

OFFICE OF FISCAL ANALYSIS

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HB-5307

AN ACT CONCERNING SPORTS WAGERING IN THE STATE. AMENDMENT

LCO No.: 5824

File Copy No.: 189

House Calendar No.: 148

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$	FY 20 \$
Resources of the General Fund	GF - Potential Revenue Gain	None	See Below	See Below
Resources of the General Fund	GF - Revenue Loss	602,672-852,672	None	None
Consumer Protection, Dept.	GF - Savings	None	500,000-750,000	None
Consumer Protection, Dept.	GF - Potential Cost	None	671,677	671,677
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	None	227,099	227,099
Consumer Protection, Dept.	GF - Potential Revenue Gain	None	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

This amendment strikes the underlying bill and its associated fiscal impact and results in the following impact. The amendment establishes a tax and regulatory framework for sports wagering in the

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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state and requires the Department of Consumer Protection (DCP) to hire a third party to conduct a study on expanding gambling in Connecticut. To the extent such betting becomes legal under federal law, does not interfere with the current tribal compact agreement, the new tribal-state compact is approved by the U.S. Department of the Interior, and is approved by the General Assembly this results in a various revenue gains, costs, and savings amongst multiple agencies.

Sections 1 and 4 require DCP to issue sports wagering licenses and results in a potential revenue gain to the state. The types of licenses and associated fees are listed below:

- **Sports Wagering License** - each application and renewal application have a biennial application fee of \$100,000 and a license fee of \$500,000. It's estimated that up to 5 entities will apply for this license.
- **Sports Wagering Vendor License** - each application and renewal application have a biennial application fee of \$100,000 and a license fee of \$300,000. It's estimated that up to 5 entities will apply for this license.
- **Sports Wagering Lottery Agent License** - a biennial fee of \$250. It is unknown how many employees will apply for this license.

This section establishes a 9.89% tax on sports wagering gross revenue and directs that revenue along with any unclaimed moneys to be deposited in the Sports Wagering Account established in section 2 resulting in a significant potential revenue gain. The tax is collected by the Department of Revenue Services (DRS) and results in no fiscal impact because they have the current expertise and staff to do this.

A Sports Betting Right and Integrity fee is imposed at the rate of 0.25% which will be deposited in the Sports Betting Right and Integrity Fee account established in section 3 and will be collected by DCP.

DCP can impose a fine of not more than \$250,000 for non-compliance and a civil penalty of up to \$50,000 per violation for any individual violating the regulations and results in a potential revenue gain.

DCP will need 9 additional employees to license, monitor, regulate, audit, and investigate sports wagering resulting in total costs of \$898,776 (\$671,677 salary, \$227,099 fringe benefits, and \$46,576 other expenses).

Section 2 establishes the Sports Wagering Account as a nonlapsing, General Fund account and requires DCP to administer the account. It requires funding in the account to be provided to DCP to offset any administrative costs associated with expanded gambling. It also specifies that a portion of the funding deposited into the account to be provided to the five Regional Behavioral Health Action Organizations and to reimburse a public higher institution of education who participates in Division 1 athletics any costs associated with complying with sports wagering. The remaining money will be transferred to the General Fund at the end of the fiscal year. There is no fiscal impact to DCP to administer the account.

Section 3 establishes an account known as the Sports Betting Right and Integrity Fee Account which shall be a separate, nonlapsing account in the General Fund. DCP will administer the account and there is no fiscal impact to the state.

Section 5 makes clarifying changes resulting in no fiscal impact to the state.

Section 6 establishes a Gaming Commission and results in DCP hiring two part-time Gaming Commissioners who are included in the new DCP staff listed in section 2.

Section 7 is technical changes resulting in no fiscal impact.

Section 8 clarifies where the Connecticut Lottery Corporation (CLC) sports wagering proceeds will be deposited and results in no fiscal

impact.

Sections 9 to 12 make technical and clarifying changes and result in no fiscal impact.

Section 13 requires DCP to issue a Request For Proposals (RFP) for a professional service provider to recommend a strategic plan to expand gambling in the state. The professional service provider is expected to cost \$500,000-\$750,000 and will be paid from the unclaimed prize funds from the Connecticut Lottery Corporation (CLC) in FY 18, which results in a revenue loss to the General Fund.

DCP is anticipated to incur costs of \$102,672 associated with hiring a part-time durational project manager to develop the RFP and oversee the study. The costs include \$75,000 for salary, \$27,247 for fringe benefits, and \$425 for other expenses.

Section 14 extends the deadline, from 2019 to 2028, for the next mandated legalized gambling study conducted by DCP. This precludes contract costs of \$500,000 to \$750,000 in FY 19 to conduct the study.

Sections 15 to 17 and 19 to 20 make technical and conforming changes and result in no fiscal impact.

Section 18 establishes a Joint Venture Events Commission and results in no fiscal impact to the state.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.