

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 153** SLS 19RS 35
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 26, 2019	2:51 PM	Author: MARTINY
Dept./Agy.: Public Safety - Gaming Control Board		Analyst: Greg Albrecht
Subject: Sports Wagering		

GAMING RE1 +\$1,225,000 SD EX See Note Page 1 of 1
 Provides relative to sports wagering. (See Act)

Proposed law provides the statutory authorization for the establishment and regulation of sports wagering in the state. The wagering would be regulated by the Gaming Control Board, and allowed in the riverboats, land-based casino, racetrack slot machine facilities currently licensed for gaming. A statewide election on October 12, 2019 will determine if sports wagering is allowed in respective parishes. All fees, fines, revenue, and taxes are to be collected by the gaming division of State Police. Unclaimed winnings are dedicated to the Crime Victims Reparations Fund. Annual collections are to be allocated to the Compulsive and Problem Gaming Fund (1% up to \$750,000), the La Early Childhood Education Fund (10%), the local governments where sports wagering occurs (2%). Sports wagering providers are to allocate 5% of their net wagering receipts to purse supplements for the horse racing industry, and 2/3 of 1% to the breeders' associations. These allocations are superseded by those contained in HB 587 of this session, should that bill be enacted (HB 587 levies fees and tax on sports wagering, and allocates the proceeds).

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

EXPENDITURE EXPLANATION

This bill authorizing sports wagering contemplates voter approvals as well as other laws being enacted regarding permit and certificate fees. Assuming such laws enacted in this session and voter approvals occur at the fall election, 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, especially in the initial year of set up, 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. Permitting/licensing fees are typically utilized to offset administrative/enforcement costs. While this bill provides no allocation of proceeds collected for regulation/enforcement, HB 587 does, directing those fee collections to a special subfund for that purpose. However, it is not certain that fee collections will be sufficient to cover costs that are initially anticipated by state police (although cost estimates themselves may change as implementation progresses). Thus, subject to appropriation, these costs may require supplemental support from the state general fund.

REVENUE EXPLANATION

The magnitude of sports wagering in the state is speculative, and would depend to some extent on the regulations promulgated by the Gaming Control Board. 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 8 months, generating \$2.6 million of tax revenue from a 12% tax rate. This might annualize to some \$5 million of tax revenue in subsequent years.

The bill contemplates the approval of electors at a 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.

Senate
 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