

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 688** HLS 21RS 1354

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 3, 2021	4:05 PM	<b>Author:</b> STEFANSKI
<b>Dept./Agy.:</b> State Police Gaming		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Sports Wager Taxation		

TAX/GAMING

OR INCREASE GF RV See Note

Page 1 of 1

Levies certain taxes and fees on sports wagering gaming

Establishes various fees on the entities involved in offering sports wagering in the state. Fees are to be collected by State Police Gaming Division and deposited into the Sports Wagering Enforcement Fund, created by this bill, for support of State Police, the Justice Dept., and the Gaming Board regulatory activities associated with sports wagering. Levies state taxes on net gaming proceeds of sports wager operators: 10% on wagering at licensed establishments, and 18% on wagering through a website or mobile application. These tax receipts are to be deposited into the Bond Security and Redemption Fund. No further disposition is provided. Contingent upon enactment of SB 202 of this session.

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

**EXPENDITURE EXPLANATION**

State Police has indicated that it anticipates the need for 19 additional positions to regulate this new form of gaming in the state (6 auditors, 2 technical compliance specialists, 5 criminal investigators, 5 investigative specialists, 1 executive staff officer). Personnel services, travel, professional services, and equipping costs total some \$2 million in the first year, then \$1.7 million per year until equipment replacements. Some cost growth is likely over the fiscal note horizon, as well. The Dept. of Justice anticipates the need for 3 additional positions (2 assistant AGs and 1 administrative assistant). Costs are \$328,000 in the first year, and grow over time. Combined regulatory costs are projected at roughly \$2 million to \$2.3 million per year depending on cost growth and periodic equipment replacement. These expenses are intended to be paid by the various application and license fees paid by the entities involved in offering sports wagering. These fees are largely directed to the Sports Wagering Enforcement Fund, newly created by this bill. However, that revenue flow is indeterminable at the outset of sports wagering, and state general fund support may be needed.

**REVENUE EXPLANATION**

The bill establishes fees on the various entities involved in offering sports wagering in the state to support the regulatory costs of sports wagering. These fees would be deposited to the Sports Wagering Enforcement Fund, newly created by this bill. State Police has indicated that it anticipates issuing at least 30 licenses, encompassing existing casinos and possibly 10 additional locations. Fee revenue is indeterminable until applications and gaming activity commence.

Tax revenue from gaming activity itself is also indeterminable in advance, and will largely depend on the scope of gaming access ultimately authorized. The bill appears to contemplate sports wagering at particular establishments, as well as through websites and mobile applications. With a least expansive model of only wagering in already established casinos, the Mississippi experience may be instructive as to what is possible. In its only full year before the coronavirus pandemic, Mississippi received roughly \$5.3 million of tax revenue from a 12% tax rate. With a most expansive model that includes websites and mobile applications utilized in all areas of the state where locally approved, some multiple of that level of tax receipts is possible. The bill requires tax receipts to be deposited into the Bond Security and Redemption Fund. This is essentially the state general fund, but no further disposition of tax receipts is provided by the bill.

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}

**Christopher A. Keaton**  
**Legislative Fiscal Officer**