



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 587** HLS 19RS 547
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 5, 2019 3:51 PM	Author: MARINO
Dept./Agy.: Public Safety - Gaming Control Board	Analyst: Greg Albrecht
Subject: Sports Wagering - Permits and Taxation	

TAX/GAMING OR +\$1,225,000 GF EX See Note Page 1 of 1
 Levies a state tax on the net proceeds of sports wagering, dedicates the avails of the tax, and imposes certain gaming fees

Proposed law imposes a state tax of 12% of the monthly net gaming proceeds of sports wagering gaming offered within the state. The bill also requires a nonrefundable initial application fee of \$50,000, and a certificate fee of \$100,000 for five years from approved applicants. In addition, manufacturers of sports wagering systems are required to pay an annual fee of \$15,000, and sports wagering service providers shall pay \$50,000 annual permit fee. Annual collections are to be allocated to the Compulsive and Problem Gaming Fund (1% up to \$100,000), with the balance allocated to the Early Childhood Education Fund.

Effective if and when SB 153 of this session is enacted and becomes effective.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$1,225,000	\$1,756,000	\$1,756,000	\$1,756,000	\$1,756,000	\$8,249,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$1,225,000	\$1,756,000	\$1,756,000	\$1,756,000	\$1,756,000	\$8,249,000

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</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	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Sports wagering has yet to be authorized in the state (SB 153 is an authorizing instrument), and would also require voter approval in parishes with venues, as contemplated in the bill. Assuming such authorizations and voter approvals occur, in order to implement the bill, state police anticipates the need for 20 positions (4 troopers, 14 auditors, and 2 investigative specialists). The first year costs to operate and equip this staff group is some \$2.1 million (\$347,000 in initial system setup and equipping and \$1.756 million in personnel and operating costs). Full equipping costs and half-year operations are displayed above for FY20 as the regulatory apparatus is set up. Depending on the number of gaming operators and levels of activity, fewer resources may be needed to regulate this industry, and some regulatory effort might be handled by existing gaming regulation/enforcement resources. However, this is a new and additional activity for the control board and gaming division, and some additional resources seem likely to be needed to adequately regulate the industry. Although permitting/licensing fees are typically utilized to offset administrative/enforcement costs of various programs, the bill provides no allocation from any of the proceeds collected for regulation/enforcement. Thus, subject to appropriation, these costs are assumed to be financed by the state general fund.

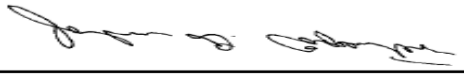
REVENUE EXPLANATION

The magnitude of sports wagering in the state is speculative, and would depend heavily on the authorized and approved structure (locations, mobile, licensees etc). Limited information on this activity suggests that total tax receipts the state might expect to eventually receive are relatively small. The state of Nevada has allowed sports betting for a number of years and dominates the industry. On nearly \$5 billion of total wagering in 2018, the state generated only about \$20 million of tax revenue from a 6.75% tax rate on net gaming proceeds. Sports wagering in Mississippi has been reported for 7 months, generating \$2.5 million of tax revenue from a 12% tax rate. This might annualize to some \$5 million of tax revenue in subsequent years.

All collections attributable to this bill are allocated to the Compulsive and Problem Gaming Fund (up to \$100,000) and the LA Early Childhood Education Fund.

SB 153 contemplates the approval of electors at an election, and the earliest this could occur is at the statewide election scheduled for October 12, 2019. Implementation of sports wagering would then require the promulgation of rules and regulations by the Gaming Control Board; a process that takes about 5 months, followed by a licensing process. Full year tax receipts don't seem likely until FY21 and beyond. 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.

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