

OFFICE OF FISCAL ANALYSIS

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sSB-540

AN ACT AUTHORIZING SPORTS WAGERING AND ONLINE LOTTERY DRAW GAMES IN THE STATE.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 19 \$ | FY 20 \$ |
|--|---|-------------------|-------------------|
| Connecticut Lottery Corporation | GF - Potential Revenue Gain | Up to 2 million | Up to 4 million |
| Consumer Protection, Dept. | GF - Potential Revenue Gain | At least \$40,000 | At least \$20,000 |
| Department of Revenue Services | GF - Potential Revenue Gain | See Below | See Below |
| Department of Revenue Services | Sports Betting Right and Integrity Fee account - Potential Revenue Gain | See Below | See Below |
| Resources of the General Fund | GF - Potential Revenue Gain | See Below | See Below |
| Mental Health & Addiction Serv., Dept. | Chronic Gamblers Fund - Revenue Gain | 100,000 | 100,000 |
| Mental Health & Addiction Serv., Dept. | GF - Cost | See Below | See Below |
| Consumer Protection, Dept. | GF - Potential Cost | 155,785 | 155,785 |
| State Comptroller - Fringe Benefits ¹ | GF - Cost | 56,597 | 56,597 |
| Correction, Dept.; Judicial Dept. | GF - Potential Cost | See Below | See Below |

Note: GF=General Fund

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

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Municipal Impact: None

Explanation

The bill authorizes sports wagering (to the extent allowed under federal law) and requires the Connecticut Lottery Corporation (CLC) to establish an online lottery program. The fiscal impact of these provisions is outlined in detail below:

Online Lottery

The bill requires the CLC to establish a program to sell lottery tickets online, including purchase through the use of a credit card. This results in a potential revenue gain to the General Fund of up to \$2 million in FY 19 and up \$4 million in FY 20. It is anticipated that General Fund revenue gain could reach up to \$16 million by FY 23.²

The bill also requires the Department of Mental Health and Addiction Services (DMHAS) to develop and issue a request for proposals for a study to be performed by a Connecticut institution of higher learning. This results in a cost for DMHAS to execute a contract with such institution to study the socioeconomic impact of the program established by the CLC on problem gambling in the state. The bill allocates up to \$100,000 via a transfer of CLC funding for such purposes.

To the extent DMHAS contracts with a higher education constituent unit, such entity would experience a revenue gain associated with the contract to conduct the study.

Sports Wagering

The bill also establishes a tax and regulatory framework for sports wagering in the state. To the extent such betting becomes legal under

² These estimates assume that establishing online lottery sales does not violate any compact or agreement between the state and the Mashantucket Pequot or Mohegan tribes which is a prerequisite under the bill.

federal law and does not interfere with the current tribal compact agreement, this results in a significant revenue gain at that time.³

To the extent such betting becomes legal under federal law and does not interfere with the current tribal compact agreement, this bill results in a potential cost to various agencies and a potential revenue gain to the Department of Consumer Protection (DCP) and the General Fund.

The bill results in a potential cost to DCP due to the department needing two additional full-time employees and one part-time employee to license, regulate, monitor, and investigate sports betting in the state. The agency would need an accountant (\$66,213 salary and \$24,055 fringe benefits), Consumer Protection Gaming Regulation Officer (\$53,179 salary and \$19,320 fringe benefits), and a part-time Attorney 1 (\$36,393 salary and \$13,222 fringe benefits).

The bill results in a revenue gain to DCP of at least \$40,000 in FY 19 and at least \$20,000 in FY 20 due to an estimated four entities who will pay the initial \$10,000 application fee in the first year and then the \$5,000 renewal fee in the following years. The commissioner has the ability to issue a civil penalty of up to \$5,000 per violation and results in a potential revenue gain to the extent that violations occur.

The bill lists certain illegal violations as offenses that can be fined up to \$5 million and a prison sentence of not more than ten years. To the extent violations occur, this results in a potential cost for increased incarceration or probation and a potential revenue gain for the General Fund. On average, the marginal cost to the state for incarcerating an offender for the year is \$1,900⁴ while the average marginal cost for

³ The bill specifies that sports wagering is subject to: 1) a 15% tax on gross wagers, 2) a 0.25% sports betting right and integrity fee, and 3) the state's 6.35% Sales and Use Tax.

⁴ Inmate marginal cost is based on increased consumables (e.g. food, clothing, water, sewage, living supplies, etc.). This does not include a change in staffing costs or utility expenses because these would only be realized if a unit or facility opened.

supervision in the community is less than \$700⁵ each year.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

⁵ Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.