$127,711,629)
<u>Transfer Out - to</u> Lottery Enterprise Fund	\$0	\$0	(\$26,483,007)	(\$50,995,096)
ESTIMATED NET EFFECT ON THE STATE LOTTERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
LOTTERY ENTERPRISE FUND (0657)				Could Exceed...
<u>Transfer In – from</u> State Lottery Fund			\$26,483,007	\$50,995,096
<u>Cost – LOT p. 15</u>				
Personal Service	\$0	\$0	(\$292,985)	(\$597,736)
Fringe Benefits	\$0	\$0	(\$219,277)	(\$346,210)
Advertising, Promotions and Point-of-Sale	\$0	\$0	(\$112,500)	(\$236,391)
Capital Improvements	\$0	\$0	(\$24,500)	(\$51,481)
Sports betting platform, player account management, etc.	\$0	\$0	(\$21,520,000)	(\$44,815,000)

Other Cost	\$0	\$0	(\$226,525)	(\$35,304)
<u>Total Costs - LOT</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$22,395,787)</u>	<u>(\$46,082,122)</u>
FTE Change – LOT	0 FTE	0 FTE	12 FTE	12 FTE
<u>Costs - MHP</u> (\$313.429.12) p. 13				
Personal Services	\$0	(\$265,280)	(\$1,273,344)	(\$1,293,084)
Fringe Benefits	\$0	(\$235,834)	(\$1,132,003)	(\$1,149,552)
Equipment and Expense	\$0	(\$325,900)	(\$1,312,604)	(\$246,013)
<u>Total Costs – MHP</u>	<u>\$0</u>	<u>(\$827,014)</u>	<u>(\$3,717,951)</u>	<u>(\$2,688,649)</u>
<u>FTE Change – MHP</u>	0 FTE	4 FTE	16 FTE	17 FTE
<u>Transfer Out - To municipalities</u> 4% of AGR of video lottery game to municipalities to cover admin. costs (\$313.429.10) p. 11	\$0	\$0	(\$368,889)	(\$2,222,222)
<u>Transfer Out - to Compulsive Gamblers Fund (1% of fees collected</u> \$313.429.11) p. 12	\$0	\$0	(\$380)	(\$2,103)
ESTIMATED NET EFFECT TO THE LOTTERY ENTERPRISE FUND	<u>\$0</u>	(\$827,014)	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE change to the Lottery Enterprise Fund	0 FTE	4 FTE	28 FTE	29 FTE

LOTTERY PROCEEDS FUND (0291)				Could Exceed...
<u>Transfer In</u> - from State Lottery Fund to be appropriated equally to DESE and DHEWD (§313.429.10)	\$0	\$0	\$55,428,216	\$127,711,629
ESTIMATED NET EFFECT ON THE LOTTERY PROCEEDS FUND	\$0	\$0	\$55,428,216	\$127,711,629
COMPULSIVE GAMBLERS FUND (0249)				
<u>Revenue</u> - LOT Fines imposed from violations of Lottery vendor/licensee - up to \$10,000 per occurrence (§313.429.13) p.15	\$0	\$0	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> - from the State Lottery Fund (§313.429.11)	\$0	\$0	\$380	\$2,103
<u>Cost</u> - DMH Administrative cost for treating additional consumers (assumed to be limited to proceeds into the fund from video lottery estimates) (§313.429.11) p. 12	\$0	\$0	(\$380)	(\$2,103)

ESTIMATED NET EFFECT ON THE COMPULSIVE GAMBLERS FUND	\$0	\$0	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
CRIMINAL RECORDS SYSTEM FUND (0671)				
Revenue - MHP Background check fees (§313.429) p. 10	\$0	\$0	Unknown	Unknown
ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS SYSTEM FUND	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
DIVISION ALCOHOL AND TOBACCO CONTROL FUND (0544)				
Costs - ATC p. 23				
Personal Services	\$0	(\$204,448)	(\$208,537)	(\$212,708)
Fringe Benefits	\$0	(\$108,801)	(\$118,141)	(\$119,549)
Equipment and Expense	\$0	(\$301,252)	(\$126,577)	(\$128,261)
Total Costs - ATC	\$0	(\$614,501)	(\$453,255)	(\$460,518)
FTE Change – ATC	0 FTE	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON DIVISION ALCOHOL & TOBACCO CONTROL FUND	<u>\$0</u>	<u>(\$614,501)</u>	<u>(\$453,255)</u>	<u>(\$460,518)</u>

Estimated Net FTE change for the ATC Fund	0 FTE	4 FTE	4 FTE	4 FTE
COLLEGES AND UNIVERSITIES				Could Exceed...
<u>Cost</u> - increased monitoring and educational requirements p. 29	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSTIES	\$0	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT</u> – <u>Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY)
				Could Exceed...
LOCAL HOME DOCKS/ MUNICIPALITIES				
<u>Income</u> - Cities and Counties compensation paid to municipalities or counties - 4% AGR (§313.429.10) p. 11	\$0	\$0	\$368,889	\$2,222,222
<u>Income</u> - School districts (§313.429.9) Fines from violations p. 9	\$0	\$0	\$0 to Unknown	\$0 to Unknown
<u>Revenue</u> - Home Dock City or County 10% of the 21% Wagering Tax §313.1021 p. 19	\$0	\$2,250,669 to \$5,319,300	\$2,250,669 to \$5,319,300	\$2,250,669 to \$5,319,300

<u>Revenue</u> - School districts (§313.1018) Fines from violations p. 17	\$0	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss</u> - Home Dock Cities and Counties - loss of gaming revenue from video lottery competition p. 19	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>\$0</u>	<u>Could exceed \$2,250,669 to \$5,319,300</u>	<u>Could exceed \$2,619,558 to \$5,688,189</u>	<u>Could exceed \$4,472,891 to \$7,541,522</u>

FISCAL IMPACT – Small Business

This legislation will impact fraternal and veterans’ organizations and truck stops who become video lottery retailers, as well as video lottery manufacturers, operators, and distributors. It may also have an economic impact on Lottery retailers who choose to sell sports lottery games. In addition, Lottery retailers having illegal gambling devices may have their Lottery retailer license and liquor license suspended, revoked or not renewed. Lottery retailers not having illegal gambling devices will be positively impacted with increased sales otherwise lost to illegal gambling devices.

FISCAL DESCRIPTION

This proposal has a referendum clause.

Current law allows the Missouri Gaming Commission to enter into agreements with various federal, state, and local agencies to carry out the duties of the Commission. This act also allows the Commission to enter into agreements with such agencies and the Missouri State Highway Patrol for investigations relating to and the enforcement of criminal provisions relating to illegal gambling.

This act requires the Gaming Commission to establish a telephone contact number, which shall be prominently displayed on the Commission's website, to receive reports of suspected illegal gambling activity. The Commission shall refer such reports to the Missouri Highway Patrol, which shall initiate investigations into such reports. Upon the request of the prosecuting attorney, the Attorney General may aid such prosecuting attorney in prosecuting violations referred by the Commission.

Any person or establishment licensed under current law relating to gaming that is convicted of or pleads guilty to illegal gambling, or of a violation of the Missouri Video Lottery Control Act, and any affiliated company of such person or establishment, shall be permanently prohibited from being licensed to participate in any way in the Missouri Video Lottery Control Act. (Section 313.004)

This act also allows the Supervisor of Liquor Control to refer to the Gaming Commission and Lottery Commission any suspected illegal gambling activity or violations of the Missouri Video Lottery Control Act, established by this act, being conducted on the premises of a location licensed under the Liquor Control Law. (Section 311.660)

Upon notification by the Gaming Commission, Lottery Commission, or a law enforcement agency of possession of an illegal gambling device or of a violation of the Missouri Video Lottery Control Act, the Supervisor of Liquor Control shall suspend or revoke such person's license on such terms and conditions as the Supervisor deems appropriate, provided such person shall be given ten days to remove the illegal gambling device from the premises prior to the suspension or revocation of a license. The Supervisor of Liquor Control shall not be required to give a person such ten days period upon a second or subsequent notification of a violation. (Section 311.680)

Current law allows a sheriff, peace officer, or eight or more citizens of a county or city to bring an action in circuit court to initiate proceedings to suspend or revoke a license issued under the Liquor Control Law as a result of certain offenses committed by a licensee. This act adds permitting illegal gambling devices on the licensed premises of a licensee and violations of the Missouri Video Lottery Control Act to such list of offenses. (Section 311.710)

This act provides that any conviction in this state for illegal gambling activity involving an illegal gambling device and any violation of the Missouri Video Lottery Control Act shall result in the automatic and permanent revocation of a lottery game retailer license. (Section 313.255)

This act modifies the definitions of "gambling device" and "slot machine" for the purposes of provisions of law relating to the prosecution of illegal gambling. (Section 572.010)

This act defines the terms "net proceeds", "raffle" or "sweepstakes", and "sponsor" for the purposes of Article III, Section 39(f) of the Missouri Constitution authorizing charitable and religious organizations to sponsor raffles or sweepstakes. (Section 572.015)

These provisions are substantially similar to SB 87 (2021), SCS/SB 530 (2020), SB 557 (2020), and SCS/SB 431 (2019), and to provisions contained in SS#3/SCS/SB 44 (2019).

MISSOURI VIDEO LOTTERY CONTROL ACT

This act establishes the Missouri Video Lottery Control Act.

Beginning January 1, 2024, this act allows the State Lottery Commission to implement a system of video lottery game terminals and to issue licenses to video lottery game manufacturers, distributors, operators, handlers, and retailers, as defined in the act. The Commission shall not allow a single vendor or licensee to be responsible for implementing the program, nor shall it

allow a single vendor or licensee to control or operate more than twenty-five percent of video lottery game terminals in the state after December 31, 2029. (313.429.1 and .2)

Video lottery game terminals may be placed in fraternal organizations, veterans' organizations, and truck stops, as defined in the act, provided such locations are not within a ten mile radius of an excursion gambling boat. (Section 313.427)

Video lottery game terminals shall be connected to a centralized computer system developed or procured by the Commission. No video lottery game terminal shall be in operation without being connected to such centralized computer system.

The Commission may impose a non-refundable application fee, as described in the act. The initial license shall be for a period of one year. Thereafter, the license renewal period shall be four years with the applicable license renewal fee paid for each year such license is renewed, as described in the act. In addition to such license fees, video lottery game operators shall pay the Commission an annual license fee of \$200 for each video lottery game terminal placed in service. No license shall be issued to any person who has been convicted of a felony or crime involving illegal gambling. Sales agents shall register with the Commission and may not solicit or enter into any agreement with a retailer or retail establishment prior to such registration with the Commission. (Section 313.429.3 and .4)

Video lottery game operators shall pay winning tickets using a video lottery game ticket redemption terminal, which shall be located within the video lottery game retailer's establishment in direct proximity of where such video lottery games are offered. Video lottery game operators shall pay to the Commission thirty-two percent of any unclaimed cash prizes associated with winning tickets that have not been redeemed within 180 days of issue.

Video lottery game operators and video lottery game retailers shall enter into a written agreement for the placement of video lottery game terminals. The agreement shall specify an equal division of adjusted gross receipts between the operator and retailer after adjustments for taxes and administrative fees are made. Video lottery game operators and video lottery game retailers are prohibited from offering anything of value other than the percentage of adjusted gross receipts for the placement of video lottery terminals. Persons violating such prohibition forfeit the right to operate video lottery game terminals for a one-year period. (Section 313.429.7)

The cost of video lottery game terminal credits shall be \$0.01, \$0.05, \$0.10, or \$0.25, and the maximum wager played per video lottery game shall not exceed \$5.00. No cash award for the maximum wager played on any individual lottery game shall exceed \$1,000.

Operators shall not operate more than five terminals at any one fraternal organization, veterans' organization, or truck-stop. (Section 313.429.8)

A person under the age of twenty-one shall not play video lottery games, and such video lottery game terminals shall be under the supervision of a person that is at least twenty-one years of age. Video lottery game terminals shall be placed in a fully enclosed room that is continually monitored by video surveillance and where access to persons under the age of twenty-one is prohibited. Recorded video surveillance shall be made available as reasonably and specifically requested by the Commission. An operator that fails to review such video and report any known

violation of law may be subject to an administrative fine not to exceed \$5,000. Any operator or retailer found to have knowingly committed a violation of provisions governing the conduct of video lottery games may be subject to a fine of \$5,000, the suspension of such operator's retailer's license for up to thirty days, or, in the case of repeated violations, the revocation of such operator's or retailer's license for up to one year. (Section 313.429.9 and .12)

Video lottery game operators shall pay to the Commission thirty-six percent of the video lottery game adjusted gross receipts. The net proceeds of the sale of video lottery game tickets shall be appropriated equally to public elementary and secondary education and public institutions of higher education, with an emphasis on funding elementary and secondary education student transportation costs and public institutions of higher education workforce development programs. The Commission shall compensate the administrative costs of the city or county in which a video lottery retailer maintains an establishment in an amount equal to four percent of the video lottery game adjusted gross receipts.

The remainder of video lottery game adjusted gross receipts, after the cost of the centralized computer system and administrative costs are paid and apportioned, shall be retained by video lottery game operators and shall be split evenly between video lottery game operators and video lottery game retailers as provided under an agreement. (Section 313.429.10)

All revenues collected by the Commission from license renewal fees and any reimbursements associated with the enforcement of the act shall be appropriated for administrative expenses associated with supervising and enforcing the provisions of the act. (Section 313.429.11)

The Commission shall conduct background checks of applicants for licenses and to investigate violations of the provisions of the act and may contract with a state law enforcement entity or the Missouri Gaming Commission to assist in conducting such investigations. (Section 313.429.12)

The use or possession of any video gaming terminal, gambling machine, or device capable of simulating lottery games, games of chance, or gambling games, and that is not licensed by the Lottery Commission or Gaming Commission shall be guilty of a class D felony and fined up to \$10,000 per occurrence. The Commission shall suspend or revoke the license of any vendor or licensee that allows the use of any prohibited video gaming terminal. (Section 313.429.13)

Participation in the state lottery under this act shall not be construed to be a lottery or gift enterprise in violation of Article III, Section 39 of the Constitution of Missouri, and shall not constitute a valid reason for the denial or revocation of a permit to sell liquor. (Section 313.433)

This act allows a municipality or county to adopt an ordinance within one hundred eighty days of the effective date of this act prohibiting video lottery game terminals within the municipality or county. (Section 313.435)

These provisions are substantially similar to SB 566 (2020), SB 43 (2019), and SB 452 (2017), and to provisions contained in SS#3/SCS/SB 44 (2019) and SS/SCS/SB 767 (2018), and are similar to HB 990 (2017).

SPORTS WAGERING

This act allows the Missouri Lottery Commission to offer games based on the outcomes of sporting events. (Section 313.230)

This act also authorizes sports wagering, and modifies the definition of "gambling game" to include sports wagering.

Sports wagering shall only be authorized to be conducted on an excursion gambling boat, through a limited mobile gaming system, or over the internet to persons physically located in this state. Such licensed facilities shall apply to the Missouri Gaming Commission for authorization to conduct sports wagering, and shall pay an application fee of \$25,000. If granted a certificate of authority, a certificate holder shall be authorized to conduct sports wagering in a licensed facility or through an interactive sports wagering platform, as defined in the act. (Section 313.1006) Certificate holders shall designate an area within the licensed facility for conducting sports wagering. In addition to such designated area, sports wagering may be conducted through the use of a limited mobile gaming system in a gaming or other betting area of the licensed facility, or in a hotel, restaurant or other amenity operated by the certificate holder and subject to the authority of the Commission. (Section 313.1008)

Certificate holders shall ensure that the certificate holder's surveillance system covers all areas in which sports wagering is conducted, allow the Commission to be present through gaming agents during the hours sports wagering is conducted, ensure that individuals under the age of 21 are not making sports wagers, provide certain information to sports wagering patrons, and post a sign indicating the minimum and maximum amounts that may be wagered. (Section 313.1004) Subject to the approval of the Commission, a certificate holder may contract with a third party to conduct sports wagering at the certificate holder's licensed facility. (Section 313.1008) An interactive sports wagering platform, as defined in the act, may apply to the Commission for authority to offer sports wagering on behalf of a certificate holder. Such interactive sports wagering platform shall submit an application fee of \$25,000. Each year after licensure, an interactive sports wagering platform shall submit an annual license renewal fee of \$50,000. (Section 313.1010)

Sports wagering commercial activity, defined as any operation, promotion, signage, advertising, or other business activity relating to sports wagering, shall be prohibited within designated sports and entertainment districts, as defined in the act, without a written waiver from each designated sports and entertainment district entity located within such district. (Section 313.1003.3) The Commission shall promulgate rules for a sports wagering self-exclusion program, as described in the act. The Commission shall also promulgate rules to ensure that advertisements for sports wagering do not target minors or other persons who are ineligible to place wagers, problem gamblers, or other vulnerable persons. (Section 313.1012)

The Commission shall conduct background checks on individuals seeking licenses under the act. Such background checks shall include a search for criminal history and any charges or convictions involving corruption or manipulation of sporting events.

The Commission shall determine what, if any, restrictions, limits, or exclusions shall be imposed on tier two sports wagers placed on non-exhibition games or events of professional sports organizations or the NCAA. Such restrictions shall not apply to tier one sports wagers on non-exhibition games or events of professional sports organizations, as defined in the act.

Certificate holders may use any data source to determine the results of tier one sports wagers, provided the data is not obtained directly or indirectly from live event attendees or through automated computer programs. Certificate holders shall use official league data to determine the results of tier two wagers, unless the certificate holder can demonstrate to the Commission that the sport's governing body or its designee cannot provide a feed of official league data to the certificate holder on commercially reasonable terms. Certificate holders shall not purchase or utilize any personal biometric data of an athlete, as defined in the act, without written permission from the athlete's exclusive bargaining representative.

The Commission and certificate holders shall cooperate with investigations conducted by law enforcement agencies. (Section 313.1014)

A certificate holder shall maintain records of all bets and wagers placed through an interactive sports wagering platform, and all bets and wagers placed in person that exceed \$10,000 in a 24-hour period, including personally identifiable information of the bettor, the amount and type of bet, the time the bet was placed, the location of the bet, the outcome of the bet, and records of abnormal betting activity for at least three years after the sporting event occurs. (Section 313.1016)

Any person who knowingly violates any procedure implemented under this act 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. Such person shall also be subject to actions and penalties provided under current law, provided that any such financial penalties shall not exceed those provided for in the act.

Any person who places, or causes to be placed, a bet or wager on the basis of material nonpublic information relating to that bet or wager, or who knowingly engages in, facilitates, or conceals conduct that intends to improperly influence a betting outcome of a sporting event for purposes of financial gain in connection with betting or wagering on a sporting event shall be guilty of a Class E felony. The term "material nonpublic information" shall include personal biometric data. (Section 313.1018)

A tax is imposed at a rate of 21.0% on the adjusted gross receipts received from sports wagering conducted by a certificate holder. Such tax shall be remitted by the last business day of each month. Revenues received from the tax shall be deposited in the Gaming Proceeds for Education Fund.

A certificate holder shall also pay to the Commission an annual administrative fee of \$50,000. In addition to such administrative fee, a certificate holder shall pay to the Commission a fee of \$10,000 every five years for a reinvestigation of the certificate holder. Such fees shall be deposited in the Gaming Commission Fund. (Section 313.1021)

All sports wagers placed under this act shall be deemed to be initiated, received, and otherwise made on the property of an excursion gambling boat in this state. The intermediate routing of electronic data shall not determine the location or locations in which such wager is initiated, received, or otherwise made. (Section 313.1022)

The Commission shall establish a hotline or other method of communication that allows any person to confidentially report information about any conduct that the person believes is a violation of the provisions of this act. The Commission shall investigate all reasonable allegations and shall refer allegations that it deems credible to the appropriate law enforcement agency.

Sports wagering operators, sports governing bodies, professional sports franchises, and higher education institutions shall not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee because of any lawful act performed by the employee to provide information, cause information to be provided, or otherwise assist in an investigation regarding any conduct which the employee reasonably believes constitutes a violation of the provisions of this act. An employee may bring an action at law or equity for relief from a violation of this provision, as described in the act. Such action shall be commenced not later than one hundred eighty days from the later of the date on which the violation occurs or the date on which the employee became aware of the violation. (Section 313.1024)

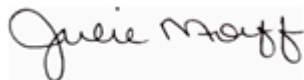
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

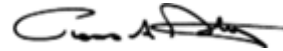
Attorney General's Office
Office of Administration - Budget and Planning
Department of Higher Education and Workforce Development
Department of Corrections
Department of Revenue
Department of Public Safety
 Missouri Gaming Commission
 Missouri Veterans Commission
 Division of Alcohol and Tobacco Control
Department of Social Services
Office of Administration
Office of the Secretary of State
Office of the State Public Defender
Department of Elementary and Secondary Education
Department of Mental Health
Office of the State Treasurer
Joint Committee on Administrative Rules
Missouri Lottery Commission

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Missouri Office of Prosecution Services
Office of the State Courts Administrator
University of Missouri
Missouri State University
Northwest Missouri State University
State Technical College of Missouri
University of Central Missouri
City of Springfield
City of Corder
City of Ballwin
Crestwood Police Department
Ellisville Police Department
Kansas City Police Department
Springfield Police Department
St. Louis Police Department



Julie Morff
Director
March 9, 2021



Ross Strobe
Assistant Director
March 9, 2021