



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Sports Wagering.
Bill Number: Senate Bill 688 (Fourth Edition)
Sponsor(s): Senators Perry and Lowe

SUMMARY TABLE

Disclosure: This fiscal memo only addresses the tax revenue generation piece of SB 688 (V.4).

FISCAL IMPACT OF S.B. 688, V.4 (\$ in millions)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund Revenue	0.3 to 3.0	3.0 to 11.0	3.0 to 11.0	3.0 to 11.0	3.0 to 11.0
General Fund Impact	0.3 to 3.0	3.0 to 11.0	3.0 to 11.0	3.0 to 11.0	3.0 to 11.0
Special Fund Revenues	2.3 to 5.0	5.0 to 13.0	5.0 to 13.0	5.0 to 13.0	5.0 to 13.0
NC Major Events, Games, and Attractions Fund	1.3 to 4.0	4.0 to 12.0	4.0 to 12.0	4.0 to 12.0	4.0 to 12.0
DHHS Problem Gambling Fund	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
Special Fund Impact	2.3 to 5.0	5.0 to 13.0	5.0 to 13.0	5.0 to 13.0	5.0 to 13.0
<u>Less Total Expenditures</u>		Additional Administrative Costs-Likely Minimal			
NET STATE IMPACT	\$2.6 to \$8.0	\$8.0 to \$24.0	\$8.0 to \$24.0	\$8.0 to \$24.0	\$8.0 to \$24.0

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

Overview of Revenue Generating Portion of Bill

Section 1 imposes an 8% tax on the adjusted gross revenue of each interactive sports wagering operator. The bill does not subject sports wagering operators to excise, license, permit, privilege, amusement, or occupation taxes from the State or any of its political subdivisions.

The bill further requires that, after covering expenses related to implementing sports betting, the Commission must remit all tax payments and fees to the Department of Revenue, which must allocate the revenue as follows:

- 50% of the tax collected to a new fund established in the bill (the North Carolina Major Events, Games, and Attractions Fund), which is intended to attract major events to the State, and which would be administered by the Department of Commerce,

- \$1 million to the Department of Health and Human Services for gambling addiction education and treatment programs,¹ and
- the remaining amount to the General Fund.

FISCAL ANALYSIS

FRD anticipates that sports betting, as proposed in the bill, would generate between \$1 million and \$3 million annually per percentage point of tax on gross gaming revenue. In total,

- FY 2021-22 sports betting revenues are anticipated to be between \$2.6 million and \$8 million to account for time to develop and implement the new form of gambling, with
 - \$0.3 million to \$3 million going to the General Fund,
 - \$1.3 million to \$4 million going to the NC Major Events and Attractions Fund, and
 - \$1 million for DHHS for problem gambling treatment and education.
- For subsequent years, FRD estimates sports betting will produce total annual revenues of between \$8 million and \$24 million in a full year of operation. This would generate
 - \$3 million to \$11 for the General Fund,
 - \$4 million to \$12 million for the North Carolina Major Events, Games, and Attractions Fund, and
 - \$1 million for DHHS for problem gambling treatment and education.

FRD is unable to estimate the additional administrative expenditures the bill would require but believes them to be minimal.

TECHNICAL CONSIDERATIONS

The following are key assumptions FRD used in arriving at this estimate:

- Administration and enforcement by the Commission (such as conducting background checks) would be minimal and are sufficiently and fully supported by revenues from fees and other revenues directed to the Commission by the bill, and State and local law enforcement will not incur additional costs because of this program;
- Sports wagering will have no negative effect on sales of existing traditional lottery products (e.g., scratch offs, draw games, etc.);
- There will be a lag period before sports wagering operators and wagers would begin in the State; this lag is meant to allow the Lottery Commission time to establish contracts with vendors, advertise the new method of gambling, and establish a regulatory and enforcement structure. Thus, no revenues would be generated until late FY 2021-22;
- License application fees and revenues derived from licensing fees to the Lottery Commission will fully cover the Commission's administrative and enforcement functions for the sports betting program; and
- As currently drafted, the tax on adjusted gaming revenues may violate the State Constitution's limit on income tax rates.

¹ This would bring the total appropriation to DHHS for problem gambling to \$2 million annually.

DATA SOURCES

North Carolina Education Lottery Commission; National Conference of State Legislatures; Tax Foundation; LegalSportsReport.com; Spectrum Gaming Group; and data from other states with sports wagering programs.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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