

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.

As Amended by House "A" (LCO 8985)

House Calendar No.: 297

Senate Calendar No.: 473

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	2.4-3.5 million	2.2-3.3 million
Consumer Protection, Dept.	State Sports Wagering and Online Gaming Regulatory Fund - Potential Revenue Gain	2.4-3.5 million	2.2-3.3 million
Mental Health & Addiction Serv., Dept.	Chronic Gamblers Fund - Potential Revenue Gain	Up to 1.5 million	Up to 1.5 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, regulates, and taxes expanded gaming in

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the state, results in the following fiscal impacts:¹

Potential Revenue Impacts

Sections 1-5, 18, and 37 authorize and tax 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.

Sections 1-3, and 17 authorize and tax 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 3-13 require the Department of Consumer Protection (DCP) to issue various new licenses and issue fines for violations resulting in a potential revenue gain to the General Fund and to the State Sports Wagering and Online Gaming Regulatory Fund to the extent licenses and fines are issued. The fees for certain licenses are deposited into the Sports Wagering and Online Gaming Regulatory Fund. All other license fees and revenue from violations are deposited into the General Fund.

Sections 4 and 29 authorize online lottery draw games by the Connecticut Lottery Corporation (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.

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. 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).

Sections 1, 4, and 27-28 authorize online keno by the 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.

Section 19 establishes a 13.75% tax on gross receipts that each tribe and the CLC must pay to the General Fund for the operation of fantasy contests. This results in a potential revenue gain to the General Fund beginning in FY 22.

Section 22 results in a potential revenue gain to the chronic gamblers treatment account to the extent that the tribes choose to contribute the required \$500,000 annual contribution to that account.

Sections 25 and 26 delay the authorization of an off-reservation casino gaming facility in East Windsor and suspends a provision requiring a \$30 million, interest-free advance to the state. This does not result in any fiscal impact as no such revenue is anticipated in current revenue projections.

Sections 35 and 43 increase the amount of CLC revenue to be deposited in the chronic gamblers treatment rehabilitation account. This results in a potential General Fund revenue loss of \$1 million, and a commensurate revenue gain to the chronic gamblers treatment rehabilitation account, annually beginning in FY 22.

Potential Cost Impacts

Sections 4-5 allow the Connecticut Lottery Corporation (CLC) to offer mobile and retail sports betting, online keno, and online lottery draw games resulting in a potential cost of \$14.6-\$19.6 million per year to the Lottery Enterprise Fund. To meet the requirements of the bill, CLC will need to hire approximately 20 new employees (\$3.3 million cost for salary and fringe benefits) for 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 20 requires DCP to assess the holder of any master wagering license 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. DCP will incur a regulatory cost of \$2.4-\$3.5 million in FY 22 and \$2.2-\$3.3 million in FY 23 to hire 15-24 full-time employees and one durational employee to meet the requirements of the bill. The assessment costs that DCP will charge will be made in consultation with the tribes and any holder of a master wagering license and the parties being assessed may request a hearing if they are aggrieved by an assessment.

The annual regulatory costs will be assessed to the Tribes and CLC, subject to negotiation and approval.

House "A" strikes the underlying bill and replaces it with the fiscal impacts described above.

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.