

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 357** HLS 20RS 826

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 17, 2020	5:14 PM	Author: MAGEE
Dept./Agy.: Public Safety - Gaming Control Board		Analyst: Greg Albrecht
Subject: Sports Wagering		

GAMING EG SEE FISC NOTE SG EX See Note Page 1 of 1
Provides for a proposition election to authorize sports wagering in Louisiana

Proposed law provides for a statewide referendum to authorize sports wagering in parishes that approve the referendum. To be held at the statewide election scheduled for November 3, 2020.

In addition, the bill provides that the Gaming Control Board has all regulatory authority, control, and jurisdiction over all aspects of sports wagering, should it be legalized in any parish.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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>	\$0
Annual Total	\$0					\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The bill contemplates statewide sports wagering in any parish that votes for the proposition, and provides regulatory authority to the Gaming Control Board if at least one parish approves the ballot. Actual regulatory costs would be heavily influenced by the actual structure of sports wagering implemented, such as the number of parishes allowing it, will it be allowed in existing casino facilities only, other facilities, mobile and/or internet wagering, as well as the Board's various regulatory requirements. Assuming voter approvals and regulations or subsequent legislation establishing a regulatory framework are enacted, state police had provided estimates of the possible costs to implement sports wagering at existing casino venues (riverboats, land-based, and racetrack slot facilities) for consideration of various sports wagering bills in the 2019 legislative session. That information is repeated here. The agency anticipated the need for 20 positions (4 troopers, 14 auditors, and 2 investigative specialists). The first year cost estimate to operate and equip this staff group was some \$2.1 million (\$347,000 in initial system setup and equipping and \$1.756 million in personnel and operating costs). 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 necessary to adequately regulate the activity. Permitting/licensing fees are typically utilized to fund administrative/enforcement costs, although state general fund support may also be needed.

REVENUE EXPLANATION

The magnitude of sports wagering in the state is speculative, and would depend to a large extent on the scope of sports wagering actually implemented (existing casino facilities only, other facilities, mobile and/or internet wagering etc.) as well as upon the regulations promulgated by the Gaming Control Board. Current information on this activity, based on fixed casino facilities, suggests that total tax receipts the state might expect to eventually receive are relatively small. The state of Nevada has allowed sports betting in fixed casinos for a number of years and dominates the industry. On \$5.3 billion of total wagering in 2019, the state generated \$22.2 million of tax revenue from a 6.75% tax rate on net gaming proceeds (a relatively low tax rate). More indicative of Louisiana's possibilities would likely be the sports wagering experience in Mississippi (sports betting in fixed casinos, as well) where the twelve months of activity during 2018-2019 generated \$5.6 million of tax revenue from a 12% tax rate; or, some \$445,000 per 1% of tax. The Louisiana potential is ultimately dependent on the scope of sports wagering allowed and level of patronage, as well as the rate of taxation.

The bill requires the approval of electors in at least one parish at a statewide election scheduled for November 3, 2020. Implementation of sports wagering would then require the promulgation of regulations by the Gaming Control Board; a process that takes about 5 months, followed by a licensing process. Fee and tax receipt would require subsequent legislation in the 2021 session. Thus, tax receipts don't seem likely until sometime in FY22. In addition, the REC has typically not adopted gaming revenue estimates for new forms or venues until after the activity has been observed for a period of time.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input 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 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} |

John D. Carpenter
Legislative Fiscal Officer