

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2983-02
Bill No.: HB 1679
Subject: Gambling; Crimes and Punishment; Boards, Commissions, Committees & Councils.
Type: Original
Date: February 19, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Missouri Horse Racing Fund	\$0	\$0	\$0
State Schools Money Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Missouri Breeders Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission (GAM)** state this bill removes the regulation of horse racing from the Missouri Gaming Commission and places it within the authority of the Missouri Horse Racing Commission. GAM assumes they would not likely be directly affected by this bill.

GAM states as noted in fiscal notes in previous years for similar bills, under this bill the Missouri Horse Racing Commission would likely require thirteen FTE to implement the duties outlined in this proposal, which would include 5 Highway Patrol officers. The Horse Racing Commission might also require expenses and equipment to include training, office equipment, and patrol cars.

Officials from the **Department of Public Safety (DPS)** state this legislation creates the Missouri Horse Racing Commission under the Director's Office. According to the legislation, the commission may hire such employees as they deem necessary.

DPS states it is unknown what type of fiscal impact this will have on the department due to the language stating the commission shall hire an executive director and other employees to administer the program. DPS estimated there would be at least \$8,160 in meeting expense per year, however, DPS states they have no idea how many people will need to be hired, therefore it is uncertain how much more of a fiscal impact will incur.

Based on responses received to a similar proposal from a previous session, **Oversight** assumes that 6 FTE would be sufficient to accomplish the duties outlined in this proposal. The 6 FTE would consist of an Executive Director, a Security Director, a Licensing Director, a Pari-Mutuel Director, an Executive Secretary, and an Information Support Coordinator. Costs would include related equipment and expenses for these FTE.

In response to similar legislation from this year, officials from the **Department of Public Safety - Missouri Highway Patrol** assumed the initial impact of the proposed legislation would be minimal. However, if the horse racing industry flourished, the Criminal Records and Identification Division would require additional AFIS Entry Operators and additional Fingerprint Technicians. There would also be an increase in revenue. The cost of a State Fingerprint search is \$14.00 and the cost of an FBI fingerprint search is \$22.00. The revenue would depend on the number of background checks being done per year.

In response to similar legislation from this year, officials from the **Department of Corrections (DOC)** stated, they cannot predict the number of new commitments which may result from the creation of the offenses(s) outlined in this proposal. An increase in commitments depends on the utilization by

ASSUMPTION (continued)

prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY01 average of \$3.34 per offender, per day or an annual cost of \$1,219 per offender).

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Department of Elementary and Secondary Education (DES)** state any surplus remaining in the "Missouri horse racing fund" at the end of a fiscal year shall be deposited to the credit of the "State Schools Money Fund". In addition, the proposal creates an admission fee of \$2 for each person entering the race meeting ground.

DES assumes the proposal may provide additional revenue to the State Schools Money Fund, but cannot estimate the amount.

Officials from the **State Treasurer's Office (STO)** state, based on this proposal, they would request 1 Accountant II (at \$36,450) to collect, monitor and deposit the money collected. Total expense estimated by the STO is roughly \$50,000 per year.

In response to similar legislation from last year, STO assumed the additional duties related to this proposal would not fiscally impact their agency. Therefore, **Oversight** assumes this proposal would not fiscally impact the STO.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Missouri Horse Racing Commission's authority to promulgate rules, regulations, and forms. SOS estimated the division could require approximately 26 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 89 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal were estimated to be \$7,749, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS did not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

ASSUMPTION (continued)

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Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of the State Public Defender** assume that existing staff could provide representation for those cases arising where indigent persons were charged with operating pari-mutuel wagering without a license - a class A misdemeanor. However, passage of more than one similar bill would require the State Public Defender System to request increased appropriations to cover the cumulative cost of representing the indigent accused in the additional cases.

In response to similar legislation from this year, officials from the **Office of Prosecution Services** assumed they could absorb any costs resulting from this proposal with existing resources.

Officials from the **Department of Revenue** state this proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **Office of the State Courts Administrator** stated this proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning (BAP)** stated the proposed legislation should not result in additional costs or savings to their agency. BAP deferred to the Gaming Commission for a revenue estimate.

Oversight Assumptions

Currently there are no horse racing facilities in Missouri, therefore, **Oversight** assumes the Department of Public Safety - Missouri Horse Racing Commission would not hire the FTE until such time that possible horse racing ventures were proposed and planned. Oversight has ranged the FTE required by the Horse Racing Commission from 0 (if no horse racing facilities are planned) to 6 FTE. Oversight also ranged the revenue generated by the Missouri Horse Racing Fund from 0 to Unknown, depending upon if horse racing facilities develop in the state. Oversight assumes any revenue into the Missouri Horse Racing Fund will at least cover the costs of the Missouri Horse Racing Commission, however, if expenditures are incurred by the Commission and no revenue is generated, the General Revenue Fund may have to fund the Missouri Horse Racing Fund for any costs. Any excess revenues over costs in the Missouri Horse Racing Fund will be transferred to the State Schools Money Fund.

FISCAL IMPACT - State Government

FY 2003
 (10 Mo.)

FY 2004

FY 2005

MISSOURI HORSE RACING FUND

Income - various possible sources
 including licensing fees, penalties,
 wagering, commissions, etc.

\$0 to Unknown \$0 to Unknown \$0 to Unknown

Income - Admission fee of \$2 per person

\$0 to Unknown \$0 to Unknown \$0 to Unknown

Costs - Horse Racing Commission*

Personal Service (6 FTE)

\$0 to (\$162,238) \$0 to (\$199,553) \$0 to (\$204,542)

Fringe Benefits

\$0 to (\$54,074) \$0 to (\$66,511) \$0 to (\$68,174)

Expense and Equipment

\$0 to (\$290,510) \$0 to (\$188,193) \$0 to (\$193,839)

Total Costs - Horse Racing Commission*

\$0 to (\$506,822) \$0 to (\$454,257) \$0 to (\$466,555)

Transfer - surplus transferred to the
 State Schools Money Fund

\$0 to
(Unknown) \$0 to
(Unknown) \$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
 MISSOURI HORSE RACING FUND**

\$0 \$0 \$0

* SUBJECT TO APPROPRIATION

STATE SCHOOLS MONEY FUND

Income - Transfer from Missouri Horse
 Racing Fund

\$0 to Unknown \$0 to Unknown \$0 to Unknown

**ESTIMATED NET EFFECT TO THE
 STATE SCHOOLS MONEY FUND**

\$0 to Unknown \$0 to Unknown \$0 to Unknown

MISSOURI BREEDERS FUND

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Income</u> - portion of mutuel pool bets	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT TO THE MISSOURI BREEDERS FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business that would supply the potential horse racing facilities may benefit from this proposal.

DESCRIPTION

This proposal details the selection, organization, and powers of the Missouri Horse Racing Commission. The proposal grants the commission authority to hire employees, investigate qualifications of applicants, deny applications (subject to appeal to circuit courts), adopt standards of conduct for wagering on race meeting grounds, and levy administrative penalties. The commission cannot issue a license unless the applicant will conduct at least 20 days of live racing within 18 months of licensure, 30 days in the next 12 months, and 50 days every year thereafter.

The propoal also creates requirements for licensees to accept pari-mutuel wagers and details acts or omissions that may be grounds for discipline. Licensees may conduct wagering on simulcasts on their racing grounds with no limit on the number or frequency and may have their own races subject to simulcast. Shareholders of licensees are prohibited from having financial interests in other gaming activities that are not related to horse racing.

The proposal also requires:

- (1) Revenues generated from wagering and licensing activities to go to the Missouri Horse Racing Fund to pay commission expenses. Any surplus at the end of the fiscal year will go to the State

School Moneys Fund;

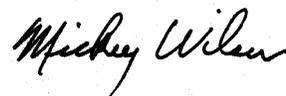
DESCRIPTION (continued)

- (2) A \$2 admission fee for each person entering the race meeting grounds, to go to the Missouri Horse Racing Fund;
- (3) One steward at each horse race meeting to be certified;
- (4) Pari-mutuel systems to meet certain requirements; and
- (5) The Missouri Breeders Fund to be used to encourage and reward breeders and owners of Missouri-bred horses that win races in this state and a "Missouri-Bred" event within two years of the first race and at least five times each year thereafter.

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

Office of the State Public Defender
Office of the Secretary of State
Office of Prosecution Services
Office of the State Courts Administrator
Office of Administration - Budget and Planning
Department of Corrections
Missouri Gaming Commission
Department of Public Safety
 Director's Office
 Missouri Highway Patrol
Department of Revenue
Office of the State Treasurer
Department of Elementary and Secondary Education



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