

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|----------|-------------------------------|
| Date: June 2, 2020 | 12:41 PM | Author: MAGEE |
| Dept./Agy.: Public Safety - Gaming Control Board | | Analyst: Greg Albrecht |
| Subject: Fantasy Sports Contests | | |

GAMING EN 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 fantasy sports contest operators to be licensed in the state, and provides various definitions, procedures, and penalties. the Gaming Control Board is required to institute rulemaking procedures as necessary to implement these provisions by August 1, 2020. The board may assess and collect fees as necessary to to defray administrative costs associated with licensing operators. An initial nonrefundable application fee of \$1,000 is authorized. Licenses are for three year terms, with a graduated license fee (\$5,000 - \$40,000) charged based on three year average operator gross revenue. An amount shall be allocated to Public Safety and the Dept. of Justice for regulatory and enforcement expenses. Fines and penalties are to be deposited into the state general fund. Effective upon governor's signature.

| EXPENDITURES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| 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> | <u>\$0</u> |
| Annual Total | | | | | | |
| 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. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| 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> | <u>\$0</u> |
| Annual Total | | | | | | |

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 and regulations for the licensing, regulation, and taxation of such activity. To implement fantasy sports regulation, state police currently anticipates the need for 1 auditor and 2 investigative specialist positions. Full year costs to operate and equip these positions are roughly \$245,600 (\$69,600 in initial equipping and IT system work, and \$176,000 in personnel and operating costs). First year costs may be less as the regulatory apparatus is set up, but the bill mandates starting that process by August 1, 2020. Depending on the number of operators and levels of activity, fewer resources may be needed to regulate this industry from year to year, and some regulatory effort might be handled by existing resources. However, this is a new and additional activity for the control board, the gaming division of state police, and the Dept. of Justice, and some additional resources seem likely to be needed to adequately establish and regulate the industry.

Licensing fees are provided by the bill to defray administrative/enforcement costs, and are subject to appropriation. However, until the regulatory regime is established and the number of participating gaming operators becomes known, the state general fund may have to finance regulatory costs. Fines and penalties are also provided by the bill, to be deposited into the state general fund.

REVENUE EXPLANATION

This bill does not provide for taxation of the gaming activity. Information pertaining to the potential revenue base is discussed here, as contained in fiscal notes for similar bills in the 2019 session. The potential magnitude of fantasy sports contests in the state is speculative. Limited information on this activity suggests that total tax receipts the state might expect to eventually receive are relatively small. The New York State Gaming Commission reported 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. Simply using the state population share of the nation (1.4%) and the 15% tax rate levied by New York, only about \$705,000 of tax receipts are implied for 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. The Gaming Control Board and State Police have been working on drafting rules for this activity, but can not begin promulgation until the bill is enacted, but must do so by August 1, 2020. That process takes about 5 months, followed by a licensing process. Full year tax receipts would presumably require taxation legislation, and do not seem likely until some time after FY21. 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

House

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

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer