

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3107S.01I
Bill No.: SB 852
Subject: Gambling
Type: Original
Date: January 22, 2024

Bill Summary: This proposal authorizes sports wagering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
General Revenue Fund	(\$100,445)	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$100,445)	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Gaming Commission Fund (0286)	(\$1,632,138)	(\$2,016,567)	(\$2,039,626)	(Could exceed \$2,039,626)
Gaming Proceeds for Education Fund (0285)	\$8,250,809	\$23,992,580	\$33,658,124	\$41,678,928
Highway Fund (0644)	Unknown	Unknown	Unknown	Unknown
Compulsive Gamblers Fund (0249)	Could exceed \$772,417	Could exceed \$721,438	Could exceed \$715,867	Could exceed \$710,205
College & University	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	Could exceed \$7,391,088	Could exceed \$22,697,451	Could exceed \$32,334,365	Could exceed \$40,349,507

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Gaming Commission Fund – MGC	15 FTE	15 FTE	15 FTE	15 FTE
Gaming Commission Fund - MHP	6 FTE	6 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	21 FTE	21 FTE	21 FTE	21 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 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Local Government	Could exceed \$916,757	Could exceed \$2,665,842	Could exceed \$3,739,792	Could exceed \$4,630,992

FISCAL ANALYSIS

ASSUMPTION

§§ 313.800 - 313.1022 - Sports Wagering

Officials from the **Missouri Gaming Commission (MGC)** assume the following:

Section 313.813

MGC assumes this section permits the Missouri Gaming Commission to promulgate rules allowing a person to voluntarily exclude themselves from a licensed facility or platform regulated under Sections 313.1000 to 313.1022, RSMo. It is also assumed this section requires a person that has self-excluded and has placed a wager under Section 313.1000 to 313.1022, RSMo, to forfeit his or her winnings, which shall be deposited to the Compulsive Gamblers Fund.

Oversight will present Unknown income to the Compulsive Gamblers Fund for winnings forfeited by persons who placed themselves on the voluntary exclusion list. It is unknown whether these forfeited amounts will be over or under \$250,000 per year.

Section 313.842

MGC states this section requires programs that provide treatment, prevention, recovery, and education services for compulsive gambling to be established. This section adds that funding for such programs may be from funds appropriated by the General Assembly and requires the Missouri Gaming Commission to administer programs that educate the public about compulsive gambling and to promote treatment programs.

It requires the Missouri Gaming Commission, beginning January 1, 2025, to conduct a socioeconomic study on the impact of gaming every 5 years and to submit the results of the study to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The proposal requires the Gaming Commission to also make the results readily available to the public.

MGC anticipates needing to contract with a third party to prepare the report due to the Gaming Commission lacking personnel with the necessary expertise to generate such a report. The Gaming Commission anticipates that the cost of each report will be \$500,000.

Oversight will present the cost of this report to the Gaming Commission Fund.

Section 313.1000

MGC states this section of the proposal defines terms used in Sections 313.1000 to 313.1022, RSMO, including: “adjusted gross receipts”, “certificate holder,” “certificate of authority,” “commercially reasonable terms,” “commission,” “covered persons,” “department,” “designated

sports district”, “designated sports district mobile licensee”, “esports”, “excursion gambling boat”, “gross receipts”, “interactive sports wagering platform”, “interactive sports wagering platform operator”, “licensed applicant”, “licensed facility”, “licensed supplier”, “occupational license”, “official league data”, “person”, “personal biometric data”, “professional sports team entity”, “prohibited conduct”, “sports governing body”, “sports wagering or sports wager (adds esports and includes types of bets)”, “sports wagering commercial activity”, “sports wagering device or sports wagering kiosk”, “sports wagering operator or operator”, “sports wagering supplier”, “supplier’s license”, “tier 1 bet” and “tier 2 bet”.

Section 313.1002

MGC states this section exempts the State of Missouri from the provisions of 15 U.S.C. Section 1172, and legalizes all shipments of gaming devices, including devices capable of accepting sports wagers, into Missouri, and excludes point-of-contact devices or kiosks from being considered gambling devices.

Section 313.1003

This section states that only a certificate holder may offer sports wagering in Missouri and that such a certificate holder may offer sports wagering on a licensed excursion gambling boat or over the internet via an interactive sports wagering platform to persons physically located in Missouri. This provision prohibits sports wagering commercial activity within a designated sports district without the approval of the applicable professional sports team entity, excluding offering sports wagering over the internet via an interactive sports wagering platform accessible to people physically located within the designated sports district.

Section 313.1004

The provisions of this section grants the Missouri Gaming Commission the power to regulate sports wagering and to adopt any necessary rules. In addition, this section requires the MGC to establish a hotline for people to confidentially report prohibited conduct and requires the MGC to investigate all reasonable allegations of misconduct and refer any deemed credible allegations to appropriate law enforcement.

Section 313.1006

MGC states this section requires a licensed applicant holding an excursion gambling boat license who wishes to also be a licensed sports wagering operator to submit an application (on forms proscribed by the Gaming Commission) to the Gaming Commission and pay an initial application fee of up to \$100,000 (deposited into the gaming commission fee). Upon receipt of the application and fee, requires the Gaming Commission to issue a certificate of authority to the applicant to conduct sports wagering.

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

Section 313.1008

MGC assumes .2 of this section permits a licensed facility that is an excursion gambling boat to offer sports wagering through up to three (3) individually branded interactive sports wagering

platforms. In addition, this subsection permits a sports wagering operator to operate the interactive sports wagering platforms or to contract with a platform operator to do so. The total number of platforms utilized by one owner of a licensed facility is limited to 6.

.3 of this section permits each designated sports district mobile licensee to offer sports wagering through one interactive sports wagering platform, but the licensee must be licensed by the Gaming Commission as an interactive sports wagering platform operator.

MGC assumes the Sports District Mobile Licensee application fee of \$150,000. (Sports District Mobile Licensee will be licensed as an Interactive Sports Wagering Platform Operator, which is required to pay \$150,000 application fee under Section 313.1010, RSMo. **MGC** assumes this fee will be deposited into the Gaming Commission Fund, however, the legislation is not clear on what fund this will be deposited into.

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

.4 requires that any in-person or kiosk sports wagering only be conducted in a licensed facility that is an excursion gambling boat.

.5 permits sports wagering to be conducted with chips, tokens, electronic cards, cash, cash equivalents, debit or credit cards, other negotiable currency, online payment services, automated clearing houses, promotional funds or other approved means. This subsection also requires a sports wagering operator to determine a minimum wager amount and permits it to determine a maximum wager amount.

Section 313.1010

MGC assumes this section requires an interactive sports wagering platform operator that offers sports wagering on behalf of a licensed facility to be licensed and have a contract with the licensed facility. It is also assumed the provisions require a prospective interactive sports wagering platform operator to submit an application to the Gaming Commission and pay an initial application fee of up to \$150,000. The provisions also require a licensed interactive sports wagering platform operator to pay an annual renewal fee of up to \$125,000, which is to be deposited into the gaming commission fund and makes an application relating to sports wagering and all related submitted materials confidential.

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

Section 313.1011

MGC assumes this provision permits the Gaming Commission to issue a supplier's license to a sports wagering supplier, permits a licensed sports wagering supplier to provide its services under a fixed-fee or a revenue sharing agreement, and permits the Gaming Commission to, at the request of a sports wagering supplier license applicant, issue a provisional license to the applicant as long as the applicant has submitted a complete application and has paid the required application fee and to promulgate any necessary rules to do so.

The provisions require a sports wagering supplier license applicant to disclose the identity of: 1) the applicant's principal owners who directly own 10% or more of the applicant; 2) each holding, intermediary, or parent company that directly owns fifteen percent or more of the applicant; and 3) the applicant's CEO and CFO, or their equivalents. In addition, the provisions waive having to disclose government-created entities and investment funds or entities registered with the Securities and Exchange Commission that are direct or indirect shareholders of the applicant.

Oversight contacted MGC officials and determined there are no licensed sports wagering "operators". Therefore, there will be no fees collected for this provision of the proposal.

Section 313.1012

MGC notes the provisions of this section require a sports wagering operator to verify that a person placing a wager is of the legal age limit (21 years old), requires the Gaming Commission to establish an online method for a player to apply for placement in the self-exclusion program and requires the sports wagering operator to include a link to the self-exclusion application on all sports wagering platforms.

The provisions require the Gaming Commission to adopt rules to ensure that advertisement for sports wagering: 1) do not knowingly target minors or other ineligible persons, problem gamblers or other vulnerable people; 2) disclose the sports wagering operator's identity; 3) provide information about and links to gambling addiction resources; 4) are not false, misleading or deceptive; 5) are not included on internet sites or pages dedicated to compulsive or problem gambling; and 6) include responsible gambling messages and nationally recognized problem gambling helpline number in all promotional activities.

The Gaming Commission is required to establish penalties for advertisement violations of not less than \$10,000 but not more than \$100,000.

Oversight notes that violations of section 313.1012 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fine varies widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to 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.

Section 313.1014

MGC assumes the Gaming Commission is required to conduct a background check that includes a search for criminal history and any charges or convictions involving corruption or manipulation of sporting events. The background investigation is required to be consistent with the provisions of Section 313.810, RSMo.

Among other requirements, the provisions of this section require a sports wagering operator to adopt procedures to obtain personally identifiable information from any individual that makes a single wager while physically present in casino of \$10,000 or more, requires the Gaming Commission and sports wagering operators to cooperate with investigations conducted by law enforcement or sports governing bodies, requires a sports wagering operator to **promptly** report to the MGC criminal or disciplinary proceedings, illegal bets, abnormal wagering activating, any other conduct that corrupts the wagering outcome and suspicious or illegal wagering activities. Sports wagering operators are prohibited from offering wagers at an elementary or secondary school athletic or sporting event.

Oversight assumes background check fee costs are included in the application fees paid by licensees to MGC. Based on discussions with MGC and MHP officials, it is assumed the number of background checks will not have a significant impact on the either agency.

Per MHP’s website, fingerprint-based background checks currently cost \$41.75 per applicant. The fee consists of:

State	\$22.00 (\$20 state fee + \$2 pass through fee from the FBI)
Vendor fee	\$ 8.50
Federal	<u>\$11.25</u> (\$13.25 - \$2 pass through fee paid to the State)
	<u>\$41.75</u>

Therefore, \$22 of every fingerprint-based background check is deposited into the Criminal Records System Fund (0671). Since the amount of fees paid to the Criminal Records System Fund by MGC is not expected to be significant, Oversight assumes minimal fiscal impact and will not include these fees for fiscal note purposes.

Section 313.1016

MGC assumes a sports wagering operator is required to maintain certain specified records relating to a sports wager over \$10,000 made in person as well as maintaining records related to all sports wagers made via an interactive sports wagering platform. A sports operator is required to make maintained records and information available at the request of the Gaming Commission.

Section 313.1018

MGC assumes this section removes liability from a sports wagering operator for disclosing information required under Sections 313.1000 – 313.1022, RSMo, or for refusing to disclose information not required to be disclosed by Sections 313.100 – 313.1022, RSMo.

Section 313.1021

MGC assumes the following for this section:

.1 - Imposes a 12% wagering tax on a sports wagering operator’s adjusted gross receipts received from sports wagering. If an interactive sports wagering platform operator is contracted to

conduct sports wagering either at a licensed facility (that is an excursion gambling boat) or through an interactive sports wagering platform, then it may pay the imposed 12% tax.

.2 - Requires the imposed 12% tax to be paid no later than one day prior to the last business day of the month following the month in which the taxes were generated. If a month where the sports wagering operator's adjusted gross receipts was negative, the operator is permitted to carry over the negative amount for a period of 12 months.

.3 - Requires the imposed tax be paid to the Department of Revenue by an electronic funds transfer by an automated clearing house.

.4 - Requires that the received tax be deposited into the State Treasury to the credit of "Gaming Proceeds for Education Fund."

.5 - Imposes an annual renewal fee of up to \$50,000 to be paid by a licensed facility that is an excursion gambling boat, which is to be paid on the anniversary date of issuance of the license and on each anniversary date thereafter. The received fees are required to be paid into the gaming commission fund. Requires a certificate holder to also pay a \$10,000 reinvestigation fee every 4 years, which such fee is required to be paid into the gaming commission fund.

.6 – Subject to appropriation, requires \$1,000,000 be appropriated from the gaming commission fund and credited annually to the compulsive gamblers fund.

Section 313.1022

MGC assumes that sports wagers will be deemed initiated, received, and otherwise made on the property of an excursion gambling boat. The provisions require, to the extent required by federal law, that servers necessary for the placement and resolution of sports wagers be physically located within a licensed facility that is an excursion gambling boat. In addition, the provisions state that the intermediate routing of electronic data relating to sports wagers shall not determine the location or locations in which sports wagers are initiated, received, or otherwise made.

MGC Fiscal Impact

MGC states for sections 313.1000 to 313.1022, RSMo, which authorizes retail (in-person) and online sports wagering, the Missouri Gaming Commission estimates a total of 24 applicants for sports wagering licenses, to include the 13 current excursion gambling boats, 8 sportsbook providers that would offer the interactive platforms for sports wagering and 3 sports district mobile licensees. Based on the aforementioned assumption, the Missouri Gaming Commission estimates collecting the following fee amounts to be paid into the Gaming Commission Fund: \$2,950,000 for the first year (FY25), \$2,025,000 for the second year (FY26), \$2,025,000 for the third year (FY27), \$2,155,000 for the fourth year (FY28) and \$2,025,000 for the fifth year (FY29). These estimates are based on the belief that all excursion gambling boats (13) will apply for a Certificate of Authority, there are 8 sports wagering operators that will seek a Sports Wagering Platform License, and that 3 Sports District Mobile applications will see licenses.

These numbers are subject to adjustment depending on the number of Sports Wagering Platform Licenses and Sports District Mobil Licenses are issued.

In calculating tax revenue estimates, the Missouri Gaming Commission used the sports wagering data from a comparable state, specifically Indiana, due it having similar population, number of casinos, geographical proximity and other demographics as Missouri.

Indiana's total adjusted receipts from sports wagering, which includes both retail (in-person) and online, was:

FY 2020 - \$84,969,839
FY 2021- \$240,503,973
FY 2022 - \$328,639,984
FY2023 - \$312,856,595

Assuming that the total adjusted gross receipts for sports wagering in Missouri will be comparable to that of Indiana, the Gaming Commission estimates that total adjusted gross receipts for sports wagering in Missouri will be:

FY 2025 - \$76,396,382
FY 2026 - \$222,153,520
FY 2027- \$311,649,297
FY 2028 - \$346,911,217
FY2029 - \$385,915,998

In determining the aforementioned estimates, a 0.25% deduction for excise tax and a 9.84% deduction for promotional wagering were made to Indiana's total adjusted gross receipts from sports wagering due to the bill's (SB 852) definition of adjusted gross receipts including such deductions for the first year of sports wagering, whereas Indiana's definition does not.

Additionally, the 9.84% deduction for promotional wagering has been adjusted so that the deduction is decreased by 25% each year as required by the new Section 313.1000.1(1)(a)d, RSMo. In other words, there is a 100% (9.84%) deduction of promotional wagering for the first year, a 75% (7.38%) deduction for the second year, a 50% (4.92%) for the third year, a 25% (2.46%) for the third year, and no deduction (0%) for the fifth year and any subsequent years.

Furthermore, the bill's (SB 852) definition of adjusted gross receipts includes deducting voided or cancelled wagers and uncollectible receivables, but such deduction was not made in determining the aforementioned tax revenue estimates because Indiana's adjusted gross receipts already include a 2% deduction for such, which the Missouri Gaming Commission estimates will be a similar amount in Missouri.

Thus, using the total adjusted gross receipts for sports wagering in Missouri estimates, the Missouri Gaming Commission estimates that the revenue from the Gaming Tax (12% of

Adjusted Gross Receipts) on sports wagering will be \$9,167,565.87 for the first year (FY25) (\$8,250,809 to the State of Missouri and \$916,757 to the Home Dock Cities or Counties), \$26,658,422 for the second year (FY26) (\$23,992,580 to the State of Missouri and \$2,665,842 to the Home Dock Cities or Counties), \$37,397,916 for the third year (FY27) (\$33,658,124 to the State of Missouri and \$3,739,792 to the Home Dock Cities or Counties), \$41,629,346 for the fourth year (FY28) (\$37,466,411 to the State of Missouri and \$4,162,935 to the Home Dock Cities and Counties) and \$46,309,920 for the fifth year (FY29) (\$41,678,928 to the State of Missouri and \$4,630,992 to the Home Dock Cities and Counties).

Oversight will reflect revenue generated from the 12% wagering tax into the Gaming Proceeds for Education Fund. (A summarized table has been provided below). Oversight will also reflect revenue generated from the renewal fee and the reinvestigation fee into the Gaming Commission Fund and a transfer from the Gaming Commission Fund into the Compulsive Gamblers Fund of \$1,000,000.

The **MGC** estimates needing fifteen (15) new FTE positions, which would result in an initial cost to the MGC of \$1,818,861 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately **\$2,182,431**, which represents 7.7% of the MGC existing budget each year (to cover the costs of MGC and MSHP Gaming Division staff plus expenses needed to license and regulate sports wagering) for a total initial cost of \$4,001,292. Additional costs included in this estimate may also encompass those associated with the development and implementation of responsible gambling programs. The total annual ongoing personnel cost, after the first year, is estimated to be \$3,943,017. Based on the application, renewal and annual administrative fees for the certificate holders and the interactive sports wagering platform providers, the total amount of fees collected will be insufficient to cover the Missouri Gaming Commission's costs to license and regulate sports wagering.

***Oversight** notes the MGC estimates that approximately 7.7% MGC's current budget (employee time, E&E, and other resources) will be used for sports wagering activities in addition to the new FTE requested. Oversight assumes this is a "reallocation" of costs/expenses between "divisions" within MGC and, therefore, will not present the estimated **\$2,182,431** as additional (other) costs against Gaming Commission's proceeds for fiscal note purposes.

State Impact - Estimated by MGC								
Provision		Fee Amount	FY25	FY26	FY27	FY28	FY29	Fund to Deposit
§313.1006(2) Certificate of Authority Application Fee (Initially) - Casino	13	\$100,000	\$1,300,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
§313.1008.3 Sports District Mobile Licensee Application Fee	3	\$150,000	\$450,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
§313.1010.2(2) Sports Wagering Platform License Application Fee (Initially)-Sportsbook Provider	8	\$150,000	\$1,200,000	\$0	\$0	\$0	\$0	Gaming Commission Fund
§313.1010.3 Sports Wagering Platform License Annual Renewal Fee-Sportsbook provider	8	\$125,000	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	Gaming Commission Fund
§313.1010.3 Sports District Mobile Licensee Annual Renewal Fee	3	\$125,000	\$0	\$375,000	\$375,000	\$375,000	\$375,000	Gaming Commission Fund
§313.1021.1.5.(1) Certificate Holder Administration Fee (Annual after the first year)	13	\$50,000	\$0	\$650,000	\$650,000	\$650,000	\$650,000	Gaming Commission Fund
§313.1021.5.(2) Certificate Holder Reinvestigation Fee (in the 4th year after sports wagering commenced and each 4th year thereafter)- Casino-	13	\$10,000	\$0	\$0	\$0	\$130,000	\$0	Gaming Commission Fund
Total Fees Collected			\$2,950,000	\$2,025,000	\$2,025,000	\$2,155,000	\$2,025,000	Gaming Commission
Wagering Tax (90%)* (§313.1021.1)			\$8,250,809	\$23,992,580	\$33,658,124	\$37,466,411	\$41,678,928	Gaming for Education
Total State Impact			\$11,200,809	\$26,017,580	\$35,683,124	\$39,621,411	\$43,703,928	
Local Impact - Estimated by MGC								
Wagering Tax (10%)* (§313.1021.1)			\$916,757	\$2,665,842	\$3,739,792	\$4,162,935	\$4,630,992	Dock Cities/Counties

*90%/10% of AGR - FY25 AGR= \$76,396,382, FY26 AGR = \$222,153,520, FY27 AGR = \$311,649,297, FY28 AGR = \$346,911,217;
 FY29 AGR=\$385,915,998

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

Section 313.1021 requires a wagering tax of twelve percent (12%) to be imposed on the adjusted gross receipts received from sports wagering conducted by a certificate holder under Sections 313.1000 to 313.1022. 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.

Currently, the excursion gaming boats send daily deposits to DOR; however, this could cause problems for a third party administrator meeting the deadlines. The Department notes if a third party is involved, the DOR would need to be notified so it would know who is responsible for the payment. These provisions are not expected to fiscally impact the Department.

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. DOR notes this would require the DOR to distribute the funds with 10% to the home dock city and the other 90% to the gaming proceeds for education fund. Since DOR currently receives its funding this way and uses this distribution system, DOR believes this would not have any additional fiscal impact.

This proposed section states that a certificate holder shall pay to the commission an annual administrative/license renewal fee of up to fifty thousand dollars (\$50,000). The fee imposed shall be due one year after the date on which the certificate holder commences sporting wagering operations under Sections 313.1000 to 313.1022, and on each annual anniversary date thereafter. The commission shall deposit the administrative fees received under this subsection in the gaming commission fund.

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 (\$10,000) to cover the costs of a full reinvestigation of a certificate holder in the fourth year after the date on which the certificate holder commences sports wagering operations under Sections 313.1000 to 313.1022 and on each fourth year thereafter. The commission shall deposit the fees received under this subdivision in the gaming commission fund.

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

Methodology used by DOR

Using the Oxford Economics report titled "Economic Impact of Legalized Sports Betting," the Department believes TSR will increase an estimated \$20.2– \$25.3 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 Missouri's 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)

\$24,264,000-\$30,396,000 (12% tax imposed on AGR)

Breakout of the 10% per Section 313.822 RSMo (when fully implemented).

10% to Dock Cities (Local) – \$2,426,000-\$3,039,600 (10% of 12% tax on Moderate Availability AGR Estimate)

90% to Gaming Proceeds for Education Fund- \$21,837,600-\$27,356,400 (90% of 12% tax on Moderate Availability AGR Estimate)

Administrative Impact

DOR assumes this legislation will result in an increase in the number of payments received. If the increase is significant, the Department will require 1 Associate Customer Service Representative FTE.

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. (MGC estimates 13 certificates of authority (current number of gambling boats) and eight wagering platforms (sportsbook providers). If each entity reports monthly there would be 252 additional returns each year.) 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 2025 only. Oversight will reflect the ITSD estimated cost of \$100,445 in FY 2025.

Oversight notes that the Missouri Gaming Commission and the Department of Revenue have 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 or to estimate the elasticity of demand for sports wagering in relation to other games of chance offered at casinos or the Missouri Lottery. Since the "Economic Impact of Legalized Sports Betting" report used by the DOR to forecast potential sports betting income was published in May 2017, Oversight will use **only the estimates provided by the MGC** for fiscal note purposes.

FY		MGC	DOR (low)	DOR (high)
2025	Sports Betting AGR	\$76,396,382	\$202,200,000	\$253,300,000
	12% tax on AGR (state portion - 90%)	\$8,250,809	\$21,837,600	\$27,356,400
	12% tax on AGR (local portion - 10%)	\$916,757	\$2,426,000	\$3,039,600
2026	Sports Betting AGR	\$222,153,520	\$202,200,000	\$253,300,000
	12% tax on AGR (state portion - 90%)	\$23,992,580	\$21,837,600	\$27,356,400
	12% tax on AGR (local portion - 10%)	\$2,665,842	\$2,426,000	\$3,039,600
2027	Sports Betting AGR	\$311,649,297	\$202,200,000	\$253,300,000
	12% tax on AGR (state portion - 90%)	\$33,658,124	\$21,837,600	\$27,356,400
	12% tax on AGR (local portion - 10%)	\$3,739,792	\$2,426,000	\$3,039,600
2028	Sports Betting AGR	\$346,911,217	\$202,200,000	\$253,300,000
	12% tax on AGR (state portion - 90%)	\$37,466,411	\$21,837,600	\$27,356,400
	12% tax on AGR (local portion - 10%)	\$4,162,935	\$2,426,000	\$3,039,600
2029	Sports Betting AGR	\$385,915,998	\$202,200,000	\$253,300,000
	12% tax on AGR (state portion - 90%)	\$41,678,928	\$21,837,600	\$27,356,400
	12% tax on AGR (local portion - 10%)	\$4,630,992	\$2,426,000	\$3,039,600

Bill as a Whole

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the MHP is tasked with enforcing gaming regulations at Missouri's thirteen (13) casinos. This proposed legislation would add sports wagering to the existing casinos and the regulation of that activity. The Patrol anticipates the need for two (2) additional FTE for background investigations and subsequent renewals for sports wagering vendors and four (4) additional FTE for enforcement duties, with two (2) positions for the St. Louis region and two (2) positions for the Kansas City region. The one time and on-going expenses would include salary, fringe, vehicles, gasoline, and related equipment. These expense and equipment costs are shown in the "Other Costs or Savings" section as it allows the Patrol to differentiate between the one time and on-going costs for the six (6) FTE.

In addition to the expense indicated for the six (6) FTE that will be transferring from Highway funded positions, it is assumed there will be an unknown savings to the Highway Fund (0644), as those two tenured troopers would be replaced with Highway funded probationary troopers.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated FTE to the Gaming Commission Fund as well as an Unknown savings to the Highway Fund.

Officials from the **Department of Mental Health (DMH)** assume the increase in gambling opportunities will increase the number of individuals who voluntarily seek treatment for a gambling problem. However, the bill does not mandate that any individual receive treatment and treatment will remain voluntary. Therefore, DMH assumes that expenditures cannot exceed the balance of the Compulsive Gamblers Fund (#0249) and no State General Revenue beyond that balance will be expended.

In FY23 DMH served approximately 25 consumers through compulsive gambling (CG) treatment services with an average cost of \$897 per consumer for a total of \$24,675.

A recent prevalence study was conducted in Missouri (Spare, K., Wiley, H. D., Mills, D. J., Lee, U., & Lewis, L. E. (2023) 2022 Missouri Gambling Prevalence Study) revealed that from a sample of 3,259 adults, 4.1% of the population or 200,000 adult Missourians met the criteria for a Gambling Disorder, and an additional 20.8% (or 1 million adult Missourians) were at risk for a gambling disorder. According to the journal *Addiction*, by the Society for the Study of Addiction, 1 in 5 people with problem gambling had sought help for problem gambling. Other more conservative research studies estimate 10% of individuals with a gambling disorder seek treatment.

Based on the recent prevalence study, if even .05% of the estimated total of Missourians meeting the criteria for a gambling disorder sought treatment, the number would be equal to 1,000 individuals. Based on our current numbers and in the event of serving 100 individuals with an average cost per consumer at \$987 for FY23, it would equate to \$98,700.

Currently, DMH has seven (7) certified compulsive gambling treatment providers; this number would likely need to increase over time along with the need for additional compulsive gambling counselors. DMH estimates 25 new compulsive gambling counselors will be needed throughout the state, with initial cost for training new counselors estimated at \$8,000 in FY 25. If additional advertising is needed, 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 **\$227,583** in FY 25. For FY 26, the cost would be \$278,562 and in FY 27, the cost would be \$284,133 or more based upon the need for compulsive gambling services.

Oversight notes section 313.1021.6 requires \$1,000,000 be appropriated from the Gaming Commission Fund and credited annually to the Compulsive Gamblers Fund. In addition, gamblers that have signed a voluntarily exclusion document will forfeit winnings and the winnings will be credited to the Compulsive Gamblers Fund. It is unknown how much in winnings may be forfeited but Oversight assumes the amount could exceed \$250,000 annually.

Oversight will reflect the estimated cost provided by DMH and will also reflect the transfers of monies as required by Section 313.1021.6.

The balance of the Compulsive Gamblers Fund (0249) was \$103,805 on July 1, 2023 and \$102,884 on December 31, 2023.

Officials from the **University of Missouri System (UM)** state this proposal will have a significant financial impact due to increased monitoring and educational requirements.

Officials from the **University of Central Missouri (UCM)** state there would be a fiscal impact as UCM believes it would need to implement a SA gambling education and/or monitoring software. There could be potential lost revenue if student-athletes were found to be gambling. There could be potential increased revenue if there was a revenue share model with the bill.

Oversight does not have any information to the contrary. Due to the limited number of colleges and universities responding to this proposal, Oversight will reflect an Unknown cost to College and University Funds. Oversight assumes the impact could exceed \$250,000 annually

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. However, the AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO 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 AGO for fiscal note purposes.

Officials from the **Missouri Office of Prosecution Services (MOPS)** assume the proposal will have no measurable fiscal impact on MOPS. The creation of a new crime (313.1014.3(2)) creates additional responsibilities for county prosecutors which may, in turn, result in additional costs, which are difficult to determine.

Officials from the **Office of Administration - Budget and Planning** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal.

Officials from the **Office of Administration**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, the **City of Kansas City**, **Northwest Missouri State University**, the **Missouri Lottery** and the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

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** 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 their office can sustain with their 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, county officials and colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2029)
GENERAL REVENUE FUND				
<u>Cost – DOR (§§313.1000 – 313.1022) Tax collection database p. 14</u>	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$100,445)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GAMING COMMISSION FUND (0286)				
<u>Revenue - MGC (§§313.1006 – 313.1011) Annual and Renewal Fees p. 6 & 12</u>	\$2,950,000	\$2,025,000	\$2,025,000	\$2,025,000
Reinvestigation Fees - (§313.1021) - \$130,000 not shown because occurs in FY2028 p. 9	\$0	\$0	\$0	\$0
<u>Cost – MGC (§§ 313.800 - 313.1022) p. 11</u>				
Personal Services	(\$823,647)	(\$988,376)	(\$988,376)	(\$988,376)
Fringe Benefits	(\$495,291)	(\$594,349)	(\$594,349)	(\$594,349)
Equipment and Expenses	(\$206,762)	(\$177,860)	(\$177,860)	(\$177,860)
Socioeconomic study p. 4	(\$500,000)	\$0	\$0	\$0
Other Cost* p.11	\$0	\$0	\$0	\$0
<u>Total Cost – MGC</u>	<u>(\$2,025,700)</u>	<u>(\$1,760,585)</u>	<u>(\$1,760,585)</u>	<u>(\$1,760,585)</u>
FTE Change – MGC	15 FTE	15 FTE	15 FTE	15 FTE

GAMING COMMISSION FUND (continued)				
Cost – MHP (§§ 313.800 - 313.1022) p. 16				Could exceed...
Personal Services	(\$498,240)	(\$609,846)	(\$622,043)	(\$622,043)
Fringe Benefits	(\$443,683)	(\$543,068)	(\$553,929)	(\$553,929)
Other Cost	(\$614,515)	(\$128,069)	(\$128,069)	(\$128,069)
Total Cost – MHP	(\$1,556,438)	(\$1,280,982)	(\$1,304,041)	(\$1,304,041)
FTE Change – MHP	6 FTE	6 FTE	6 FTE	6 FTE
<u>Transfer Out</u> – to Compulsive Gamblers Fund (§313.1021) p. 8-9	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	(\$1,632,138)	(\$2,016,567)	(\$2,039,626)	(Could exceed \$2,039,626)
Estimated Net FTE Change to the Gaming Commission Fund	21 FTE	21 FTE	21 FTE	21 FTE
GAMING PROCEEDS FOR EDUCATION FUND (0285)				
<u>Revenue</u> - (§313.1021) - 90% of the 12% Wagering Tax p. 9-12	\$8,250,809	\$23,992,580	\$33,658,124	\$41,678,928
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	\$8,250,809	\$23,992,580	\$33,658,124	\$41,678,928

HIGHWAY FUND (0644)				
<u>Savings</u> – MHP (§§ 313.800 - 313.1022) Tenured troopers replacement p. 16	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
COMPULSIVE GAMBLERS FUND (0249)				
<u>Income</u> – MGC (§313.813) - Forfeited winnings p.4	Unknown	Unknown	Unknown	Unknown
<u>Transfer In</u> – from Gaming Commission Fund (§313.1021) p. 9	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<u>Cost</u> – DMH (§313.1021) - Administrative cost for treating additional consumers p. 16-17	(\$227,583)	(\$278,562)	(\$284,133)	(\$289,795)
ESTIMATED NET EFFECT TO THE COMPULSIVE GAMBLERS FUND	<u>Could exceed \$772,417</u>	<u>Could exceed \$721,438</u>	<u>Could exceed \$715,867</u>	<u>Could exceed \$710,205</u>

COLLEGE & UNIVERSITY FUNDS				
<u>Costs</u> – Colleges & Universities (§§313.1000 – 313.1022) - increased monitoring p. 17	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
LOCAL GOVERNMENTS – SCHOOL DISTRICTS				
<u>Income</u> – School Districts (§313.1012) – Fine income p. 7	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government (continued)</u>				
LOCAL HOME DOCKS				
<u>Revenue - Home Dock City or County (\$313.1021) - 10% of the 12% Wagering Tax p. 14</u>	\$916,757	\$2,665,842	\$3,739,792	\$4,630,992
ESTIMATED NET EFFECT TO THE LOCAL HOME DOCKS	<u>\$916,757</u>	<u>\$2,665,842</u>	<u>\$3,739,792</u>	<u>\$4,630,992</u>

FISCAL IMPACT – Small Business

This legislation could have an impact on small businesses related to sports wagering.

FISCAL DESCRIPTION

This proposal modifies provisions relating to sports wagering.

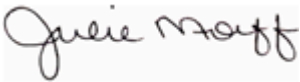
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

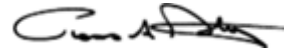
Attorney General’s Office
 Office of Administration
 Budget and Planning
 Department of Mental Health
 Department of Revenue
 Department of Public Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Office of Administration
 Office of the Secretary of State

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Office of the State Public Defender
Office of the State Treasurer
University of Missouri
City of Kansas City
Northwest Missouri State University
University of Central Missouri
Joint Committee on Administrative Rules
Lottery Commission
Missouri Office of Prosecution Services
Office of the State Courts Administrator



Julie Morff
Director
January 22, 2024



Ross Strobe
Assistant Director
January 22, 2024