

OFFICE OF FISCAL ANALYSIS

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sHB-6451

AN ACT CONCERNING GAMING AGREEMENTS WITH THE
MASHANTUCKET PEQUOT TRIBE AND THE MOHEGAN TRIBE
OF INDIANS OF CONNECTICUT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Connecticut Lottery Corporation	Lottery Enterprise Fund - Potential Cost	14.6-19.6 million	14.6-19.6 million
Consumer Protection, Dept.	State Sports Wagering and Online Gaming Regulatory Fund-Potential Cost	Up to 2.4 million	Up to 2.2 million
Consumer Protection, Dept.	State Sports Wagering and Online Gaming Regulatory Fund - Potential Revenue Gain	Up to 2.4 million	Up to 2.2 million
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which legalizes and regulates expanded gaming in the state, results in the following fiscal impacts: ¹

¹ The bill's provisions are subject to several conditions, including that the governor must first enter into specific contractual agreements with the Mashantucket Pequot and Mohegan tribes, which must then be approved or deemed approved by the U.S.

Potential Revenue Impacts

Sections 3-5, 8, 21, and 24 authorize sports wagering which results in a potential General Fund revenue gain of up to \$19.3 million in FY 22 and \$21.1 million in FY 23.² It is estimated that annual potential General Fund revenues could grow to \$24.8 million by FY 26.

Section 3 authorizes online casino gaming by the tribes which results in a potential General Fund revenue gain of up to \$8.6 million in FY 22 and \$11.4 million in FY 23. It is estimated that annual potential General Fund revenues could grow to \$28.1 million by FY 26.

Sections 4 and 15-16 authorize online keno by the Connecticut Lottery Corporation (CLC) which results in a potential General Fund revenue gain of up to \$0.7 million in FY 22 and \$0.9 million in FY 23. It is estimated that annual potential General Fund revenues could grow to \$2.1 million by FY 26.

Sections 4 and 17 authorize online lottery draw games by the CLC which results in a potential revenue gain of up to \$2 million in FY 22 and \$3 million in FY 23. It is estimated that annual potential General Fund revenues could grow to \$19 million by FY 26.

Section 13 allows the Department of Consumer Protection (DCP) to regulate and issue licenses to operate fantasy contests outside of Indian lands if the State-Tribal agreement goes into effect resulting in a potential revenue gain to the extent these licenses are applied for and violations occur which result in fines.

Potential Cost Impacts

Sections 4-5 allow the CLC to offer mobile and retail sports betting,

Department of Interior secretary, pursuant to the federal Indian Gaming Regulatory Act and its implementing regulations. Consequently, all impacts are potential in nature.

² Under the bill, the CLC is subject to the same 13.75% tax on gross gaming revenue from sports betting that applies to the tribes. However, it is unclear what effect this would have as the CLC transfers all net revenue to the General Fund after paying all agency expenses (which presumably would include this tax).

online keno, and online lottery draw games resulting in a potential cost of \$14.6-\$19.6 million per year. To meet the requirements of the bill the CLC will need to hire approximately 20 new employees (\$3.3 million cost for salary and fringe benefits) who will cover marketing, finance, IT, and security for sports betting and the new lottery games being offered.

The CLC will also need to partner with vendors (estimated \$11.3-\$16.3 million cost per year) to provide gaming systems and platforms, player account management systems, audit and regulatory expenses, and marketing services. The exact cost will depend upon the contracts between the CLC and the vendors.

Section 9 requires the DCP to assess the tribes and any authorized operator of sports wagering for the regulatory costs the department will incur resulting in a revenue gain and a corresponding cost to the State Sports Wagering and Online Gaming Regulatory Fund established by the bill. The DCP will incur a regulatory cost of up to \$2.4 million in FY 22 and up to \$2.2 million in FY 23 to hire 15 full-time employees and one durational employee to meet the requirements of the bill. The assessment costs that the DCP will charge will be made in consultation with the tribes and any authorized operator of sports wagering and the parties being assessed may request a hearing if they are aggrieved by an assessment.

The Out Years

The annualized ongoing cost impacts identified above would continue into the future subject to inflation. The annualized ongoing revenue impacts would continue into the future subject to growth in the gaming activities authorized under the bill, and an increase in the tax rate on online gaming to 20% beginning with the sixth year of operation as specified in the bill.