

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (22-071)**

Subject

Initiative petition from Alixandra Cossette regarding a proposed constitutional amendment to Article III. (Received October 27, 2021)

Date

November 16, 2021

Description

This proposal would amend Article III of the Missouri Constitution.

The amendment is to be voted on in November 2022.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **State Auditor's office**, and the **Missouri Gaming Commission**.

Alixandra S. Cossette, Attorney, Stinson LLP provided information to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, they expect that they could absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, they may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated this initiative petition has no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no fiscal impact to their department.

Officials from the **Department of Elementary and Secondary Education** indicated this initiative petition may impact revenues received from tax imposed on Sports Wagering but their department has no means to calculate the amount of potential impact.

Officials from the **Department of Higher Education and Workforce Development** indicated no impact to their department.

Officials from the **Department of Health and Senior Services** indicated this initiative petition has no impact on their department.

Officials from the **Department of Commerce and Insurance** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated their department assumes 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, they assume that expenditures cannot exceed the balance of the Compulsive Gamblers fund and no State General Revenue beyond that balance will be expended.

In fiscal year (FY) 21, their department served approximately 71 consumers through compulsive gambling (CG) treatment services with an average cost of \$1,230 per consumer for a total of \$87,330.

If the number of consumers served triples, they estimate treatment for 213 consumers with an average cost of \$1,230 per treatment episode for a total treatment cost of \$261,990. Currently, they have eleven certified compulsive gambling treatment providers; this number would likely need to increase over time along with the need for additional compulsive gambling counselors. They estimate 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 for FY 23.

If additional advertising is needed, their department anticipates annual cost for advertising with public service announcements for help with compulsive gambling at \$166,400. Total cost to their department would be estimated at \$360,325 in FY 23. For FY 24 and beyond, the amount would increase to \$432,390 or more based upon the need for compulsive gambling services.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no fiscal impact.

Officials from the **Department of Labor and Industrial Relations** indicated they anticipate no fiscal impact for this initiative petition proposing to amend Article III, version 4.

Officials from the **Department of Revenue** indicated this is an initiative petition that would go to the vote of the people at the November 2022 general election. If this is not adopted by the people, this would not have a fiscal impact.

Should this be adopted at the November 2022 election, by the time certification of the election occurs, it is assumed this constitutional amendment would have a January 1, 2023 effective date.

This proposal in Section 3.(a) assesses a wagering tax of 21% on the adjusted gross receipts received from sports wagering conducted by licensed entities. This proposal states that 50% of the revenue received from this tax is to be appropriated to support pre-kindergarten through 12th grade educational institutions and 50% of the revenue is to be appropriated for the construction, repair or maintenance of highways, roads or bridges.

This proposal does not specify which organization the Department of Revenue or the Missouri Gaming Commission is to collect this tax. Their department for purposes of the fiscal note will assume that they will be required to collect this tax. For their department to collect the tax they will need 1 Associate Customer Service Representative and creation of a new tax collection database. The costed associated with the full-time equivalent (FTE) employee are:

2023 -\$45,339

2024 -\$45,680

The Office of Administration - Information Technology Services Division (ITSD) anticipates the creation of a new sports betting tax collection database for their department.

ITSD - DOR							
Bill Number	HB 730	FN #	1112H.02I				
Bill Section(s)	313.1021.						
Application Name:	New System - Sports Betting Tax				FY2022	FY2023	FY2024
IT Consultants	On-going Yes/No	Rate	Hours	\$	\$	\$	
Requirements Gathering		95	96	9,120	-	-	
Analysis		95	48	4,560	-	-	
Design		95	48	4,560	-	-	
Development		95	675	64,125	-	-	
Test		95	96	9,120	-	-	
Implementation		95	16	1,520	-	-	
Project Management		95	78.32	7,440	-	-	
On-going support		95		-	-	-	
Section Total IT Consultants:		95	1,057.32	100,445	-	-	

This proposal fails to identify a fund for this tax revenue to be deposited into or the specific funds that are to receive the revenue. Therefore, for the purpose of the fiscal note, their department assumes the revenue will be deposited into the General Revenue Fund.

Using the Oxford Economics report titled "Economic Impact of Legalized Sports Betting," their department believes total state revenue (TSR) will increase. 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, their 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, their 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 Adjusted Gross Receipts (AGR) Estimate per Oxford report)

\$42,462,000 - \$53,193,000 (21% tax imposed to general revenue)

They also provided the following information:

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: 22-071

BILL:

FUND: General Revenue

Instructions

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FUND COSTS BY CATEGORY

<u>Expenditure by Category</u> Personnel by Position	FTEs	Annual Salary	FY 2022	FY 2023	FY 2024
Associate Customer Service Rep	1	\$24,360		\$24,604	\$24,850
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Total FTE by Fiscal Year	1		1	1	1
Total Salaries			\$0	\$24,604	\$24,850
Fringe Benefits				\$20,244	\$20,327

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: _____

BILL: _____

FUND: General Revenue[Instructions](#)[Instructions](#)[Instructions](#)

FUND COSTS BY CATEGORY

Expenditure by Category	BOBC	Units	Unit Cost	FY 2022	FY 2023	FY 2024
Equipment by Item						
Cubicle - w/ Work Surface	580	1	\$6,800		\$6,800	
Chair	580	1	\$596		\$596	
Calculator	580	1	\$20		\$20	
Desktop Comuter System/	580	1	\$1,371		\$1,371	
Telephone, Cisco US Stand	580	1	\$525		\$525	
sports betting database		1	\$100,445		\$100,445	
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
TOTAL EQUIPMENT				\$0	\$109,757	\$0
Expenses	BOBC	Units	Unit Cost			
Expendable Supplies	190	1	\$372		\$381	\$391
Recurring Expenses	480	1	\$107		\$110	\$112
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
TOTAL EXPENSE				\$0	\$491	\$503
TOTAL EQUIPMENT AND EXPENSE				\$0	\$110,248	\$503
Local Assistance				\$0	\$0	\$0
Other Costs ()				\$0	\$0	\$0

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: _____

BILL: _____

FUND: General Revenue[Instructions](#)[Instructions](#)[Instructions](#)

SUMMARY OF FUND COSTS

	FY 2022	FY 2023	FY 2024
I. Fund Costs by Category			
Salaries	\$0	\$24,604	\$24,850
Fringe Benefits	\$0	\$20,244	\$20,327
Equipment and Expense	\$0	\$110,248	\$503
Local Assistance	\$0	\$0	\$0
Other Fund Costs	\$0	\$0	\$0
TOTAL FUND COSTS - ALL CATEGORIES	\$0	\$155,096	\$45,680
II. Fund Revenue Sources			
AGR 21% wagering tax		\$21,231,000- \$26,596,500	\$42,462,000- \$53,193,000
Fines			
Administrative Sanctions			
Other Sources (Educational Fund)			
TOTAL FUND REVENUE - ALL SOURCES			
III. Cost Avoidance (Savings)			
Salaries	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0
Equipment and Expense	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND SAVINGS	\$0	\$0	\$0
ESTIMATED NET EFFECT ON FUND	\$0	\$21,075,904- \$26,441,404	\$42,416,320- \$53,147,320

Officials from the **Department of Public Safety - Office of the Director** indicated this initiative petition has no impact for their department, Director's Office. The Missouri Gaming Commission has addressed their fiscal concerns in a separate response to the State Auditor's Office.

Response from the Missouri State Highway Patrol:

The Missouri State Highway Patrol's principal concern is the potential number of licensed entities eligible to provide sports wagering. As written, Section 39(g) 1. states in part, "Any entity licensed by the Missouri Gaming Commission may offer Sports Wagering in this state." However, as written, it would allow any of the 341 currently licensed "entities" by the Missouri Gaming Commission to offer sports wagering.

As to the question of the affect to personnel for the Patrol's Gaming Division, it would depend on the number of licensees, locations, and level of regulatory/criminal enforcement expected. The Patrol would need at least one (1) additional FTE to conduct background investigations. An increase in the number of licensees and physical locations would be an unknown cost, depending on the staffing needs to complete background checks, enforcement of rules, and criminal investigations. In addition, there would be costs for the Patrol's Gaming Division, Enforcement Section, for training related to the changes in the Missouri Constitution.

Missouri State Highway Patrol Expected Costs (Gaming Funds 0286):

1. Training - 120 troopers X \$200 training per trooper = \$24,000
2. One (1) FTE:
 - a. Salary & Fringe = \$152,968
 - b. Expense & Equipment (one-time costs) = \$93,448
 - c. Expense & Equipment (on going costs) = \$22,139

Officials from the **Department of Social Services** indicated this will have no fiscal impact for their department.

Officials from the **Governor's office** indicated this proposal relating to sports gambling should not fiscally impact their office.

Officials from the **Missouri House of Representatives** indicated no fiscal impact.

Officials from the **Department of Conservation** indicated there is no anticipated fiscal impact (cost or savings) to their department associated with this proposal.

Officials from the **Department of Transportation** indicated this initiative petition would appropriate fifty percent (50%) of the taxes collected from sports wagering to highways, roads and bridges. If adopted, each version could have a zero to substantial (but unquantified) positive fiscal impact on the Missouri Department of Transportation (MoDOT) and the Missouri Highways and Transportation Commission (MHTC). Their department has no specific estimate on revenues that may be generated.

Officials from the **Office of Administration** indicated this proposal relating to sports gambling should not fiscally impact their office.

This proposal would allow any entity licensed by the Missouri Gaming Commission to offer Sports Wagering in this state. The proposal further imposes a wagering tax of 21% on the adjusted gross receipts received from Sports Wagering conducted by a licensed entity. Fifty percent of the revenues received from any tax imposed on Sports Wagering shall be appropriated to support pre-kindergarten through twelfth grade educational institutions and fifty percent of the revenues received from such a tax shall be appropriated for the construction, repair, or maintenance of highways, roads, or bridges.

Budget & Planning defers to the Missouri Gaming Commission for an estimate of increased revenues. This proposal will not affect total state revenue or Article X, Sections 17 and 18(e).

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated 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, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum 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.

Their 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 fiscal year (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. Their office estimates \$75,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their 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 the **Office of the State Public Defender** indicated this initiative petition proposing to amend Article III, has no fiscal impact on their office.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from **Clay County** indicated they estimate \$5,000 per year in amusement license revenue as well as \$50,000 in sales tax revenue. No additional costs. They estimated the \$50,000 from other economic sales activity due to the overall legalization of sports gambling, not from the wagering tax. They see the wagering tax as in addition to existing sales taxes and due to the State to be split 50/50 for education and state highways, unless provided future information otherwise (such as State grants to local governments for highways/etc.).

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition proposing to amend Article III, version 4.

Officials from the **City of Kansas City** indicated this amendment would have no fiscal impact on their city.

Officials from the **City of St. Louis** indicated the proposed proposition would allow for sports wagering within the state and impose a sports wagering tax of 21% upon the adjusted gross receipts received from sports wagering by a licensed entity. Of the tax imposed, 50% would be allocated to a fund to support educational institutions (pre-K thru 12th grade) and 50% would be allocated for construction and repair or maintenance of highways, roads, or bridges.

While it can be anticipated that the majority of sports wagering activity would occur over the internet, the petition contemplates licensing for sports wagering on excursion gambling boats, sports and entertainment districts as well as internet based sports wagering platforms. Under existing gaming laws RSMo. 313.820 and 313.822, the City of St. Louis as a home dock city receives one half of the state's \$2 admission fee and 10% of the state's 21% tax on adjusted gross receipts from its current gaming facilities. The proposed petition does not provide for an allocation of sports wagering revenues to the local home dock city. Thus to any extent that sports wagering becomes a growing share of gambling boat gaming activity, the city would see a reduction in revenues from gaming. Whether this potential loss can be offset from allocations from the aforementioned state funds is not clear.

Officials from **Metropolitan Community College** indicated no fiscal impact to their college.

Officials from **University of Missouri System** indicated they believe that this legislation will result in additional cost related to increased monitoring, training, and educational requirements. All previous versions of bills have included sports betting on college sports and they would be surprised if any bill put forward in Missouri would not as virtually every state has to some extent. Even if collegiate sports were excluded from any bill that passed, there would still likely be some increased costs in those areas simply because it would still be prohibited by the National Collegiate Athletic Association (NCAA) for their student-athletes and staff to bet on sports at any level, and they would now have the ability to do so in the state, on their phones, etc. However, it would not likely be as significant a financial impact as it would if betting were allowed on college sports.

Officials from the **State Auditor's office** indicated this proposal would have no fiscal impact on their office. Any impact can be absorbed through current appropriations.

Officials from the **Missouri Gaming Commission** (MGC) indicated:

This proposal will also affect the Missouri State Highway Patrol, the Missouri Department of Revenue, and the Missouri Department of Mental Health.

They anticipate licensees to pay various fees to the MGC in order to regulate and manage sports wagering in Missouri. It also imposes certain taxes be paid by licensees based on their adjusted gross revenue.

If this initiative petition passes, they estimate needing five new full-time equivalent positions, which would result in an initial cost to the MGC of \$547,266.90 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately \$797,479.38, which represents 2.5% of the MGC existing budget each year (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) for a total initial cost of \$1,344,706.27. Additional costs included in this estimate may also encompass those associated with the development and implementation of responsible gambling programs and consumer education campaigns. The total annual ongoing personnel cost, after the first year, is estimated to be \$1,325,281.17.

The MGC and the Missouri State Highway Patrol (MSHP) currently have a Memorandum of Understanding (MOU) in place which states that the MSHP will provide background and criminal and regulatory investigation and enforcement support to the MGC to assist it in carrying out its duties, which could result in additional costs.

They estimate a total of 18 applicants for sports wagering licenses, to include the 13 current gambling boats and five sportsbook providers that would offer the platform for sportsbook wagering; the casinos could utilize the same sportsbook providers.

Based on the number of applicants, they estimate collection of fees between \$1.8 and \$4.5 million the first year up to \$2.65 to \$5.95 million by the fifth year of operation. The fees

would be deposited directly into the Gaming Commission Fund (0286) to account for annual operating expenses incurred by the MGC. The estimated range of fees comes from the American Gaming Association's (AGA) State of the States 2021 report,¹ which range from \$0 to \$10 million. The assumption is that the states with \$0 fees have a dedicated funding source other than the fees received.

This proposal sets the wagering tax assessed on the adjusted gross receipts (AGR) received from sports wagering conducted by a licensed entity at 21%. AGR is calculated by starting with total revenue minus winnings, minus voided wagers and uncollectible receivables. They estimated Missouri's licensees' total revenue to be \$146,437,962. They then subtracted an estimated amount (2.5% of total revenue) for uncollectible receivables and to cover fees for using official league data, leaving an AGR of \$142,777,013. Based on that amount, the MGC estimates the total estimated tax on AGR to be \$29,983,173 each year, the revenue from which would be equally divided between pre-K through 12th grade educational institution and highways, roads, and bridge funding.

The annual total AGR for Missouri is estimated based on the State of Mississippi's sports wagering totals, minus uncollectibles and fees. Mississippi's Total Revenue from sports betting is the actual total revenue amounts from October 2019 through September 2021.² They then determined Mississippi's sports betting revenue was 2.50% of its total gaming revenue. This was calculated by taking \$53,631,014 and dividing by \$2,141,840,000 ($\$53,631,014 / \$2,141,840,000 = .0250$). They then could assume Missouri's sports betting revenue would also be 2.50% of Missouri's total gaming revenue of \$1,754,470,000 ($\$1,754,470,000 \times 2.50\% = \$43,931,389$). Mississippi sports betting is limited to bets placed in person at the casinos. They assume that allowing online wagering will significantly increase revenue. Based on the experience in other states, including Pennsylvania and New Jersey, they made the assumption that the estimated \$43 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 ($(\$43,931,389 \times 70\%) / 30\% = \$102,506,572 = \text{additional revenue}$).

They presume the regulation of sports wagering as contemplated by the proposal would allow for internet-based sports wagering platforms (i.e., mobile sports wagering). If that is not the proposal's intent, then they would anticipate a significant negative impact on overall revenue and AGR as a result.

They assume the revenue from sports wagering will be significantly less based on the language of this proposal which limits sports wagering to "wagering on professional athletic or sports events." Several states allow sports wagering on college events, including

¹ The AGA State of the States 2021 report can be accessed at [State of the States 2021 - American Gaming Association](https://www.americangaming.org/resources/state-of-the-states-2021/) (<https://www.americangaming.org/resources/state-of-the-states-2021/>), specifically pages 1-9, 18, and 64-66.

² The State of Mississippi's Gaming Commission reports MGC used to calculate their amounts can be accessed at http://www.msgamingcommission.com/index.php/reports/monthly_reports.

the National Collegiate Athletic Association (NCAA) Men's Basketball Championships ("March Madness") and the NCAA Men's Football Championship Bowl Games, in addition to professional sports.

They also provided the following information:

Sports Wagering
Mobile wagers allowed

Position Title	Number of FTE	Annual Salary	Annual Fringes (33.12% plus \$14,048)	IT Equipment (one time)	IT Equipment (ongoing)	Desk (one time)	Chair (one time)	File Cabinet (one time)	Calculator (one time)	Office Supplies (ongoing)	Voice/Data Wiring (one time)	Voice/Data (ongoing)	Annual Travel Expenses Related to Job Performance (ongoing)	TOTAL	Second Year and Ongoing
Senior Applications Developer	1	\$ 68,639	\$ 36,781.30	\$ 1,646.02	\$ 411.36	\$ 601.00	\$ 719.00	\$ 599.00	\$ 20.00	\$ 372.00	\$ 300.00	\$ 420.00	\$ 10,214.00	\$ 120,722.88	\$ 116,837.86
Senior Applications Developer	1	\$ 68,639	\$ 36,781.30	\$ 1,646.02	\$ 411.36	\$ 601.00	\$ 719.00	\$ 599.00	\$ 20.00	\$ 372.00	\$ 300.00	\$ 420.00	\$ 10,214.00	\$ 120,722.88	\$ 116,837.86
Program Coordinator	1	\$ 68,639	\$ 36,781.30	\$ 1,646.02	\$ 411.36	\$ 601.00	\$ 719.00	\$ 599.00	\$ 20.00	\$ 372.00	\$ 300.00	\$ 420.00	\$ 10,214.00	\$ 120,722.88	\$ 116,837.86
Admin Support Professional-Lic	1	\$ 39,469	\$ 27,120.13	\$ 1,646.02	\$ 411.36	\$ 601.00	\$ 719.00	\$ 599.00	\$ 20.00	\$ 372.00	\$ 300.00	\$ 420.00	\$ 10,214.00	\$ 81,891.51	\$ 78,006.49
Senior Regulatory Auditor	1	\$ 55,451	\$ 32,413.37	\$ 1,646.02	\$ 411.36	\$ 601.00	\$ 719.00	\$ 599.00	\$ 20.00	\$ 372.00	\$ 300.00	\$ 420.00	\$ 10,214.00	\$ 103,166.75	\$ 99,281.73
TOTAL	5	\$ 300,837.59	\$ 169,877.41	\$ 8,230.10	\$ 2,056.80	\$ 3,005.00	\$ 3,595.00	\$ 2,995.00	\$ 100.00	\$ 1,860.00	\$ 1,500.00	\$ 2,100.00	\$ 51,070.00	\$ 547,226.90	\$ 527,801.80
Add additional MGC expense (from Sports Wagering Cost tab):														\$ 797,479.38	\$ 797,479.38
Total estimated annual cost to MGC:														\$ 1,344,706.27	\$ 1,325,281.17

Revenue Streams ¹	Number of Applicants or Holders of Sports Wagering AGR ²	Fee Amount ³	1st Year	2nd Year	3rd Year	4th Year	5th Year	Fund to Deposit
Certificate of Authority Application Fee (Initially) -Casino	13	100,000- 250,000	1,300,000- 3,250,000	\$ -	\$ -	\$ -	\$ -	Gaming Commission Fund
Certificate Holder Administration Fee (Annual after the first year) -Casino	13	75,000- 150,000	\$ -	975,000- 1,950,000	975,000- 1,950,000	975,000- 1,950,000	975,000- 1,950,000	Gaming Commission Fund
Certificate Holder Reinvestigation Fee (in the 5th year after sports wagering commenced and each 5th year thereafter)-Casino	13	100,000- 250,000	\$ -	\$ -	\$ -	\$ -	1,300,000- 3,250,000	Gaming Commission Fund
Sports Wagering Platform License Application Fee (Initially)-Sportsbook Provider	5	100,000- 250,000	500,000- 1,250,000	\$ -	\$ -	\$ -	\$ -	Gaming Commission Fund
Sports Wagering Platform License Annual Renewal Fee (Annual after the first year)-Sportsbook Provider	5	75,000- 150,000	\$ -	375,000-750,000	375,000-750,000	375,000-750,000	375,000-750,000	Gaming Commission Fund
TOTAL FEES COLLECTED⁴			1,800,000- 4,500,000	1,350,000- 2,700,000	1,350,000- 2,700,000	1,350,000- 2,700,000	2,650,000- 5,950,000	

¹ Note: The above collected fees would be deposited directly into the Gaming Commission Fund (0286) to account for annual operating expenses incurred by the MO Gaming Commission, which includes the MSHF Gaming Division expenses.

² The Number of Applicants assumes all 13 casinos will apply for a Certificate of Authority. We estimate that at least five (5) sportsbook providers will apply for a Sports Wagering Platform License. The casinos may offer more than one sportsbook provider option.

³ The range of fee amounts listed comes from AGA's State of the States 2021 report (see tab called 'Other States Fees'). The fees listed on AGA's report range from zero dollars to \$10 million. The assumption is that the states with zero dollar fees have a dedicated funding source other than the fees received.

⁴ Total Fees Collected are estimates only and are based on the assumption that all casinos and sportbook providers are being approved and licensed at the same time.

MGC Approps	FY 22 Budget			
Appropriation 2990 MGC PS	\$ 15,329,912.00	2.50%	\$	383,247.80
Appropriation 2991 MGC E&E	\$ 1,731,187.00	2.50%	\$	43,279.68
Appropriation T285 Work Comp	\$ 7,323.00	2.50%	\$	183.08
Appropriation T293 OASDHI	\$ 1,213,220.00	2.50%	\$	30,330.50
Appropriation T297 MGC Ret	\$ 3,448,696.00	2.50%	\$	86,217.40
Appropriation T304 MGC MSHP	\$ 2,374,625.00	2.50%	\$	59,365.63
Appropriation T692 Cost Alloc	\$ 437,328.00	2.50%	\$	10,933.20
Appropriation 1542 MSHP PS Fringe	\$ 7,089,567.00	2.50%	\$	177,239.18
Appropriation 1543 MSHP E&E Fringe	\$ 267,317.00	2.50%	\$	6,682.93
	<u>\$ 31,899,175.00</u>		<u>\$</u>	<u>797,479.38</u>

Besides the FTE positions and additional costs reflected in the fiscal note, MGC also estimates an additional cost of approximately \$797,479 (represents 2.5% of MGC existing budget) each year. \$797,479 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.

Alixandra S. Cossette, Attorney, Stinson LLP provided the following information:

November 5, 2021

Via Electronic Mail to: moaudit@auditor.mo.gov

The Honorable Nicole R. Galloway, CPA
Missouri State Auditor's Office
P.O. Box 869
Jefferson City, Missouri 65102

Re: Initiative Petition 2022-071

Dear Auditor Galloway:

Pursuant to Section 116.175, RSMo, I hereby submit this statement of fiscal impact to aid you and your office in estimating the fiscal impact of Initiative Petition 2022-071. Initiative Petition 2022-071 authorizes sports wagering in Missouri and taxes the adjusted gross receipts of those wagers at a tax rate of 21%. These tax revenues will be split with 50% of the revenues to be appropriated for pre-kindergarten through twelfth grade educational institutions and 50% of the revenue to be appropriated for the construction, repair, or maintenance of highways, roads, or bridges.

The fiscal impact described herein has been extrapolated based on the information provided by the Committee on Legislative Research, Oversight Division in fiscal notes for Senate Committee Substitute for Senate Bill 98 (2021), Senate Bill 217 (2021), and Senate Bill 256 (2021).

The Oversight Division based its estimates on information provided by the Missouri Gaming Commission. The Gaming Commission extrapolated from the experience of the state of Mississippi with sports wagering. The Gaming Commission determined that Mississippi's annual revenue from sports wagering was 1.87% of its total revenue from gaming between November 2018 and October 2020.

Assuming that same rate of 1.87% of total annual gaming revenue, the Gaming Commission assumed Missouri's sports wagering revenue would also be 1.87% of total gaming revenue in Missouri. Missouri's total annual gaming revenue is \$1,754,470,000. 1.87% of that total is \$32,808,589. However, Mississippi only allows wagers to be placed at casinos. In making fiscal estimates, the Gaming Commission assumed that allowing online wagering would significantly increase revenue. Considering experiences in other states, including Pennsylvania and New Jersey, the Gaming Commission assumed that the estimated \$32 million calculated for wagers placed in person at casinos would comprise approximately 30% of the annual adjusted gross receipts. Therefore, the additional 70% of revenues would be from mobile wagering or approximately \$76,553,374 annually. Therefore, total annual revenue from sports wagering would be \$109,361,963.

The initiative petition imposes a tax rate of 21% on these adjusted gross receipts. Based on a tax rate of 21%, tax revenues would be \$22,966,012.20 annually.

230 W. McCarty Street, Jefferson City, MO 65101

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This analysis indicates that this initiative petition will ensure additional revenues for education and infrastructure. Therefore, I advise you to summarize the annual revenues as \$22,966,012 to “unknown” since that is the most accurate description of the overall fiscal impact.

Sincerely,

Stinson LLP

A handwritten signature in blue ink, reading "Alixandra Cossette". The signature is written in a cursive, flowing style.

Alixandra S. Cossette

ASC:

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Cole County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, and St. Louis Community College.**

Fiscal Note Summary

State governmental entities are estimated to have one-time costs of \$246,000, ongoing costs of at least \$1.5 million annually, initial revenues of \$1.8 million to \$4.5 million, and ongoing revenues of at least \$24 million to \$55 million annually. Local governmental entities estimate ongoing revenues of at least \$55,000 annually.