

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5311H.02I
 Bill No.: HJR 127
 Subject: Gambling; Boats and Watercraft; Constitutional Amendments; Business and Commerce; Licenses - Miscellaneous
 Type: Original
 Date: April 25, 2022

Bill Summary: This legislation proposes a constitutional amendment authorizing excursion gambling boats and floating facilities on the Osage River.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|---|------------|------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| General Revenue* | \$0 or (More than \$7,000,000) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | \$0 or (More than \$7,000,000) | \$0 | \$0 |

*The potential fiscal impact of “(More than \$7,000,000)” would be realized **only** if a special election were called by the Governor to submit this joint resolution to voters.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|--|---|---|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| Gaming Commission Fund | \$0 or (\$287,230) | \$0 or (\$719,237) | \$0 or (\$741,294) |
| Gaming Proceeds for Education Fund | \$0 or \$6,678,101 | \$0 or \$13,356,202 | \$0 or \$13,356,202 |
| Highway Fund | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 or Could exceed \$6,390,871 | \$0 or Could exceed \$12,636,965 | \$0 or Could exceed \$12,614,908 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| Gaming Commission Fund | 0 or 12 FTE | 0 or 12 FTE | 0 or 12 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 0 or 12 FTE | 0 or 12 FTE | 0 or 12 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 2023 | FY 2024 | FY 2025 |
| | | | |
| Local Government* | \$0 or \$1,814,416 | \$0 or \$3,628,832 | \$0 or \$3,628,832 |

*Transfer out and transfer in net to zero **if** the Governor calls a special election in FY 2023.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (MGC)** state this bill adds two new paragraphs to Article III, Section A, Section 39(e) of the Missouri Constitution, allowing one additional excursion gambling boat or floating facility (riverboat casino) to be licensed in Missouri. The additional casino could be located upon the Osage River between the Missouri River and the Bagnell Dam in Lake Ozark, Missouri. Similar to existing casinos in Missouri, the new casino must “include artificial spaces that contain water and that are within 1,000 feet of the closest edge of the main channel of the [Osage] river.”

The Missouri Gaming Commission (MGC) is basing its estimates on anticipated gaming revenues, taxes, and fees for an additional casino to be licensed in Missouri on the Century Casino Cape Girardeau in Cape Girardeau, Missouri. The MGC believes that casino would be comparable in size and volume of traffic to one that might be located on the Osage River, likely near Lake of the Ozarks.

Anticipated revenue streams from an additional casino include initial licensing and renewal fees for the Class A Licensee (parent company), the Class B Licensee (Casino Company), Key Persons and Level I licensees (management), and Level II occupational licensees working at the casino. These fees would be paid to the MGC and deposited into the Gaming Commission Fund and distributed according to section 313.835. The MGC estimates collecting fees totaling \$271,000 in the first year, followed by ongoing fee collections of \$63,100 each year thereafter.

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

| | Fee Amount | FY 2023 | FY 2024 | FY 2025 | Fund to Deposit |
|--|-------------------|------------------|-----------------|-----------------|-------------------------------|
| Class A License Fee – Initial Fee | \$50,000 | \$50,000 | \$0 | \$0 | Gaming Commission Fund |
| Class A License Fee – Annual Fee | \$25,000 | \$0 | \$25,000 | \$25,000 | Gaming Commission Fund |
| Key Persons- Initial Fee – Estimate 10 | \$15,000 | \$150,000 | \$0 | \$0 | Gaming Commission Fund |
| Key Persons- Initial Annual Fee- Estimate 10 | \$250 | \$0 | \$2,500 | \$2,500 | Gaming Commission Fund |
| Class B License Fee – Initial Fee | \$50,000 | \$50,000 | | | Gaming Commission Fund |
| Class B License Fee – Annual Fee | \$25,000 | \$0 | \$25,000 | \$25,000 | Gaming Commission Fund |
| Level 1 License Fee – Initial Fee – Estimate 6 | \$1,000 | \$6,000 | \$0 | \$0 | Gaming Commission Fund |
| Level 1 License Fee – Annual Fee – Estimate 6 | \$100 | \$0 | \$600 | \$600 | Gaming Commission Fund |
| Level 2 License Fee – Initial Fee – Estimate 200 | \$75 | \$15,000 | \$0 | \$0 | Gaming Commission Fund |
| Level 1 License Fee – Annual Fee – Estimate 200 | \$50 | \$0 | \$10,000 | \$10,000 | Gaming Commission Fund |
| Total Fees Collected | | \$271,000 | \$63,100 | \$63,100 | Gaming Commission Fund |

The **MGC** estimates gaming taxes generated from one more casino, based on the current 21% tax on annual gross revenue, to be an additional \$14,840,224, and admission fees to be an extra

\$2,144,810 each year, resulting in additional \$16,985,034 revenue annually. These numbers are based on the FY 2021 MGC Annual Report using Century Casino Cape Girardeau data.

MGC notes that 90% of AGR goes to the state (Gaming Proceeds for Education Fund, 0285) and 10% goes to Local Home Dock. MGC also notes that 50% of admission fees go to the state (Missouri Gaming Commission Fund, 0286) and 50% goes to Local Home Dock.

Oversight currently does not have the data or resources available to produce independent revenue projections or 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 use the estimate provided by MGC,

| Annual Revenue from Gambling Boat | Total | State Portion (90% of AGR tax) (50% of admission fee) | Local Home Dock (10% of AGR tax) (50% of admission fee) |
|--|---------------------|--|--|
| Estimated Gaming Tax – 21% of AGR | \$14,840,224 | \$13,356,202 | \$1,484,022 |
| Estimated Admission Fees | \$2,144,810 | \$1,072,405 | \$1,072,405 |
| Total Received Annually | \$16,985,034 | \$14,428,607 | \$2,556,427 |

The **MGC** also estimates needing three FTE positions if another casino is opened, namely, one Electronic Gaming Device Specialist I (at \$52,337 annually), one Gaming Financial Analyst I (at \$64,452 annually), and one Administrative Support Professional – Licensing I (at \$40,259 annually). The total first year cost of hiring for these three positions is estimated to be \$272,471.54, with a second year and ongoing cost of \$260,024.48. Additional MGC operational expenses for the additional casino are estimated to total \$292,485.72.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the FTE as estimated by MGC in the fiscal note.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state that through the existing MOU with the MSHP, additional troopers would be added to the Gaming Division to provide the support for the enforcement of criminal activity and gaming regulations at the new casino. The MGC estimates there would be eight to nine additional troopers assigned to this new excursion gambling boat.

The Patrol is tasked with enforcing gaming regulations at Missouri’s 13 casinos. This proposed legislation would add an additional casino in Missouri. The Patrol would have expenses related to staffing an additional casino. Using the current staffing model, the Patrol anticipates it would take nine Sergeants to staff an additional casino.

In addition to the expense indicated for the nine Sergeants that will be transferring from the Highway fund, it is assumed there will be some savings to the Highway fund as those nine formerly Highway-funded Sergeants are ultimately replaced by nine 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.

Oversight will reflect the estimated FTE MHP cost to the Gaming Commission Fund as well as an unknown savings to the Highway Fund.

Oversight will reflect all revenue and cost as a range from “\$0” (this joint resolution does not pass a vote of the people OR no investors apply to put a casino on the Osage River) or the revenue or cost estimate provided by MGC and MHP. If this proposal passes, Oversight assumes a new license would not be issued until January, 2023 (at the absolute earliest) and therefore will only reflect 6 months of revenue and FTE cost in FY 2023.

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

For the FY22 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

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 their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from **Kansas City** state the cost to conduct an election in the Kansas City portion of Jackson County is \$625,000. The State is responsible for their pro-rata share based on voter registration.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2023. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2022 and the next scheduled general election is in November 2022 (both in FY 2023). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2023.

Rule Promulgation

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 (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue, Jackson County, Platte County and St. Louis County** each assume the proposal will have no fiscal impact on their 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 – State Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 |
|---|--|---------------------------|---------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Transfer Out – SOS – reimbursement of Local Election Authorities election costs if special election is called for by the Governor p. 6</u> | \$0 or (More than \$7,000,000) | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>\$0 or (More than \$7,000,000)</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| | | | |
| GAMING COMMISSION FUND (0286) | | | |
| <u>Revenue – MGC Licensing Fees p. 3-4</u> | \$0 or \$271,000 | \$0 or \$63,100 | \$0 or \$63,100 |
| <u>Revenue – MGC Admission Fees (50% of total) p. 5</u> | \$0 or \$536,202 | \$0 or \$1,072,405 | \$0 or \$1,072,405 |
| <u>Cost - MGC p. 5</u> | | | |
| Salaries | \$0 or (\$65,436) | \$0 or (\$160,189) | \$0 or (\$163,393) |
| Fringe Benefits | \$0 or (\$80,861) | \$0 or (\$98,086) | \$0 or (\$99,160) |
| Equipment and Expense | \$0 or (\$9,831) | \$0 or (\$9,802) | \$0 or (\$9,998) |
| Other Cost | \$0 or (\$10,007) | <u>\$0</u> | <u>\$0</u> |
| <u>Total Cost – MGC</u> | <u>\$0 or (\$166,135)</u> | <u>\$0 or (\$268,077)</u> | <u>\$0 or (\$272,551)</u> |
| FTE Change – MGC | 0 or 3 FTE | 0 or 3 FTE | 0 or 3 FTE |
| | | | |
| <u>Cost – MHP p. 5</u> | | | |
| Salaries | \$0 or (\$321,300) | \$0 or (\$778,831) | \$0 or (\$786,620) |
| Fringe Benefits | \$0 or (\$286,085) | \$0 or (\$693,471) | \$0 or (\$700,406) |
| Equipment and Expense | <u>\$0 or</u> | <u>\$0 or</u> | <u>\$0 or</u> |

| | | | |
|---|---|--|--|
| | <u>(\$320,912)</u> | <u>(\$114,363)</u> | <u>(\$117,222)</u> |
| <u>Total Cost – MHP</u> | <u>\$0 or</u> <u>(\$928,298)</u> | <u>\$0 or</u> <u>(\$1,586,665)</u> | <u>\$0 or</u> <u>(\$1,604,248)</u> |
| FTE Change – MGC | 0 or 9 FTE | 0 or 9 FTE | 0 or 9 FTE |
| | | | |
| ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND (0286) | <u>\$0 or</u> <u>(\$287,230)</u> | <u>\$0 or</u> <u>(\$719,237)</u> | <u>\$0 or</u> <u>(\$741,294)</u> |
| | | | |
| Estimated Net FTE Change to the Gaming Commission Fund | 0 or 12 FTE | 0 or 12 FTE | 0 or 12 FTE |
| | | | |
| | | | |
| | | | |
| GAMING PROCEEDS FOR EDUCATION FUND (0285) | | | |
| | | | |
| <u>Revenue – MGC</u> 90% of 21% AGR tax p. 5 | <u>\$0 or \$6,678,101</u> | <u>\$0 or</u> <u>\$13,356,202</u> | <u>\$0 or</u> <u>\$13,356,202</u> |
| | | | |
| ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND | <u>\$0 or \$6,678,101</u> | <u>\$0 or</u> <u>\$13,356,202</u> | <u>\$0 or</u> <u>\$13,356,202</u> |
| | | | |
| | | | |
| HIGHWAY FUND | | | |
| | | | |
| <u>Savings – MHP</u> Probationary Trooper Replacement p. 5 | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> |
| | | | |
| ESTIMATED NET EFFECT TO THE HIGHWAY FUND | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> |
| | | | |

| <u>FISCAL IMPACT – Local Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 |
|--|--------------------------------------|-------------------------------|-------------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Revenue</u> – Home Dock 10% of 21% AGR tax p. 5 | \$0 or \$1,278,214 | \$0 or \$2,556,427 | \$0 or \$2,556,427 |
| <u>Revenue</u> – Home Dock 50% of admission fees p. 5 | \$0 or \$536,202 | \$0 or \$1,072,405 | \$0 or \$1,072,405 |
| <u>Transfer In</u> - Local Election Authorities reimbursement of election costs by State for a special election p. 6 | \$0 or More than \$7,000,000 | \$0 | \$0 |
| <u>Costs</u> - Local Election Authorities cost of a special election if called for by the Governor p. 6 | \$0 or (More than \$7,000,000) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 or \$1,814,416 | \$0 or \$3,628,832 | \$0 or \$3,628,832 |

FISCAL IMPACT – Small Business

There could be some positive impact to small businesses near the gaming facility.

FISCAL DESCRIPTION

This proposal would increase Total State Revenue.

Currently, excursion gambling boats and floating facilities may offer lotteries, gift enterprises, and games of chance upon the Mississippi and Missouri Rivers only, and no additional excursion gambling boat licenses may be authorized by the Missouri Gaming Commission. Upon voter approval, this proposed Constitutional amendment changes the Constitution of Missouri to allow lotteries, gift enterprises, and games of chance to be conducted on excursion gambling boats and floating facilities licensed by the Commission upon portions of the Osage River from the Missouri River to the Bagnell Dam as specified in the House Joint Resolution. Further, the Commission shall issue one excursion gambling boat license in addition to those licenses that have been authorized prior to January 1, 2022.

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

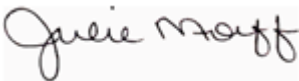
L.R. No. 5311H.021

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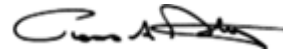
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Department of Revenue
Department of Public Safety
Missouri Gaming Commission
Missouri Highway Patrol
Office of the Secretary of State
Jackson County
Kansas City
Platte County
St. Louis County
Missouri Lottery Commission



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