

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 331** SLS 20RS 539

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 4, 2020	4:33 PM	<b>Author:</b> PEACOCK
<b>Dept./Agy.:</b> Public Safety - Gaming Control Board		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Fantasy Sports Contests		

GAMING OR SEE FISC NOTE SG EX Page 1 of 1  
Provides for the authorization of fantasy sports. (7/1/20)

Proposed law provides for fantasy sports contest operators to be licensed in the state, and provides various definitions, procedures, and penalties. the Gaming Control Board is required to institute rulemaking procedures as necessary to implement these provisions nu July 1, 2020.

Effective July 1, 2020.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Fantasy sports contests were authorized by Act 322 of 2018, and approved in 47 parishes at the November 6, 2018 statewide election. The operation of fantasy sports contests in parishes that approved is subject to the enactment of laws and regulations for the licensing, regulation, and taxation of such activity. To implement this bill, state police currently anticipates the need for 1 auditor and 2 investigative specialist positions. Full year costs to operate and equip these positions are roughly \$245,600 (\$69,600 in initial equipping and IT system work, and \$176,000 in personnel and operating costs). First year costs may be less as the regulatory apparatus is set up, but the bill mandates starting that process by July 1, 2020. Depending on the number of operators and levels of activity, fewer resources may be needed to regulate this industry from year to year, and some regulatory effort might be handled by existing resources. However, this is a new and additional activity for the control board and gaming division of state police, and some additional resources seem likely to be needed to adequately establish and regulate the industry. While certain fines and penalties are provided for in the bill, permitting/licensing fees are typically utilized to offset administrative/enforcement costs. These fees are presumably left to the rulemaking authority of the control board. Subject to appropriation, regulatory costs are assumed to be financed by self-generated revenue in this fiscal note. However, until the regulatory regime is established and participated in by gaming operators, the state general fund may have to finance regulatory costs.

**REVENUE EXPLANATION**

This bill does not provide for taxation of the gaming activity. Information pertaining to the potential revenue base is discussed here, as contained in fiscal notes for similar bills in the 2019 session. The potential magnitude of fantasy sports contests in the state is speculative. Limited information on this activity suggests that total tax receipts the state might expect to eventually receive are relatively small. The New York State Gaming Commission reported that interactive fantasy sports in 2017 generated only \$4.8 million in tax receipts, based on a tax rate rate of 15%, and with New York state residents comprising 9.45% of nationwide gross revenue of this industry. Louisiana residents of the 47 parishes that approved fantasy sports contests would comprise a much smaller share of industry revenue. Simply using the state population share of the nation (1.4%) and the 15% tax rate levied by New York, only about \$705,000 of tax receipts are implied for Louisiana. This rough extrapolation might be somewhat low, since the New York participation share (9.45%) is over 60% larger than the state's share of nationwide population (6%). However, not all of the Louisiana population would be able to participate without being in an approval parish when participating. The Gaming Control Board and State Police have been working on drafting rules for this activity, but can not begin promulgation until the bill is enacted, but must do so by July 1, 2020. That process takes about 5 months, followed by a licensing process. Full year tax receipts still require taxation legislation, and do not seem likely until some time after FY21. In addition, the REC has typically not adopted gaming revenue estimates for new forms or venues until after the activity has been observed for some time.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**John D. Carpenter**  
**Legislative Fiscal Officer**