

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



Fiscal Note On: **HB 697** HLS 21RS 1256

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **HB 628**

<b>Date:</b> May 13, 2021	11:33 AM	<b>Author:</b> STEFANSKI
<b>Dept./Agy.:</b> State Police Gaming / Lottery Corp		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Sports Wager Taxation		

GAMING RE INCREASE SD RV See Note Page 1 of 1  
Provides for sports wagering

Applies various fees on the entities involved in offering sports wagering and administered by the Gaming Control Board (licensed casinos) and the Lottery Corporation (alcoholic beverage consumption permitted retailers). Fees collected by the State Police Gaming Division are to be deposited into the Sports Wagering Enforcement Fund, created by this bill, for support of regulatory activities associated with sports wagering by State Police, the Justice Dept, and the Gaming Board. Fees paid for wagering administered by the Lottery Corp (including suitability investigation) are to be submitted to the Lottery Corp for its costs, with any excess to be transferred to the Lottery Sports Wagering Fund, newly created by this bill, for appropriation in support of the Minimum Foundation Program. Levies state taxes on net gaming proceeds of sports wager operators: 10% on wagering at licensed establishments, and 15% on wagering through electronic devices. Taxes collected by State Police are ultimately deposited into the state general fund. Taxes collected by the Lottery Corp. are to be deposited into the Community and Family Support System Fund. Contingent upon enactment of SB 202 of this session.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
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>						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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 anticipates the need for 19 additional positions to regulate this new form of gaming in the state (6 auditors, 2 compliance specialists, 10 investigators, 1 staff officer). Personnel, travel, professional services, and equipping total some \$2 M in the first year, then \$1.7M per year until equipment replacements. Cost growth is likely, as well. The Dept. of Justice anticipates 3 additional positions (2 asst AGs and 1 admn assistant). Costs are \$328,000 in the first year, growing over time. Combined costs are projected at roughly \$2M to \$2.3M per year with cost growth and periodic equipment replacement. Expenses are intended to be paid by fee revenue. House floor questioning indicated licenses for 20 facilities and 40 mobile applications. The initial application and 5-year licensing fees in the bill suggest several million dollars of fee revenue as the program starts.

Lottery Corp has estimated administrative and retailer commission costs of \$3.5M per year (including additional 12 positions). In addition, in the first year it will cost \$16.4M to obtain 1,000 sports wager terminals, and the terminal vendor also requires 40% of net proceeds each year. After a 10% allocation to the Community and Family Support System Fund, and receipt of \$1.3M in initial permit fees, first year net losses of nearly \$13M are estimated, with \$2.5M of net gains in subsequent years. Ultimately, any losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions. Net gains would support MFP costs and allow less general fund support.

**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, administered by the Gaming Control Board, State Police, and Justice Dept, as well as the Lottery Corp. Fee revenue and expenditures are discussed above.

Tax revenue from gaming activity itself is indeterminable, and will largely depend on the scope of gaming access ultimately authorized. With a less 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 more expansive model that includes bar & restaurant kiosks, and mobile applications utilized in all areas of the state where locally approved, some multiple of that level of tax receipts is possible.

Research by the Lottery Corp, based on other states with Lottery's offering sports wagering, suggests some \$11M - \$12M of gaming tax receipts through the Lottery component. Costs associated with the device vendor, administration, and the dedication to the Community Support Fund could result in a net loss of nearly \$13M to the Lottery in the first year, but with \$2.5M in net gains in subsequent years (after kiosk devices are paid for). Ultimately, any initial losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions. Future net gains would support MFP costs and allow less general fund support.

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}

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