

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



Fiscal Note On: **HB 498** HLS 19RS 574

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 22, 2019	11:49 AM	<b>Author:</b> ABRAMSON
<b>Dept./Agy.:</b> Public Safety - Gaming Control Board		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Sports Wagering - Taxation		

TAX/GAMING EG +\$1,225,000 GF EX See Note Page 1 of 1  
Levies a state tax on the net gaming proceeds of sports wagering, dedicates the avails of the tax, and provides for a fee

Proposed law imposes a state tax of 11% 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 imposed. Annual collections are to be allocated to the Compulsive and Problem Gaming Fund (1% up to \$100,000), with the balance allocated to the Early Childhood Education Fund. Regulatory and enforcement costs are to be provided, subject to appropriation. Parish governments are authorized to levy a tax up to 4% on net gaming proceeds of sports wagering gaming offered within their parishes.

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.

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

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</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	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

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 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 operators and levels of activity, fewer resources may be needed to regulate this industry, 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. The bill seems to imply an allocation from the tax proceeds generated shall be provided for regulation/enforcement, subject to appropriation, but does not explicitly allocate from the tax proceeds as is done for the Compulsive Gaming Fund and the Early Childhood Fund.

**REVENUE EXPLANATION**

The magnitude of sports wagering in the state is speculative, and would depend heavily on the authorized and approved structure (locations, mobile, licensees etc). 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 7 months, generating \$2.5 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 an election, and the earliest this could occur is at the 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**