

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 587** HLS 19RS 547

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP HSE COMM AMD**

Sub. Bill For.:

Date: May 19, 2019	4:00 PM	Author: MARINO
Dept./Agy.: Public Safety - Gaming Control Board		Analyst: Greg Albrecht
Subject: Sports Wagering - Permits and Taxation		

TAX/GAMING EG +\$1,225,000 SD EX See Note Page 1 of 1
Levies a state tax on the net proceeds of sports wagering, dedicates the avails of the tax, and imposes certain gaming fees

Proposed law imposes a state tax of 13% of the monthly net gaming proceeds of sports wagering gaming offered within the state. Annual tax collections are to be allocated to the Compulsive and Problem Gaming Fund (1% up to \$500,000 with any excess allocated to the LA Early Childhood Education Fund), then 10 percentage points of tax avails to the LA Early Childhood Education Fund, and 2 percentage points of tax avails to the parish in which taxable conduct occurred. The bill also requires a nonrefundable initial application fee of \$50,000, and a certificate fee of \$100,000 for five years from approved applicants. In addition, manufacturers of sports wagering systems are required to pay an annual fee of \$15,000, and sports wagering service providers shall pay \$50,000 annual permit fee. Fees are to be deposited into the newly created Sports Wagering Enforcement subfund within the Riverboat Gaming Enforcement Fund for sports wagering enforcement.

Effective if and when SB 153 of this session (authorizing sports wagering) is enacted and becomes effective.

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

EXPENDITURE EXPLANATION

Sports wagering has yet to be authorized in the state (SB 153 is an authorizing instrument), 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 gaming 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 contemplates permitting/licensing fees being utilized to cover the administrative/enforcement costs of sports wagering; directing those fee collections to a special subfund for that purpose. However, it is not certain that fee collections will be sufficient cover costs initially anticipated by state police (although cost estimates themselves may change as implementation progresses). Thus, subject to appropriation, these costs may require supplemental support from the state general 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 (\$300 million in tax base), 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 8 months, generating \$2.6 million of tax revenue from a 12% tax rate. This might annualize to some \$5 million of tax revenue in subsequent years.

Collections attributable to this bill are allocated to the Compulsive and Problem Gaming Fund (1% up to \$500,000), the LA Early Childhood Education Fund (10 pct pts of tax), and the parish where this gaming occurred (2 pct pts of tax).

SB 153 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
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
Legislative Fiscal Officer