

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2827-01
BILL NO.: HB 1092
SUBJECT: Charities; Gambling
TYPE: Original
DATE: February 28, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Gaming Commission	Unknown to (\$123,881)	Unknown to (\$113,807)	Unknown to (\$116,491)
Total Estimated Net Effect on <u>All</u> State Funds*	Unknown to (\$123,881)	Unknown to (\$113,807)	Unknown to (\$116,491)

* Net revenue (if any) not expected to exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
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 proposal regulates large raffles and sweepstakes which may be conducted by only religious and charitable organizations as defined by law and ensures receipts are used for charitable purposes. The proposal also ensures that non qualifying organizations do not conduct illegal raffles and sweepstakes. The GAM states this proposal implements the Constitutional Amendment permitting charitable raffles and sweepstakes that was enacted in 1998.

The GAM assumes the proposal would allow thousands of religious and charitable organizations to conduct raffle and sweepstakes events. The number of licensees is unknown, because a license is required for only those organizations whose prizes awarded per year exceed \$50,000 or who conduct more than four events per year.

The GAM assumes the need for two (2) Compliance Auditor II's (each at \$33,624 annually) to review game activity and audit the records required of each organization conducting raffles and/or sweepstakes to ensure compliance with the statutes, rules and regulations. Reviews will ensure proceeds are used for religious and charitable purposes. Employees will also review license applications, develop forms, assist and/or train workers of organizations conducting raffles, and audit the annual revenue and expense reports.

Oversight assumes the GAM would need one FTE for a Compliance Auditor (at \$33,624 annually). This employee would require the usual expense and equipment items. Oversight has charged the Gaming Commission Fund with these additional costs.

Oversight notes that GAM officials estimated in the past that several hundred organizations will apply for the license to conduct raffles and sweepstakes. Oversight assumes 300 organizations will apply for a raffle and sweepstakes license. Each non-refundable license costs \$50, therefore, license fee revenue for the Gaming Commission Fund would total \$15,000 for FY 01. Oversight assumes a 10% increase in the number of organizations that would receive a license in the following years. Therefore, license fee revenue would total \$1,500 and \$1,650 in Fiscal Year 2002 and Fiscal Year 2003, respectively.

Oversight notes that the fiscal estimate provided by the GAM did not address the \$25 per event fee that can be imposed by the commission according to Section 313.906 Subsection 1 paragraph (5). Oversight cannot predict the actions of the commission in charging this event fee and has reflected an unknown amount of revenue for this fee as to be deposited into the Gaming Commission Fund.

ASSUMPTION (continued)

Officials from the **Lottery Commission (LOT)** reported the same fiscal impact for this proposal as it did for similar legislation from 1999. In the prior year fiscal note response, LOT stated the Missouri Lottery currently has 195 non-profit organizations selling pull tabs, with total annual sales of \$4,500,000. LOT assumes 50% of pull tab sales would be lost to local raffles and sweepstakes, and that lottery sales would be reduced by \$2,250,000 annually. Assuming a 20% profit margin for pull tabs, this would result in an annual loss of \$450,000 to the Lottery Profits for Education Fund. In addition, LOT assumes this proposal would result in a negative impact on Lottery ticket sales in all Lottery retail locations; however, this loss cannot be reasonably determined.

Oversight has determined the revenue losses anticipated by the Lottery Commission, as stated above, were noted in the fiscal note for Truly Agreed To and Finally Passed Senate Substitute #2 for House Joint Resolution 39 dated May 15, 1998, which was passed by the voters in November, 1998. Therefore, the assumption was that raffles and sweepstakes would be authorized upon approval by the voters. Oversight has not included the estimated revenue loss in the fiscal note for this proposal.

Officials from the **Office of the State Public Defender (SPD)** assumed that existing staff could provide representation for those 10-20 cases arising where indigent persons were charged with fraudulent raffling and assume the fiscal impact from this proposal would be minimal. However, the SPD noted that passage of more than one similar bill would require the request of increased appropriations to cover cumulative cost of representing the indigent accused in the additional cases.

Officials from the **Office of Prosecution Services** believe this proposal would not fiscally impact their agency

In response to similar legislation from last year, the **Department of Corrections (DOC)** stated the need for additional capital improvements is not anticipated at this time. They noted that the cumulative effect of various new legislation, if adopted, could result in the need for additional capital improvements funding if the total number of new offenders exceeds current planned capacity. The DOC could not predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by 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 would incur a corresponding increase in operational costs either through incarceration or through supervision provided by the Board of Probation and Parole. Supervision by the DOC through probation or incarceration would result in some additional costs but it is

ASSUMPTION (continued)

assumed that the impact would be minimal.

Oversight assumes offenders placed with the DOC resulting from implementation of this proposal could be absorbed with existing resources.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume they will need five new FTEs to comprise the raffle and sweepstakes enforcement and investigation team. The team would include one (1) Sergeant (at \$38,352 annually), one (1) Corporal (at \$35,352 annually), and three (3) Troopers (each at \$31,512 annually). In addition to these 5 FTE, the MHP assumes that they will need standard office equipment for the five new team members as well as equipment needs for the replacement 5 recruit level positions which will be open due to promotions and transfers.

The MHP states the five gaming officers would be assigned all enforcement duties connected with public complaints against legal and illegal raffles and sweepstakes. Enforcement duties assigned to the unit would include, but not be limited to, administrative inspections and reporting to determine compliance with Commission rules and regulations, arrests for criminal statute violations, and interdepartmental liaison activities with local law enforcement agencies. These officers would also conduct background investigations into the charities, their officers and workers who participate in the conduct of management of raffles.

In response to a similar proposal from 1999, the MHP stated the new team would initially start with one officer and, as the demand rises, increase to the optimal level of five members. The funding necessary to cover the expense of the team would be reimbursed to the MHP by the GAM, but the MHP would be responsible to fund the recruitment, training, supply, and assignment of the troopers needed to back fill positions vacated by members reassigned to the new unit.

Oversight assumes the MHP will require one (1) FTE, a Sergeant, initially with corresponding fringe benefits and expense and equipment.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GAMING COMMISSION FUND

<u>Revenue - Gaming Commission</u>			
\$50 License Fee for Raffles and Sweepstakes	\$15,000	\$1,500	\$1,650

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Revenue - Gaming Commission</u>			
\$25 Event Fee	Unknown	Unknown	Unknown
<u>Costs - Gaming Commission</u>			
Personal Service (1 FTE)	(\$28,709)	(\$35,326)	(\$36,209)
Fringe Benefits	(\$8,581)	(\$10,559)	(\$10,823)
Expense and Equipment	(\$8,997)	(\$6,077)	(\$6,261)
Total <u>Costs</u> - Gaming Commission	(\$46,287)	(\$51,962)	(\$53,293)
<u>Costs - Missouri Highway Patrol</u>			
Personal Service (1 FTE)	(\$32,759)	(\$40,294)	(\$41,301)
Fringe Benefits	(\$15,341)	(\$18,869)	(\$19,341)
Expense and Equipment	(\$44,494)	(\$4,182)	(\$4,206)
Total <u>Costs</u> - Missouri Highway Patrol	(\$92,594)	(\$63,345)	(\$64,848)
ESTIMATED NET EFFECT ON GAMING COMMISSION FUND	Unknown to <u>(\$123,881)</u>	Unknown to <u>(\$113,807)</u>	Unknown to <u>(\$116,491)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses would not be fiscally impacted by this proposed legislation.

DESCRIPTION

This proposal establishes regulations for raffles and sweepstakes. In its main provisions, this proposal:

- (1) Allows qualifying charitable and religious organizations to conduct raffles or sweepstakes without a license, as long as the prize values do not exceed the limit per calendar year. Raffles and sweepstakes exceeding the limit require a license;

DESCRIPTION (continued)

- (2) Allows a qualifying charitable or religious organization to conduct multiple raffles and sweepstakes once per calendar year in conjunction with a fair or carnival if the value of all prizes for the organization's raffles and sweepstakes for the calendar year does not exceed the limit;
- (3) Outlines license application requirements, establishes certain bookkeeping and record-keeping requirements, and requires Missouri Gaming Commission access to books, records and premises;
- (4) Requires that all revenue from the raffles and sweepstakes be devoted solely to the religious or charitable purposes for which the organization is recognized as such;
- (5) Excludes certain persons and organizations from the management, conduct, or operation of any raffle or sweepstakes;
- (6) Establishes a requirement for raffle and sweepstakes licensees, such as reporting to the commission changes to application information within 30 days and filing with the commission a statement of revenue and expenses by March 1 of each year;
- (7) Requires licensees to submit to the commission the name and tax identification number of each supplier used for raffles and sweepstakes supplies and prior to conducting a raffle or sweepstakes, to provide 10 days notice to the commission, and submit an event fee of up to \$25, as determined by the commission;
- (8) Restricts the conduct of raffles and sweepstakes by licensees, including that only bona fide members for at least 6 months are permitted to be involved in the management of raffles or sweepstakes;
- (9) Makes it a misdemeanor to violate the bill's provisions, and authorizes the commission to fine a violator in an amount not more than 3 times the amount of the proceeds of the raffle or sweepstakes directly connected to the violation;
- (10) Outlines grounds for discipline by the commission; and
- (11) Makes it a class D felony to counterfeit any raffle or sweepstakes ticket with the intent to defraud.

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

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SOURCES OF INFORMATION

Missouri Gaming Commission
Missouri Lottery Commission
Department of Public Safety
 Missouri Highway Patrol
Office of Prosecution Services
Office of the State Public Defender
Department of Corrections



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Director
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