

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 500** HLS 19RS 626

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 15, 2019	7:35 PM	Author: ABRAMSON
Dept./Agy.: Public Safety - Gaming Control Board		Analyst: Greg Albrecht
Subject: Fantasy Sports Contests & Sports Wagering - Taxation		

TAX/GAMING OR +\$823,500 GF EX See Note Page 1 of 2

Levies a state tax on the net proceeds of fantasy sports contests and sports wagering gaming, dedicates the avails of the taxes, and provides for fees

Proposed law imposes a state tax of 8% of the monthly net gaming proceeds of fantasy sports contests offered within the state. An annual gaming license or permit fee of \$5,000 is also levied. Collections are to be deposited into the state treasury, to be allocated 50/50 to the state general fund and the Early Childhood Education Fund.

Proposed law imposes a state tax of 8% of the monthly net gaming proceeds of sports wagering gaming offered within the state. An annual gaming license or permit fee of \$5,000 is also levied. Collections are to be deposited into the state treasury, to be allocated 50/50 to the state general fund and the Early Childhood Education Fund. Parish governments are authorized to levy a tax up to 4% on net gaming proceeds of sports wagering gaming offered within their parishes.

Fantasy sports provisions effective July 1, 2019. Sports wagering provisions effective the day after the effective date of any law enacting sports wagering gaming, including any vote of the electors for approval at an election held for such purpose.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$823,500	\$825,000	\$825,000	\$1,046,000	\$825,000	\$4,344,500
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	\$823,500	\$825,000	\$825,000	\$1,046,000	\$825,000	\$4,344,500

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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

Fantasy sports contests were authorized by Act 322 of 2018, and approved in 47 parishes at the November 6, 2018 statewide election. The operation of fantasy sports contests in parishes that approved is subject to the enactment of laws for the licensing, regulation, and taxation of such activity. To implement this bill, state police anticipates the need for 4 positions (one trooper, 2 auditors, and one investigative specialist). The first year costs to operate and equip this staff group is some \$529,000 (\$164,000 in initial system setup and equipping and \$365,000 in personnel and operating costs).

Sports wagering has yet to be authorized in the state, 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 5 positions (two troopers, 2 auditors, and one investigative specialist). The first year costs to operate and equip this staff group is some \$707,000 (\$247,000 in initial system setup and equipping and \$460,000 in personnel and operating costs).

State Police anticipates replacement equipment acquisitions by the fourth year of operation. Full equipping costs and half-year operations are displayed above for FY20 as the regulatory apparatus is set up. Depending on the number of operators and levels of activity, fewer resources may be needed to regulate this industry, and some regulatory effort might be handled by existing 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.

REVENUE EXPLANATION

The magnitude of fantasy sports contests and sports wagering in the state that would be affected by the bill is speculative. Limited information on fantasy sports contests suggests that total tax receipts the state might expect to eventually receive are relatively small. The New York State Gaming Commission reports that interactive fantasy sports in 2017 generated only \$4.8 million in tax receipts, based on a tax rate rate of 15%, and with New York state residents comprising 9.45% of nationwide gross revenue of this industry. Louisiana residents of the 47 parishes that approved fantasy sports contests would comprise a much smaller share of industry revenue, and this bill levies a tax rate slightly more than half as high. Simply using the state population share of the nation (1.4%) and the bill's tax rate, the New York report implies only about \$375,000 tax receipts to Louisiana. This rough extrapolation might be somewhat low, since the New York participation share (9.45%) is over 60% larger than the state's share of nationwide population (6%). However, not all of the Louisiana population would be able to participate without being in an approval parish when participating.

Limited information on sports wagering 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 wagering in 2018, the state generated only about \$20 million of tax revenue from a 6.75% tax rate. 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.

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}

John D. Carpenter
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CONTINUED EXPLANATION from page one:

Continued Expenditure Explanation

It should be noted that the cost estimates above are simply the sum of estimates submitted by state police on separate instruments dealing with fantasy sports contests and sports wagering, respectively. However, for this combined bill, state police submitted cost estimates substantially larger than the sum of the two separate bills. This estimate called for 22 positions and \$2.8 million in first full year costs to operate and equip the staff group. Adjusted for half-year operations and full equipping in the initial FY20 period, a first year cost estimate would be \$1.6 million.

Continued Revenue Explanation

The Gaming Control Board and State Police can not begin promulgation of rules & regulations for fantasy sports contests until the bill is enacted, and until approval by the electorate for sports wagering. Those processes will take about 5 months each, followed by a licensing processes. Full year tax receipts seem likely in 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

Dual Referral Rules

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
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