

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200

Hartford, CT 06106 ◊ (860) 240-0200

<http://www.cga.ct.gov/ofa>

sSB-570

AN ACT AUTHORIZING A TRIBAL RESORT-CASINO IN BRIDGEPORT, SPORTS WAGERING, ONLINE CASINO GAMING AND ONLINE LOTTERY.

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
Board of Regents for Higher Education	GF - Potential Revenue Gain	See Below	See Below
Department of Economic & Community Development	GF- Statewide Tourism Marketing Account - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	See Below	See Below	See Below

Primary Analyst: CW

Contributing Analyst(s): DD, ME, JS

Reviewer: MM

4/12/21

Explanation

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

Potential Revenue Impacts

Sections 3-5, 8, 27, and 30 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 8 also requires 10% of the tribes' payments from the online sports wagering they operate outside of Indian lands or \$20 million, whichever is less, be transferred from the General Fund each fiscal year to the statewide tourism marketing account. This results in a potential revenue gain to the statewide tourism marketing account as early as FY 22.

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, 18, and 21 authorize online keno by the Connecticut Lottery Corporation (CLC) which results in a potential revenue gain to the "debt free community college account" within the General Fund (created by the bill) of up to \$0.7 million in FY 22 and \$0.9 million in

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).

FY 23. It is estimated that annual potential revenues could grow to \$2.1 million by FY 26.

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

Section 16 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.

Sections 19 and 20 result in a potential General Fund revenue gain to the Board of Regents. The amount of the potential revenue gain will be equal to the revenues from the online lottery program (less program expenses), if it is authorized. **Section 19** requires the CLC to establish a fund to receive all online lottery draw game revenues. This fund would be used to pay all online lottery draw game expenses and to defray the costs of the existing debt-free community college program, which provides grants to eligible students. A dedicated, nonlapsing debt-free community college account within the General Fund is established by **Section 20** of the bill to receive the funds from the CLC online lottery draw game account. Account funds must be expended by the Board of Regents for the debt-free community college program, which is anticipated to cost the Board of Regents approximately \$13.9 million in FY 22 and \$15 million in FY 23, if program enrollment is uncapped.

Section 39 requires, beginning in FY 22, a General Fund transfer to the Mashantucket Pequot and Mohegan Fund (MPMF) of \$137 million to be distributed according to current MPMF statute. This reduces the revenue available to the General Fund by \$86 million annually beginning in FY 22, and results in a corresponding revenue gain to municipalities.

Sections 36 and 37 expand allowable hours of alcohol sales at casinos, which results in an estimated General Fund revenue gain of up to \$2 million on an annualized basis from additional slot revenues.

Potential Cost Impacts

Sections 4 and 5 allow the 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 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.

Section 38 increases the cost to fully fund the State Property PILOT by up to \$4 million beginning in FY 22. The impact in future years would vary based on changes to municipal grand lists in the towns of Ledyard and Montville. This correspondingly results in a potential revenue gain to the towns of Ledyard and Montville that will vary

based on funding levels for the State Property PILOT. Under current law, the Office of Policy and Management may reduce payments in years that appropriations are insufficient to fully fund the grant.

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.