



LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 80

Fiscal Note On: **HB 697** HLS 21RS 1256

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **HB 628**

Date: June 18, 2021	12:51 PM	Author: STEFANSKI
Dept./Agy.: State Police Gaming / Lottery Corp		Analyst: Greg Albrecht
Subject: Sports Wager Taxation		

GAMING EN INCREASE SD RV See Note Page 1 of 1
Provides for sports wagering

Applies various fees on the entities involved in offering sports wagering and administered by the Gaming Control Board (licensed casinos) and the Lottery Corporation (alcoholic beverage consumption permitted retailers). Fees collected by the State Police Gaming Division are to be deposited into the Sports Wagering Enforcement Fund, created by this bill, for support of regulatory activities associated with sports wagering by State Police, the Justice Dept, and the Gaming Board. Fees paid for wagering administered by the Lottery Corp (including suitability investigation) are to be submitted to the Lottery Corp for its costs, with any excess to be transferred to the Lottery Sports Wagering Fund, newly created by this bill, for appropriation in support of the Minimum Foundation Program. Levies state taxes on net gaming proceeds of sports wager operators: 10% on wagering at licensed establishments, and 15% on wagering through electronic devices. Taxes collected by State Police are ultimately deposited into the state general fund. Taxes collected by the Lottery Corp. are to be deposited into the Community and Family Support System Fund. Contingent upon enactment of SB 202 of this session.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

State Police anticipates the need for 19 additional positions to regulate this new form of gaming in the state (6 auditors, 2 compliance specialists, 10 investigators, 1 staff officer). Personnel, travel, professional services, and equipping total some \$2 M in the first year, then \$1.7M per year until equipment replacements. Cost growth is likely, as well. The Dept. of Justice anticipates 3 additional positions (2 asst AGs and 1 admn assistant). Costs are \$328,000 in the first year, growing over time. Combined costs are projected at roughly \$2M to \$2.3M per year with cost growth and periodic equipment replacement. Expenses are intended to be paid by fee revenue. The initial application and 5-year licensing fees in the bill suggest several million dollars of fee revenue as the program starts from 20 established casino licensees and up to 40 associated mobile applications.

Lottery Corp has estimated administrative and retailer commission costs of \$3.5M per year (including additional 12 positions). In addition, in the first year it will cost \$16.4M to obtain 1,000 sports wager terminals, and the terminal vendor also requires 40% of net proceeds each year. After a 10% allocation to the Community and Family Support System Fund, and receipt of \$1.3M in initial permit fees, first year net losses of nearly \$13M are estimated, with \$2.5M of net gains in subsequent years. Ultimately, any losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions. Net gains would support MFP costs and allow less general fund support.

REVENUE EXPLANATION

The bill levies new and existing fees on the various entities involved in offering sports wagering in the state to support the regulatory costs of sports wagering, administered by the Gaming Control Board, State Police, and Justice Dept, as well as the Lottery Corp. Fee revenue and administrative expenditures are discussed above.

At inception, tax revenue from sports wagering activity is speculative as to magnitude and timing of receipts, and largely depends on the scope of sports wagering authorized. The scope of sports wagering is provided by SB 247 Enrolled which authorizes a fairly expansive model of wagering at the state's 20 licensed casino establishments (18 currently operational) and their mobile platforms from anywhere in the 55 parishes that have approved sports wagering, via online/internet applications from within those parishes, at bars & restaurants by kiosks operated by the Lottery Corp. This sports wagering model suggests the likelihood of tax receipts being a number of multiples of the Mississippi model (only within licensed casinos) which generated \$5.3 million of tax revenue from a 12% tax rate in its full year of operations before the coronavirus pandemic.

Based on other states with Lotteries offering sports wagering, the Lottery Corp suggests \$11M - \$12M of gaming tax receipts through its component. Device vendor costs, administration, and dedication to the Community Support Fund likely results in a net loss of \$13M in the first year, but with \$2.5M in net gains in subsequent years (after kiosk devices are paid for). Ultimately, any initial losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions. Future net gains would support MFP costs and allow less general fund support.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


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