

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (24-161)**

Subject

Initiative petition from Alixandra Cossette regarding a proposed constitutional amendment to Article III. (Received October 4, 2023)

Date

October 24, 2023

Description

This proposal would amend Article III of the Missouri Constitution.

The amendment is to be voted on in November 2024.

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 **Missouri Department of the National Guard**, 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**, **Jennings 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**.

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, their office 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, their office may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated no impact.

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

Officials from the **Department of Elementary and Secondary Education** indicated they have reviewed initiative petition 24-161 and determined there is no measurable impact to their agency.

Officials from the **Department of Higher Education and Workforce Development** indicated they defer to the fiscal determination of the gaming commission.

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 anticipated cost or savings to their department.

Officials from the **Department of Mental Health (DMH)** indicated this petition would modify Article III, Section 39(g) of the Missouri Constitution legalizing sports wagering in Missouri. Implementation of the initiative petition may result in increased demand for DMH services due to increased access to gambling opportunities but does not appear to mandate any individual to receive treatment which will remain voluntary.

The initiative petition does not appear to create an additional fiscal impact to DMH unless the number of consumers increases and requires additional services to be provided by DMH.

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 anticipated no fiscal impact for the initiative petition 24-161 proposing to amend Article III.

Officials from the **Department of Revenue** indicated after thorough review, the Department's response to this initiative petition:

IP 24-161 attempts to create a sports wagering program in the state of Missouri. It appears it wants the Missouri Gaming Commission (Commission) to regulate the sports betting.

Sections 39(g)2 – 39(g)5. requires that a retail license be offered to certain organizations to allow for sports betting. Only licensed organizations will be allowed to offer sports betting. It appears it would allow each of the current 13 excursion gambling boats and the 6 current professional sports teams in Missouri to apply for a sports betting retail license. For purposes of the fiscal note they will assume all these groups apply for the sports betting retail license. Section 39(g)6 allows the Commission to set the fee for the retail license up to \$250,000. For purposes of the fiscal note only, they will assume that the Commission sets the fee at the full amount allowed and therefore the retail licenses could potentially generate \$4,750,000 [(13 boats * \$250,000) + (6 teams * \$250,000)] in the first year and the same in the fifth year due to renewal fees.

The Department of Revenue (Department) notes while the proposal appears to allow the Commission to set the retail license fee amount and to issue the licenses, it does not give the Commission the necessary authority to actually collect the retail license fee or to deposit the fees into any state fund. The proposal also does not give collection authority or deposit authority to any other agency including the Department. Therefore it appears these retail license fees will not generate any revenue to the state, the Commission, or to the Compulsive Gaming Prevention Fund.

Section 39(g)4.(c) allows the Commission to issue not more than 2 mobile license to certain organizations in the state. It allows the Commission to set the mobile license fee at up to \$500,000. The Department is unaware of the number of organizations that would apply for this mobile license and would defer to the Commission for an estimate of that number. However, the Department notes that while the proposal appears to allow the Commission to set the mobile license fee amount and to issue the licenses, it does not give the Commission the necessary authority to actually collect the mobile license fee or to deposit the fees into any state fund. The proposal also does not give collection authority or deposit authority to any other agency including the Department. Therefore it appears these mobile license fees will not generate any revenue to the state, the Commission, or to the Compulsive Gaming Prevention Fund.

Section 39(g)7 says that all fees prescribed by the Commission and collected by the state shall be appropriated as identified in the proposal. It should be noted that the Commission is not expressly authorized under this proposal to collect any of the fees described in this proposal nor is any other agency expressly authorized to collect the fees under these sections. This proposal requires the assessment of fees but does not require the fees remittance. Therefore, these sections will not generate any revenue to the state, the Commission or to the Compulsive Gaming Prevention Fund.

Section 39(g)8 provides the Commission rule making authority, limited to certain delineated items. Collection of fees and/or the taxes outlined in the proposal is not one of

them. They are allowed to create rules on the use of the funds in the Compulsive Gaming Prevention Fund but not for its collection. Since no money is to be remitted by the sports betting retail or mobile licensees, it appears this authority may not be needed.

Section 39(g)9 appears to impose a 10% wagering tax on the adjusted gross revenue of the licensee. The Department defers to the Commission for an estimate of the tax that would be collected from the 10% sports betting tax.

This section requires collection of the 10% sports betting tax but does not require remittance of the tax to the Department, Commission or any other state agency. Without the identification of an agency to collect the tax, no tax can be collected. Therefore, it appears this section will not generate any revenue to the state, the Commission or to the Compulsive Gaming Prevention Fund.

Should the Department be asked to collect the taxes generated under this proposal, it was not provided rulemaking authority in which to do it. In addition, the Department expects to have an administrative fiscal impact. Excursion gambling boats currently remit their gambling taxes they collect nightly. The Department would want to create a system similar to the existing gambling tax system. The Department estimates such a system would cost \$100,415 (\$95 per hour * 1,057 hours work). The Department would also need 1 Associate Customer Service Representative with an annual salary of \$36,628 to process payments and reports.

Section 39(g)10 creates the Compulsive Gaming Prevention Fund. This fund appears to duplicate the already existing Compulsive Gamblers Fund (0249) created in Section 313.842 RSMo.

The Department notes that the Sports districts definition may include more than intended. Section 11(j) explains that "sports district" includes any Missouri stadium with a capacity over 11,500 that operates as home for one or more "professional sports team". It also extends to the surrounding area within 400 yards of such premises. Section 11(h) which defines "professional sports team" includes both Major League Soccer (MLS) and National Women's Soccer League (NWSL). The Department notes that CITYPARK, which is home to the MLS team the St. Louis City SC is in downtown St. Louis. The 400 yard extension will potentially cover multiple streets with private retail and residential locations. Additionally, the planned KC Current Stadium, home to the NWSL team the Kansas City Current will also be located in close proximity to private locations. Built within the Berkley Riverfront Park, the stadium will also be next to a public park.

Summary:

Due to the wording in this IP, the Department of Revenue assumes this IP will not generate any revenue to the state.

Officials from the **Department of Public Safety - Office of the Director** indicated:

The Missouri State Highway Patrol anticipates the need for two (2) additional full-time employees (FTE) to conduct background investigations and the subsequent renewals for sports wagering vendors, along with four (4) additional FTE for enforcement activities. Expenses related to the six (6) FTE would be paid from the Gaming Fund (0286). One-time and ongoing expenses, shown below, would include salary, fringe, vehicles, gasoline, and related equipment. The Patrol's response below is applicable for each of the initiative petitions.

Salary:

Position Title: Sergeant (V07005)
Annual Salary: \$99,648
Total Cost for Salaries: \$597,888

Fringe:

Annual Cost per Position: \$85,637
Total Fringe Amount: \$513,822

Expense & Equipment:

Initial Costs: \$501,330
Ongoing Costs: \$130,956

Total Cost for Salaries, Fringe, & Associated Equipment:

Initial Cost: \$1,613,040
Ongoing Costs: \$1,242,666

Officials from the **Missouri Department of the National Guard** indicated no fiscal impact to their department.

Officials from the **Department of Social Services** indicated they do not anticipate any fiscal impact as a result of this petition.

Officials from the **Governor's office** indicated this proposal relating to gaming does not directly financially impact their office.

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

Officials from the **Department of Conservation** indicated initiative petition 24-161 will have no fiscal impact on their department.

Officials from the **Department of Transportation** indicated no fiscal impact expected for their department or the Missouri Highways and Transportation Commission for initiative petition 24-161.

Officials from the **Office of Administration** indicated this proposal relating to gaming does not directly financially impact their office.

Officials from the **Office of State Courts Administrator** indicated in reference to Initiative Petition 24-161 a proposed constitutional amendment to Article III, 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, 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 \$10 million based on the cost of the 2022 primary and general election reimbursements.

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.

For the FY22 petitions cycle, their office 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.

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 initiative petition 24-161 will have 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 no impact from this petition.

Officials from **Greene County** indicated there are no estimated costs or savings to report from the County of Greene for initiative petition, 24-161 proposing to amend Article III.

Officials from **St. Louis County** indicated the initiative petition should have no fiscal impact on their county.

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

Officials from **Metropolitan Community College** indicated this will have a fiscal impact to their college. Unknown impact at this time due to revenues and expenses being unknown.

Officials from **University of Missouri** indicated the University of Missouri System does not expect cost to exceed \$100,000.

Official from **St. Louis Community College** indicated they have reviewed the petition initiative and cannot determine the effect on the college since no estimate of revenues has been made. Their response in no way assesses the merits of the petition on its face.

Officials from the **State Auditor's office** (SAO) indicated there would be a fiscal impact on the SAO. They believe this would create the need for a stand-alone performance audit consisting of 500 hours. 500 hours multiplied by \$90.00 per hour (current average audit cost per staff hour) equals a \$45,000 impact.

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

This proposal will affect the Missouri State Highway Patrol, Missouri Dept. of Revenue, Missouri Dept. of Mental Health, Home Dock Cities/Counties, "sports districts" located in St. Louis and Kansas City, as that term is defined in the proposal.

It may have an impact on local jurisdictions and businesses surrounding and in close proximity to the "sports districts" located in St. Louis and Kansas City areas, as that term is defined in the proposal.

The MGC anticipates licensees to pay license fees and renewal 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, the Missouri Gaming Commission (MGC) estimates needing fifteen new FTE positions, which would result in an initial cost to the MGC of \$1,786,582.86 (including salary, fringe, supplies, equipment, and travel/lodging related to job performance of those additional employees), in addition to approximately \$2,182,431.33, 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 \$3,969,014.17. 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 \$3,910,738.87.

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 results in these additional costs.

The MGC estimates a total of 19 applicants for retail sports wagering licenses, to include the 13 current excursion gambling boats, plus 6 “sports districts” located in St. Louis and Kansas City areas, as that term is defined in the proposal. Initiative 24-161, Article III, Section 39(g).4 allows for the excursion gambling boat owners and the professional teams to apply for mobile licenses, in addition to two mobile licenses to untethered sports wagering operators, for a total of 14 mobile licenses.

Based on the number of sports wagering licenses, the MGC estimates collection of fees approximately \$11.75 million the first year and every fifth year of operation. Pursuant to Section 39(g).7 the fees would be utilized for reimbursement of expenses incurred by the MGC to regulate sports wagering. Any remaining fees will be deposited into the Compulsive Gambling Prevention Fund. Pursuant to Section 39(g).11 a wagering tax of 10% is imposed based on adjusted gross revenue. Annual revenues will be appropriated to elementary, secondary and higher education only after the annual tax revenues are used to reimburse expenses incurred by MGC and to fund the Compulsive Gambling Prevention Fund at the greater of 10% of annual tax revenues or \$5,000,000 to the Compulsive Gambling Fund.

In calculating tax revenue estimates, the Missouri Gaming Commission used the sports wagering data from a comparable state, Indiana, due to 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 \$84,969,839 for 2020, \$240,503,973 for 2021, and \$328,639,984 for 2022. Assuming that the total adjusted gross revenue for sports wagering in Missouri will be comparable to that of Indiana, the Gaming Commission estimates that total adjusted gross revenue for sports wagering in Missouri will be \$63,514,955 for the first year, \$179,776,720 for the second year, \$245,658,388 for the third year, and \$266,539,351 for the fourth year (fourth year estimate is based on 8.5% growth from the previous year per a study completed by Eilers & Krejcik). In determining the aforementioned estimates, a .25% deduction for excise tax and a 25% deduction for promotional wagering were made to Missouri’s total adjusted gross revenue from sports wagering due to the initiative’s definition of adjusted gross revenue including such deductions for sports wagering, whereas Indiana’s definition does not. In addition, the term of adjusted gross revenue includes deducting voided or cancelled wagers, uncollectible receivables, and actual costs for anything of value provided to the patron, 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 revenue

for sports wagering in Missouri estimates, the Missouri Gaming Commission estimates that the revenue from the Gaming Tax (10% of Adjusted Gross Receipts) on sports wagering will be \$6,351,495.47 for the first year, \$17,977,671.98 for the second year, \$24,565,838.80 for the third year, \$26,653,935.10 for the fourth year, and \$28,919,519.62 for the fifth year. These estimates, however, are uncertain based on the inclusion of a deduction for “any federal tax” with no corresponding definition or explanation as to what that would include.

Based on the licensing and renewal fees for sports wagering applicants and the taxes on the adjusted gross revenue the total amount of fees and taxes collected may be sufficient to cover the Missouri Gaming Commission’s costs to license and regulate sports wagering, however, that is dependent on the total amount of deductions applied to the adjusted gross revenue.

Technical Notes:

Section 4(c) – It is the understanding of the Missouri Gaming Commission (the “Commission”) that this section permits a certain number of mobile licenses that would be untethered from any casino or sports team location or district. Such allowance would potentially be in conflict with Article III, Section 39(e) of the Missouri Constitution, which permits gambling upon the Missouri or Mississippi Rivers only (or in artificial spaces that contain water and are within 1000 feet of the closest edge of the main channel).

Section 6(a) and 6(b) – These sections specify the fees for both (a) retail and (b) mobile licenses. Retail license applicants shall be required to pay a license fee of \$250,000 with a license renewal fee of \$250,000 every five (5) years. Mobile license applicants shall be required to pay a license fee of \$500,000 with a license renewal fee of \$500,000 every five (5) years. To the extent that other language in the petition proscribes allocation of the fees, there is concern that the licensing fees will not cover the expenses of the Missouri Gaming Commission (the “Commission”) during years in which licensing fees or renewals are not collected (i.e., years two, three, and four). These sections are also not clear as to where the license fees and renewal fees are to be deposited. The Commission suggests explicitly requiring fees to be deposited into the Gaming Commission Fund established under Section 313.835, RSMo.

Section 7 – This section describes appropriation for the fees collected by the Commission. Section 7 requires that the fees first be used to reimburse the Commission for their reasonable expenses incurred to regulate sports wagering with the remaining fees being deposited into the Compulsive Gambling Prevention Fund. This section raises the question of where the fee monies are being deposited in the first instance if the language requires reimbursement to the Commission. Currently, fees for licensees are deposited with the Missouri Gaming Commission Fund and appropriated accordingly after the Commission’s reasonable expenses have been satisfied. The process by which the Commission is reimbursed is not clear in the current petition, nor is it clear in general how the funds will be dispersed. The Commission suggests explicitly requiring fees to be deposited into the Gaming Commission Fund established under Section 313.835, RSMo.

Section 8(e) – This section proscribes the maximum fine that the Commission could impose for violations of the laws and rules promulgated for sports wagering in the State. Historically, the Commission has had broad discretion to discipline operators for violations of statute and rules and would suggest that this continue.

Section 9 – This section requires that a 10% tax be imposed upon the adjusted gross revenue received from sports wagering by each licensee, to be appropriated for elementary, secondary, and higher education, and to be paid after appropriations for the Commission's reasonable expenses and contributions to the Compulsive Gambling Prevention Fund of the greater of 10% of annual tax revenues or \$5,000,000. In years where the Commission does not collect renewal fees, licensing fees will be insufficient to meet the Commission's reasonable expenses and would thus require the Commission to rely upon tax funds that would otherwise be appropriated to education in the state of Missouri. Section 9 also raises the question of whether an annual 10% or \$5,000,000 contribution to the Compulsive Gambling Prevention Fund is required regardless of the balance of the Fund.

Section 10 – This section requires that licensees maintain in the state, or other location approved by the Commission and consistent with federal law, a computer server or servers used to receive transmissions of requests to place wagers and that transmit acceptance of those requests. Under current federal law, the servers would only be intrastate. The Commission is also aware of a potential conflict between the petition and Article III, Section 39 regarding the location of the servers within the state.

Section 10 – This section is included under the language requiring the placement of servers to accept wagers and would likely be better included under its own section. As it stands, this portion of Section 10 requires that there will be the Compulsive Gambling Prevention Fund created in the state treasury which shall consist of the taxes and fees collected pursuant to the petition. The section is not clear if the Compulsive Gambling Prevention Fund shall contain only the funds specifically directed to the Fund, or if the entirety of fees and taxes will be deposited into this fund in the first instance for later reimbursement and appropriation. This concern mirrors the notes related to Section 7. Further, a compulsive gambling fund was previously authorized under Section 313.842, RSMo. The language here is not clear as to whether the Fund contemplated in this section is a separately established fund, or if it adds to or changes the existing statute. Additionally, this Section invests in the Commission the oversight into use of the Fund for counseling, treatment programs, and grants for compulsive gambling prevention. This oversight would potentially be better accomplished by the Department of Mental Health with their qualifications in understanding Gambling Disorders under the Diagnostic and Statistical Manual (DSM) V.

Section 11(a) – This section states that the definition of adjusted gross revenue (as related to the wagering tax of 10% imposed in Section 7) is the total of all cash or cash equivalents received by a licensee from sports wagering minus (1) all cash and cash equivalents paid out as winnings to patrons, (2) the actual costs paid by a licensee for anything of value provided to and redeemed by patrons, including merchandise or services distributed to

sports wagering patrons to incentivize sports wagering, (3) voided or cancelled wagers, (4) the costs of free play or promotional credits provided to and redeemed by the applicable licensee's patrons, provided that the aggregate amount of such costs of free play or promotional credits that may be deducted under this paragraph in any calendar month shall not exceed twenty-five percent of the total of all cash and cash equivalents received by the applicable licensee for such calendar month, (5) any sums paid as a result of any federal tax, including federal excise tax, and (6) uncollectible sports wagering receivables, not to exceed two percent of the total of all sums, less the amount paid out as winnings to sports wagering patrons. Section 11(a) also states in (7) that if the amount of adjusted gross receipts in a calendar month is a negative figure, the certificate holder shall remit no sports wagering tax for that calendar month and any negative receipts shall be carried over and calculated as a deduction in the subsequent calendar months until the negative figure has been brought to a zero balance.

1. Section 11(a)(4) would allow an operator to deduct up to 25% of the gross costs of promotional credits and free play. As a result, the Commission anticipates that operators will be permitted to deduct amounts to the extent the operator pays zero gaming taxes for sports wagering.
2. Section 11(a)(5) is not clear as to whether "any federal tax" includes taxes from any jurisdiction or just federal taxes imposed from business in the State of Missouri. Further, by using the language contained in the present initiative petition ("*any* sums paid as a result of *any* federal tax), the provision appears to permit a sports wagering operator to deduct its federal income tax, its federal employment tax, its federal excise tax, and any other federal tax when determining its adjusted gross receipts. If a sports wagering operator is permitted to make such deductions, the Commission anticipates that some operators may have no adjusted gross receipts on which to pay gaming tax. In other words, the Commission anticipates that by permitting such deductions, some operators will pay no gaming taxes on sports wagering.
3. Section 11(a)(7) appears as if it needs to be its own separate section independent from Sections 11(a)(1) through (6), as it does not define or identify deductions from gross revenue.
4. The Commission anticipates that the totality of the deductions identified in Sections 11(a)(1) through (6) will result in sports wagering licensees showing negative adjusted gross revenues and therefore paying no sports wagering tax. This would in turn impact the ability of the Commission to meet its reasonable expenses as well as limit or eliminate contributions to the Compulsive Gambling Fund and education in the State of Missouri. Additionally, the carryover provisions in Section 11(a)(7) would further impact the ability of the Commission to meet its reasonable expenses and further impact or eliminate contributions.

MGC officials further indicated the projections in the spreadsheets and fiscal impact response are based on estimates from other jurisdictions and the impact of the taxes collected in other jurisdictions comparable to the proposed taxes and tax deductions in Missouri. The narrative, however, also noted that operators may pay little to no taxes if they are permitted to claim deductions that would be in excess of their adjusted gross revenue. Such deductions would potentially be permitted under the language of these petitions, particularly with respect to deductions for promotional or free play and deductions for any federal tax. An example of this is Kansas. In February 2023, Kansans wagered more than \$194 million in sports bets. The state, however, received \$1,134 in state tax revenue due to language permitting operators to deduct free play or promotional credits before assessing their state taxes. Some operators had not paid any state taxes through the first quarter of 2023 due to the deductions they were permitted to claim. The link to this information is at the end of the response.

The projected revenues in the response provided are based on what the MGC can estimate from a strictly numbers perspective. These numbers, however, are subject to a wide margin based on the uncertainty of operators' abilities to claim deductions consistent with the language in these petitions.

<https://wichitabeacon.org/stories/2023/06/14/loophole-in-kansas-sports-betting-law-helps-companies-avoid-tax/>

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, 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 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, Jennings School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, and the State Technical College of Missouri.**

Fiscal Note Summary

State governmental entities estimate onetime costs of \$660,000, ongoing annual costs of at least \$5.2 million, and initial license fee revenue of \$11.75 million. Because the proposal allows for deductions against sports gaming revenues, they estimate unknown tax revenue ranging from \$0 to \$28.9 million annually. Local governments estimate unknown revenue.