

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 628** HLS 21RS 367

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 20, 2021	7:13 PM	Author: STEFANSKI
Dept./Agy.: State Police Gaming / Lottery Corp		Analyst: Greg Albrecht
Subject: Sports Wager Taxation		

GAMING OR INCREASE GF RV See Note Page 1 of 1
Provides for sports wagering

Establishes various fees on the various 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: 15% on wagering at licensed establishments, and 30% on wagering through mobile applications. These tax receipts are to be deposited into the state general fund (95%), and distributed to the parishes (5%). The Lottery Corporation is also authorized to operate a licensed sports book. The tax on net gaming proceeds of the Lottery sports wager is 40%. These receipts are allocated as such: first \$100,000 retained by the Lottery for administrative costs, next \$500,000 for the Sports Wagering Enforcement Fund, 95% of the balance for the Developmental Disability Services Subfund in the New Opportunities Waiver Fund and 5% of the balance for distribution to parishes. Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

State Police 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 self-generated fee revenue. However, that revenue flow is indeterminable at the outset of sports wagering, and state general fund support may be needed.

Lottery Corp has estimated administrative and licensing costs to be \$3.5 million in the first per year, and \$2.5 million in subsequent years, plus \$16.4 million to obtain 1,000 sports wager terminals in the first year (terminal vendor also requires 40% of net proceeds each year). These costs are included in an estimate of first year net losses of nearly \$18 million, and \$400,000 in losses in subsequent years. Ultimately, any losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions.

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. State Police indicates that it anticipates issuing at least 30 licenses, encompassing existing casinos and possibly 10 additional (nonretail) locations. The bill also allows for certain retail establishments to be granted licenses, as well as the Lottery Corporation. Fee revenue is indeterminable until applications and gaming activity commence. Tax revenue from gaming activity itself is also indeterminable, and will largely depend on the scope of gaming access ultimately authorized. The bill seems to contemplate sports wagering at particular establishments (including retail), as well as through mobile applications, and through the Lottery Corporation. 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 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 95% of tax receipts flow to the state general fund, and 5% to be effectively dedicated to distribution to parishes. Research by the Lottery Corp, based on other states with Lottery's offering sports wagering, along with costs associated with the device vendor and other costs could result in a net loss of nearly \$18 million to the Lottery in the first year, and \$400,000 in losses in subsequent years. Ultimately, any losses come from Lottery contributions to the MFP K-12 program, requiring offsetting state general fund contributions.

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