

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4544-01
BILL NO.: SB 1021
SUBJECT: Charities; Gambling
TYPE: Original
DATE: March 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Gaming Commission	(\$20,095)	\$16,208	\$12,674
Total Estimated Net Effect on <u>All</u> State Funds	(\$20,095)	\$16,208	\$12,674

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 establishes the statutory criteria and guidelines for religious and charitable organizations to follow to conduct raffles or sweepstakes pursuant to amendment 8 passed by the voters in 1998. Thousands of religious and charitable organizations can conduct raffles annually, those organizations who conduct raffles or sweepstakes events in which prizes awarded exceed \$5,000 per event or who conduct more than 4 raffles per year would be required to be licensed and pay a tax of 2% of the value of prizes awarded.

The GAM states this proposal will help religious and charitable organizations to raise money for their charitable purposes of the organization. The proposal may have a slight negative impact on the licensed bingo games as some players may elect to buy raffle or sweepstakes tickets rather than spend money on bingo games. This would result in a reduction in the tax receipts from bingo games which is dedicated to education. However because this proposal would levy a 2% tax of the raffle or sweepstakes events, the reduction in tax receipts from bingo games should be more than offset by the reduction in bingo tax receipts. The proposal would allow clarifying religious and charitable organizations the ability to significantly increase their income of which the income must be used for charitable purposes.

The GAM assumes the need for four FTE to implement this proposal. One (1) Data Entry Operator (at \$19,452 annually), one (1) Bingo Analyst II (at \$29,184 annually), one (1) Auditor I (at \$29,184 annually) and one (1) Auditor II (at \$33,624 annually) are being requested to process license applications for charities and suppliers, write rules and regulations and develop reporting and record keeping forms. The FTE's would also be responsible for performing necessary audits, the development of automatic computer licensing and tax system, and the development of rules and regulations, license applications, and tax reporting forms.

The GAM assumes the 2% tax on the raffle or sweepstakes events would generate an estimated \$140,000 per year in revenue to the Gaming Commission Fund. They used an estimate of 1,000 licensed raffle events per year and an estimated average of \$7,000 in prizes to be awarded per event (1,000 x \$7,000 x 2% = \$140,000).

Oversight assumes the GAM would need two FTE for this proposal, a Bingo Analyst III and an Auditor II. These employees 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

ASSUMPTION (continued)

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 313.918 Subsection 3 paragraph (6). Oversight used the GAM's estimate of 1,000 licensed raffle events per year to predict that this \$25 per event fee would generate \$25,000 per year in revenue to be deposited into the Gaming Commission Fund.

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** and the **Office of the State Courts Administrator** assumed that this proposal would not fiscally impact their agency.

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

ASSUMPTION (continued)

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 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 **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Gaming Commission's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 18 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal is estimated to be \$723, the actual fiscal impact would be dependent upon the actual rulemaking 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 does 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.

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 **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

ASSUMPTION (continued)

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.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

GAMING COMMISSION FUND

<u>Revenue</u> - Gaming Commission			
\$50 License Fee for Raffles and Sweepstakes	\$15,000	\$1,500	\$1,650
<u>Revenue</u> - Gaming Commission			
\$25 Event Fee	\$25,000	\$25,000	\$25,000
<u>Revenue</u> - Gaming Commission			
2% tax on value of prizes	\$140,000	\$140,000	\$140,000
<u>Costs</u> - Gaming Commission			
Personal Service (2 FTE)	(\$64,378)	(\$65,987)	(\$67,637)
Fringe Benefits	(\$19,243)	(\$19,724)	(\$20,217)
Expense and Equipment	(\$14,260)	(\$1,236)	(\$1,274)
Total <u>Costs</u> - Gaming Commission	(\$97,881)	(\$86,947)	(\$89,128)

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003
(continued)

<u>Costs</u> - Missouri Highway Patrol			
Personal Service (1 FTE)	(\$39,311)	(\$40,294)	(\$41,301)
Fringe Benefits	(\$18,409)	(\$18,869)	(\$19,341)
Expense and Equipment	<u>(\$44,494)</u>	<u>(\$4,182)</u>	<u>(\$4,206)</u>
Total <u>Costs</u> - Missouri Highway Patrol	(\$102,214)	(\$63,345)	(\$64,848)

**ESTIMATED NET EFFECT ON
GAMING COMMISSION FUND** **(\$20,095)** **\$16,208** **\$12,674**

<u>FISCAL IMPACT - Local Government</u>	FY 2001	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 regulates the conducting of raffles and sweepstakes by charitable and religious organizations. No license is required for sweepstakes or for organizations conducting raffles totaling less than \$5,000 per calendar year, but the organizations are required to have papers and premises open for inspection by the Gaming Commission as well as other restrictions.

Organizations conducting raffles over \$5,000 per year are required:

- (1) To be licensed;
- (2) To pay out at least 50% of the gross receipts in prizes when the raffle being conducted has prizes exceeding \$15,000;
- (3) To keep their application information current and to report any changes within 30 days;
- (4) To prohibit use of proceeds to pay for leasing or owning the premises where the raffle is conducted; and

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DESCRIPTION (continued)

(5) To require the use of the net proceeds for a charitable or religious purpose.

Applicants for a license are required to submit a copy of their tax-exemption letter and federal ID number, a copy of any articles of incorporation and certificate of incorporation, and a statement indicating whether the organization has had a previous application revoked, refused or surrendered. Licensees are required to provide additional information as reasonably requested by the Gaming Commission.

Any person who violates the licensing provisions of the act is guilty of a Class A misdemeanor.

The act has an emergency clause.

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

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
Office of the Secretary of State
Office of the State Courts Administrator



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