

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 266** SLS 18RS 422

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 16, 2018	4:41 PM	Author: MARTINY
Dept./Agy.: Louisiana Gaming Control Board		Analyst: Colleen Gil
Subject: Sports Wagering		

GAMING EG INCREASE GF EX See Note Page 1 of 2
Provides for a statewide referendum election on sports wagering as an authorized form of gaming. (See Act)

Present law provides for certain forms of authorized gaming. Proposed law adds sports wagering as an authorized form of gaming for riverboat casino licensees, the land based casino licensee, video draw poker licensees, and pari-mutuel live racing licensees. Proposed law provides that the licensee shall remain subject to the regulatory authority of the Louisiana Gaming Control board and present law. Proposed law calls for a statewide referendum election to be held on November 6, 2018, at the congressional primary election. Proposed law provides that if a majority of those voting vote in favor of the proposition in a particular parish with a riverboat gaming license holder, a land based casino license holder, a video draw poker license holder, or a pari-mutuel live racing license holder of that parish may engage in sports wagering.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
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>	<u>\$0</u>
Annual Total						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
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>	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There will be an increase in SGF expenditures to Public Safety Services and the Department of Justice to the extent sports wagering is approved during the statewide election on November 6, 2018. Public Safety Services anticipates increased costs in order to implement a sports wagering central system and operating costs throughout three different departmental areas: commissioned enforcement, gaming audit, and technical support. Public Safety Services reports there are currently 15 riverboat casinos, 1 land-based casino, 964 bars, 537 restaurants, 8 hotels, 13 racetracks/off-track betting sites, and 202 truck stops in Louisiana where sports betting has the potential to be implemented.

The Department of Justice anticipates the need for 4 additional personnel with an **estimated cost of \$501 K** in SGF expenditures. The department is both the legal advisor and legal representative for the Gaming Enforcement Division, the Louisiana State Racing Commission, and the Louisiana Gaming Control Board. The additional staff consists of 3 additional attorneys and 1 paralegal within the gaming division in order to review and adjudicate suitability investigations, institute administrative actions, and promulgate rules and regulations for sports wagering issues. The costs consist of the following: salaries and related benefits (\$448 K); travel (\$6 K); acquisitions (\$16 K); operating expenses (\$22 K); and supplies (\$8 K). The addition of these positions is estimated to total approximately \$501 K annually with an approximate 4% increase in subsequent years. **(Expenditure Explanation Continued on Page 2)**

REVENUE EXPLANATION

There will be an increase in self-generated revenues to the extent casinos, racetrack/off-track betting sites, and video poker sites hire additional staff. These establishments are responsible for paying the fees associated with key and non-key employees to the Louisiana Gaming Control Board. The number of additional employees who will be hired is unknown, therefore the revenue increase is indeterminable.

Additionally, there will be an increase in state general fund revenues to the extent gaming revenues increase and the associated receipts are not dedicated. The potential amount of revenue is indeterminable at this time. It seems likely additional legislation would be required to define the tax rate, base and structure for the proposed sports gaming.

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}

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Staff Director

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CONTINUED EXPLANATION from page one:
Expenditure Explanation Continued from Page 1

The estimates provided by public safety services are based on full implementation of sports wagering. **The LFO believes these costs can be incurred gradually based on actual expansion by gaming facilities.**

Implementation: Public Safety Services and the Office of Technology Services (OTS) anticipate **one-time costs of approximately \$25 M** to implement a centralized sports wagering system which will have the capability to connect with the systems at the various establishments and provide the necessary information to the gaming enforcement division. OTS estimates the implementation process taking 1 - 1.5 years, which can be completed concurrently with the casinos.

Enforcement: Public Safety Services anticipates the need for 39 additional troopers with an **estimated cost of \$7.04 M.** Costs include: Salaries and Related Benefits (\$3.32 M); Operating Services (\$70 K); Travel (\$97 K); Supplies (\$318 K); *Professional Services (\$53 K) provides for expenses associated with troopers physicals, polygraphs, drug tests, psychological exams, etc.; Other Charges (\$39 K) provides for reimbursement to troopers for costs incurred relating to investigations; IAT (\$575 K) includes cadet academy costs and telephone expenses; *Acquisitions (\$2.56 M) includes purchasing 39 vehicles, police equipment, and office equipment. The department anticipates 2 troopers will be responsible for conducting suitability investigations of gaming suppliers, and the remaining troopers will be assigned to the various regional offices to investigate sports wagering issues at casinos, race tracks, and establishments currently offering video poker, as well as working with casino surveillance systems, security personnel and compliance officers.

Audit Personnel: Public Safety Services anticipates the need for 18 additional audit personnel with an **estimated cost of \$1.9 M.** Costs include: Salaries and Related Benefits (\$1.81 M); Operating Services (\$4 K); Travel (\$18 K); Supplies (\$5 K); IAT (\$5 K) includes telephone expenses; *Acquisitions (\$62 K) includes purchasing office equipment. The department anticipates 8 auditors would be responsible for oversight of sports books to ensure licensees follow rules, statutes and internal controls, properly report gaming revenues, and pay the appropriate amount of fees on those revenues, 5 information systems auditors who would be responsible for auditing the sports wagering gaming systems, as well as a manager, supervisor, accountant, and administrative staff to manage additional staffing and the related administrative requirements.

Technical Support: Public Safety Services anticipates the need for 10 additional technical personnel with an **estimated cost of \$1.12 M.** Costs include: Salaries and Related Benefits (\$1.1 M); Operating Services (\$2 K); Travel (\$10 K); Supplies (\$3 K); IAT (\$3 K) includes telephone expenses; *Acquisitions (\$36 K) includes purchasing office equipment. The department anticipates 8 gaming technical compliance specialists who would be responsible for various technical aspects such as certifying and testing the host monitoring system, and routine inspections and testing of any computers, kiosks, or terminals used to place online wagers, and 2 supervisors to oversee the work of the specialists.

*Note: Acquisitions and professional services represent one-time costs. The department's procurement process provides for replacement of some acquisitions every four years.

Below are the anticipated costs public safety services expects to incur as a result of the proposed legislation after sports wagering has been fully implemented.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Personal Services	\$6.19 M	\$6.19 M	\$6.19 M	\$6.19 M	\$6.19 M
Travel	\$125 K	\$125 K	\$125 K	\$125 K	\$125 K
Operating Services	\$76 K	\$76 K	\$76 K	\$76 K	\$76 K
Supplies	\$326 K	\$326 K	\$326 K	\$326 K	\$326 K
Professional Services	\$53 K	-	-	-	-
Other Charges	\$39 K	\$39 K	\$39 K	\$39 K	\$39 K
Acquisitions	\$2.66 M	-	-	\$2.4 M	-
IAT	\$583 K	\$20 K	\$20 K	\$20 K	\$20 K
	<u>\$10.06 M</u>	<u>\$6.81 M</u>	<u>\$6.81 M</u>	<u>\$9.16 M</u>	<u>\$6.81 M</u>

Lastly, the Secretary of State's election budget contemplates multiple statewide referendums, and would be able to absorb the cost of adding this item to the November 6, 2018 ballot within the existing operating budget.

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

House
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