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Consolidated Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Lead Agency: **Public Safety Dept**
 Other Agencies:
 Administrative Hearings Amateur Sports Commission
 Attorney General Corrections Dept
 Governors Office Human Services Dept
 Minn Management and Budget Public Defense Board
 Revenue Dept Sentencing Guidelines Comm
 Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
General Fund	-	-	179	251	141
Restrict Misc. Special Revenue	-	(1,631)	(3,085)	(7,751)	(8,213)
Attorney General					
General Fund	-	628	718	708	708
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	68	112	424	531
Other Misc. Special Revenue	-	(1,632)	(3,085)	(7,751)	(8,213)
Public Safety Dept					
General Fund	-	2,375	1,180	1,156	1,151
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	171	280	281	280
Restrict Misc. Special Revenue	-	-	-	-	-
State Total					
Administrative Hearings	-	-	-	-	-
General Fund	-	3,242	2,469	2,820	2,811
Restrict Misc. Special Revenue	-	(1,631)	(3,085)	(7,751)	(8,213)
Other Misc. Special Revenue	-	(1,632)	(3,085)	(7,751)	(8,213)
Total	-	(21)	(3,701)	(12,682)	(13,615)
Biennial Total			(3,722)		(26,297)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
General Fund	-	-	.1	.15	.06
Restrict Misc. Special Revenue	-	-	.9	2.85	4.94
Attorney General					
General Fund	-	2.5	2.56	2.55	2.55
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	1	1	3.5	5
Other Misc. Special Revenue	-	-	-	-	-
Public Safety Dept					
General Fund	-	9.72	8.06	7.94	7.92
Restrict Misc. Special Revenue	-	17.28	18.94	19.06	19.08
Revenue Dept					
General Fund	-	.86	1.74	1.75	1.74
Restrict Misc. Special Revenue	-	8.42	8.43	8.41	8.42
Total	-	39.78	41.73	46.21	49.71

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

In order to illustrate the dedicated revenue financing structure of this bill, the fiscal note incorporates sports betting tax and fee revenue estimates produced by the Department of Revenue Tax Research Division and the Department of Public Safety. Special Revenue Fund impacts shown on agency Cost (Savings) tables are based on sports betting revenue distributions specified in bill Article 2, section 2, subdivision 7 and Article 4. Administrative costs not covered by Special Revenue Fund appropriations are assumed to be covered by the General Fund. The standalone Department of Revenue Tax Research Division analysis of SF1949 is available online at https://www.revenue.state.mn.us/sites/default/files/2023-03/hf2000%28sf1949%29_sports%20betting.pdf

LBO Signature: Laura Cecko **Date:** 4/26/2023 3:32:45 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
General Fund	-	-	179	251	141
Restrict Misc. Special Revenue	-	(1,631)	(3,085)	(7,751)	(8,213)
Attorney General					
General Fund	-	628	718	708	708
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	68	112	424	531
Other Misc. Special Revenue	-	(1,632)	(3,085)	(7,751)	(8,213)
Public Safety Dept					
General Fund	-	2,375	1,180	1,156	1,151
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	171	280	281	280
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	(21)	(3,701)	(12,682)	(13,615)
Biennial Total			(3,722)		(26,297)

1 - Expenditures, Absorbed Costs*, Transfers Out*

Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	37	25	25	25
Amateur Sports Commission					
General Fund	-	-	179	251	141
Restrict Misc. Special Revenue	-	-	1,631	4,716	12,467
Attorney General					
General Fund	-	628	718	708	708
Governors Office	-	-	-	-	-
General Fund					
Expenditures	-	17	-	-	-
Absorbed Costs	-	(17)	-	-	-
Human Services Dept					
General Fund	-	68	112	424	531
Other Misc. Special Revenue	-	-	1,631	4,716	12,467
Public Safety Dept					
General Fund	-	2,375	1,180	1,156	1,151
Restrict Misc. Special Revenue	-	4,223	2,772	2,772	2,772
Revenue Dept					
General Fund	-	171	280	281	280
Restrict Misc. Special Revenue	-	1,681	1,353	1,353	1,353
Total	-	9,183	9,881	16,402	31,895

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
	Biennial Total		19,064		48,297
2 - Revenues, Transfers In*					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	37	25	25	25
Amateur Sports Commission					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	1,631	4,716	12,467	20,680
Attorney General					
General Fund	-	-	-	-	-
Governors Office					
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	-	-	-
Other Misc. Special Revenue	-	1,632	4,716	12,467	20,680
Public Safety Dept					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	4,223	2,772	2,772	2,772
Revenue Dept					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	1,681	1,353	1,353	1,353
	Total	-	9,204	13,582	29,084
	Biennial Total		22,786		74,594

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

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 Agency: **Public Safety Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2,375	1,180	1,156	1,151
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	2,375	1,180	1,156	1,151
Biennial Total			3,555		2,307

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	9.72	8.06	7.94	7.92
Restrict Misc. Special Revenue	-	17.28	18.94	19.06	19.08
Total	-	27	27	27	27

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 4/25/2023 12:17:11 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	2,375	1,180	1,156	1,151	
Restrict Misc. Special Revenue	-	-	-	-	-	
Total	-	2,375	1,180	1,156	1,151	
			3,555		2,307	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	2,375	1,180	1,156	1,151	
Restrict Misc. Special Revenue	-	4,223	2,772	2,772	2,772	
Total	-	6,598	3,952	3,928	3,923	
			10,550		7,851	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	4,223	2,772	2,772	2,772	
Total	-	4,223	2,772	2,772	2,772	
			6,995		5,544	

Bill Description

SF1949 creates lawful sports betting.

Article 1 Sec. 1 creates definitions; sets the scope of exclusive tribal Class III sports betting; provides the duties of the commissioner are to regulate sports betting and rulemaking; prohibits license transfers; establishes licensing requirements and background investigations; requires applications and sets licensing fees for the permitted license types; directs appropriations for the licensing fees; requires an exclusion list, directs financial security and integrity monitoring; provides for administrative civil penalties; creates reporting requirements and data protections; governs advertising; governs wagering locations and types permitted, and provides for inspection and enforcement authority.

Article 1 Sec. 2 Subd. 3 specifically denotes that all of Article 1 and portions of Article 3, Sections 299L.10 to 299L.80, are inapplicable to sports betting on Indian lands and any sports betting conducted on Indian lands must be pursuant to a Tribal-State Class III sports betting compact approved by the National Indian Gaming Commission (NIGC).

Article 1 Sec. 12 directs the application, license, and renewal fees to a sports betting revenue account in a special revenue fund.

Article Sec. 25 requires a Class III sports betting compact negotiation and notes that the existing Tribal State compacts may not be modified or amended.

There is no effective date noted for Article 1.

Article 2 governs the Taxation of Sports Betting, provides definitions, imposes a tax on sports betting net revenue and directs that revenue to a special revenue fund, requires a mobile sports betting operator to maintain records supporting sports betting activity and taxes owed, and provides for financial audits.

Article 2 Sec. 2 Subd. 7 (a) creates the a sports betting revenue account in the special revenue fund, (b) appropriates \$2,700,000 from the sports betting revenue account to the commissioner of public safety to regulate sports betting under sections 299L.10 to 299L.80

The effective date for Article 2 sports betting net revenue received is after June 30, 2024, with Subd 7 effective July 1, 2023 for license and renewal fees received after June 30, 2023.

Article 3 removes sports betting from the criminal statutes and adds section 299L.80 crimes relating to wagering on sporting events to include definitions, wagering prohibitions by persons under the age of 21, the sale or transfer of private data, unauthorized wagers, sports betting fraud and sports betting bribery.

Article 3 sections 1- 9 are effective the day that sports betting under Article 1 becomes lawful.

Article 4 Sec. 1 creates an amateur sports integrity and participation account to provide for amateur sports grants, promoting youth sports and record keeping under Chapter 240A Sports Betting Commission.

Article 4 Sec. 2 adds 60 hours of intervention services to families for compulsive gambling treatment programs provided by the Department of Health.

Article 4 Sec. 3 Subd.1 appropriates \$150,000 to public safety in FY24 from the sports betting special revenue account to fund a study on the motivations and beliefs of young adult gamblers.

Article 4 Sec. 4 provides a one-time appropriation of \$1,301,000 in FY24 from the special revenue account to public safety in order to establish and regulate sports betting.

Assumptions

Alcohol and Gambling

AGE assumes that the financing structure of this bill may cause implementation and cash flow challenges. It is assumed that DPS implementation and ongoing administrative costs are intended to be covered by the Sports Betting Revenue Account in the Special Revenue Fund as appropriated in article 2, section 2, subd. 7(b). Appropriations from the Sports Betting Revenue Account are supported by sports betting tax and licensing fee revenues generated during the current year.

In FY24, the implementation work needed to effectively administer and enforce the tax imposed on sports betting may be delayed or interrupted if licensing revenue is uneven or not received until later in the fiscal year. In FY25 and beyond, sports betting tax and licensing revenues in excess of the DOR and DPS appropriations specified in article 2, section 2 are appropriated 50 percent to the Department of Human Services and 50 percent to the Minnesota Amateur Sports Commission at the end of the fiscal year. Thus, unlike the General Fund, the Sports Betting Revenue Account effectively does not accrue a balance. This dynamic may cause cash flow issues at the beginning of fiscal years as DOR and DPS will incur costs before July tax revenues are received, and during the year if sports betting tax or licensing revenues are lower than forecast or fluctuate from month-to-month.

In addition, it is unclear if bill language contemplates DOR and DPS administrative cost increases, for example a labor cost increase due to a renegotiated collective bargaining agreement. It is assumed that administrative cost increases will be negotiated through the biennial budget process. As written, there are insufficient funds appropriated from the Special Revenue Fund to cover estimated administrative costs.

For the purposes of this fiscal note, a General Fund appropriation is assumed for estimated administrative costs in excess of Special Revenue Fund appropriations specified in article 2, section 2 and article 4, section 4.

TRIBAL-STATE COMPACT NEGOTIATIONS

Article 1 Sec. 6. Subd 1 (a), (b) and (c); Article 1 Sec. 25. and Article 4 Sec. 4.

AGE assumes negotiations for the Tribal-State Compacts for Control of Class III Sports Betting, pursuant to Minnesota statute 3.9221, will begin upon passage of SF1949. AGE recognizes the need for legal counsel with specific experience related to the complex interpretation of federal, state, and tribal gaming law with associated expertise of sports betting and regulatory compliance. AGE assumes the negotiation process to be completed in FY24.

AGE assumes to work with both the Office of the Attorney General (AGO) and a contract attorney for assistance with negotiations and drafting. The Tribal State gaming compacts were last negotiated between 1989-1991 and AGE has no recent data to draw from however notes Minnesota statute 3.9221 requires completion within 180 days. AGE assumes 8 hours of work for 180 days = 1,440 potential drafting and negotiation hours and subsequently, conservatively estimates 1,440 hours of legal representation, at \$500 per hour (1,440 x \$500= \$720,000). \$500/hr contract attorney estimate was provided by the AGO.

SPORTS BETTING NETWORKS AND SERVERS

Article 1 Sec. 1 Subd. 14.

AGE assumes the mobile sports betting operator license and platform provider license will have networks and servers physically located in Minnesota, with the costs related to securing the networks and servers provided by the licensee.

ADMINISTRATIVE:

RULEMAKING

Article 1 Sec. 3 Subd. 1 through Subd. 3, and Sec. 21

AGE consulted with Office of Administrative Hearings (OAH) and assumes the need for medium effort expedited rulemaking to begin the day following enactment, beginning FY24. The total costs associated are estimated at \$135,000.

AGE researched similar rulemaking efforts completed by the Minnesota Gambling Control Board and learned in addition to salary costs, the Gambling Control Board expended approximately \$21,500 for rulemaking challenges over a 3 year period between 2016 and 2019. AGE assumes similar rulemaking challenges and assumes the costs associated have increased since 2019; subsequently AGE conservatively assumes \$30,000 over a three-year period in estimated costs and assumes an average of \$10,000 per year for any appeals.

AGE further assumes annual costs associated with administrative civil penalty appeals at an estimated 100 hours of ALJ time at \$245 per hour=\$24,500

AGE assumes the tasks associated with expedited rulemaking will be assigned to 4 FTE.

AGE assumes one special agent in charge (SAIC) to provide overall leadership to the rulemaking process and ensure that deadlines are met; meet with gambling stakeholders, lobbyists, state gaming and tax agencies to hear concerns and receive feedback related to rulemaking; and to facilitate the exchange and distribution of information with eleven Indian tribes.

AGE assumes one attorney level 2 to provide legal notices, draft proposed rules, publish proposed rules, receive final comments, and complete the judicial review. AGE assumes one policy analyst to develop surveys and collect data from all stakeholders related to the proposed sports wagering administrative rules, and to research and analyze sports wagering practices in other jurisdictions. AGE assumes one office administrative specialist intermediate (OASI) position to assist with record keeping, scheduling of meetings, and other administrative support work.

The work tasks governed by rulemaking include creating a regulatory processes for: how wagers are created and payouts remitted; how betting lines are communicated; calculating gross sports betting revenue; establishing the types of records to be kept and the use of wagering accounts; debit cards and other payment providers; overseeing athletic events and esports events that authorizes wagers to be placed; and criminal and financial background checks for payment providers, sports betting hubs, equipment and distributor licenses, and the oversight of sports betting advertising.

OPERATIONAL:

FINANCIAL BACKGROUND INVESTIGATIONS

Article 1 Sec. 5 Subd. 1 through Subd 3.

AGE assumes to issue 11 mobile sports betting operator licenses, 11 mobile sports betting platform provider licenses and 194 sports betting supplier licenses for 216 sports betting related licenses that would require a financial background investigation.

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To make this assumption, AGE looked to states with lawful mobile sports betting in Colorado, Illinois, Indiana, Iowa, Michigan, North Dakota, South Dakota and Wisconsin to obtain an average of potential sports betting supplier licenses. Based on those estimates, AGE assumes an average of 194 sports betting supplier license applications.

Name	Type	Licensed Sports Wagering Suppliers
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Colorado Dept. of Revenue	Tribal and commercial	338
Iowa Racing and Gaming Commission	Tribal and commercial	44
Illinois Gaming Board	Commercial	47
Indiana Gaming Commission	Commercial	537
Michigan Gaming Control Board	Tribal and commercial	491
North Dakota Attorney General	Tribal	6
South Dakota Commission on Gaming	Tribal and commercial	38
Wisconsin Division of Gaming	Tribal	50
	Total	1551

1551/8=194

As noted, AGE assumes to issue the eleven mobile sports betting operator licenses and the eleven mobile sports betting platform provider licenses with the 194 sports betting supplier licenses. $11+11+194= 216$

AGE special agents currently complete financial background investigations for lawful gambling and tribal gaming. AGE assumes administrative rules for the sports wagering financial background investigations to be commiserate with those for MN Lottery, MN Gambling Control Board, MN Racing Commission, and manufacturers/ distributors of gambling devices for Indian casino gaming.

Financial background investigations include a review of the corporation and of the personal as identified in Article 1 Sec. Subd. 4, -directors, officers, partners, governing body/ board of directors and any stakeholder with a more than 10% interest in the licensee or applicant. The financial background investigation for the corporation includes a review of business records, audit and accounting filings, US Securities and Exchange Commission filings, state and federal tax filings, real property verification, and civil court records. The personal financial background investigation includes a review of credit history, state and federal taxes, civil and criminal court records, personal interview, real property verification, property status, and a national public records search.

Based on AGE's experience, AGE estimates approximately 80 special agent hours per applicant. $216 \text{ applicants} \times 80 \text{ hours} = 17,280 \text{ investigative hours}$. $17,280 \text{ investigative hours} \div 2088 \text{ yearly working hours} = 8.3 \text{ special agents}$ assigned to complete initial and renewal background investigations. AGE assumes 1 FTE assistant special agent in charge to oversee and manage the workflow and 8 FTE special agents to complete the backgrounds.

CRIMINAL HISTORY RECORD CHECKS

Article 1 Sec. 5 Subd.4.

AGE assumes ten criminal history record checks for licensee's, directors, officers, partners, governing body/ board of directors and any stakeholder with a more than 10% interest in the licensee or applicant. $10 \text{ criminal history records checks} \times 217 \text{ estimated applicants} = 2,170 \text{ annual criminal history record checks}$. AGE assumes 1 FTE office administrative specialist intermediate (OASI) position to collect and maintain fingerprint submissions, complete the criminal justice information system (CJIS) record checks, complete any required redactions, provide results and documentation back to the financial background investigation team, maintain records retention and comply with data practices pursuant to MN Chapter 13.41.

LICENSING ADMINISTRATIVE TASKS

Article 1 Sec. 3 Subd. 2 and Subd. 4, Article 1 Sec. 13.

For the purposes of this fiscal note, it is assumed that sports betting application and license fee collections will begin within 30 days of July 1, 2023. If application and licensing fees are not received in FY24, received later in the year, or cash flow from the sports betting revenue account is inadequate to cover ongoing costs, the implementation work needed to

effectively administer and enforce the tax imposed on sports betting may be interrupted or delayed beyond July 1, 2024.

AGE conservatively assumes 4 FTE licensing staff to complete the work related to issuing a sports betting licensing once the applicant has completed the financial background investigation. This assumption is based on similar licensing tasks completed by AGE's liquor licensing section, including mailroom pick up and sorting. AGE assumes 1 FTE administrative specialist senior (OASS) and 3 FTE office administrative specialist intermediate (OASI) as a licensing section.

It is assumed the OASS will administer the sports wagering licensing section, develop office procedures and deadlines for licensing processes, and provide work direction and technical assistance to 3 OASI staff.

AGE assumes one OASI licensing staff to be responsible for the intake of sports betting supplier license applications and document filing; receiving, recording, and depositing the application fees; maintaining communication between the applicant and the financial background investigator; issuing the final sports betting supplier license and entering that data into the records management system.

AGE assumes one OASI licensing staff to be responsible for: the intake of the sports betting operator and sports betting platform provider license applications and document filing; ensure regulatory requirements for bonds; receive, record and deposit the application fees, maintain communication between the applicant and the financial background investigator, issuing the final sports betting operator and sports betting provider license, then entering that data into the records management position. Additionally, this position would be responsible for sports betting license inquiries and data requests.

AGE assumes one OASI complete the monthly reporting requirements; create and maintain an exclusion list; collect, track, and record the betting lines and the betting revenue; document and track hundreds of authorized athletic and esports events; and monitor and review sports betting advertising promotions.

SPORTS BETTING REGULATION

Article 1 Sec. 14, Article 1 Sec. 15, Article 1 Sec. 16 Subd. 2 and Subd. 3. Article 1 Sec. 20

AGE assumes 1 FTE investigation specialist supervisor (ISS) and 3 FTE investigation specialists (IS) to complete regulatory compliance reviews on an ongoing basis, to provide training and education to the emerging sports betting industry, complete inspections and the annual audit reviews. This assumption is based on previous experience and similar tasks completed by AGE's existing liquor regulation; however, AGE has no historical sports wagering regulatory complaint or violation database to draw from.

AGE assumes one investigative specialist supervisor (ISS) to work as the supervisor of the section that oversees sports betting regulatory compliance and licensee education. The ISS will supervise 3 investigation specialists. The ISS will be the point of contact to receive sports betting regulatory complaints and assign those to an investigative specialist for follow-up. AGE assumes the ISS will develop a system to maintain contact with licensees on correction action needed to achieve compliance, prepare complaints for administrative civil actions, and answer regulatory inquiries from licensees.

AGE assumes the tasks completed by the investigation specialist (IS) to include the inspection of accounting records of sports betting supplier and sports betting platform providers, completing and annual audit to ensure compliance with SF1949 and administrative rules governing how wagers are accepted and paid, how betting lines are communicated, compliance to allowable advertising, and other regulatory rules as framed out in Article 1 Subd 2.

CRIMINAL INVESTIGATIONS/ ILLEGAL SPORTS WAGERING

Article 3 Sec. 2.

SF1949 creates misdemeanor, gross misdemeanor and felony criminal violations related to: sports wagering where the intent is to influence the outcome of a sporting event or a component of the event; to place a wager with a person or entity not licensed in sports wagering; for a person to accept a bet or place a bet under the age of 18; to place or accept a bet from a person participating in the event or involved in regulating the event.

In November 2022, the American Gaming Association (AGA) estimated that Americans wagered \$63.8 billion with illegal bookies and offshore sites. AGE has no data specific to Minnesota to draw from and conservatively assumes 4 FTE special agents to complete investigations related to sports betting criminal violations. AGE has no historical data to draw from and makes this assumption based on comparable gambling related criminal investigations currently completed by the division.

Sports wagering criminal investigations differ from financial background investigations. Sports wagering criminal investigation tasks involve building a criminal case by the use of undercover surveillance, building probable cause to demonstrate that a criminal violation has occurred, preparing and executing search warrants, obtaining evidence and submitting documentation for prosecution.

PUBLIC INFORMATION OFFICER

AGE assumes one information officer to draft sports betting technical materials, to manage information requests, inform social media, and provide journalistic assistance so that informational and educational programs are presented accurately, clearly, and concisely to licensees and consumers.

EXCLUSION LIST AND APPROVED SPORTING EVENT DATABASE

Article 1 Sec. 16 Subd 1 and Article 1 Sec. 1 Subd. 18.

AGE assumes to utilize the existing liquor and gambling records management system, rather than replace its existing records management system.

AGE obtained an estimate from DPS- MN.IT to add functionality to the existing AGE records management system in order to 1) create, add, and update the required exclusion list and to 2) create, add and update a database of approved sporting events. AGE assumes \$219,500 in FY24 to create and complete this application, with ongoing technology support in FY25 forward.

STUDY ON MOTIVATIONS AND BELIEFS OF YOUNG ADULT GAMBLERS GRANT

Article 4 Sec. 3 Subd 1.

AGE assumes \$150,000 in FY24 funding to for a grant to a non profit organization to study the gambling motivations and beliefs of young adult gamblers. Assume no administration cost.

TRAINING and EDUCATION:

Lawful sports betting is a new licensing, regulatory, and enforcement schematic in Minnesota. AGE assumes the need to train 26 FTE on tribal and mobile sports wagering operations and has estimated one-time cost of \$45,000 for training new staff in FY24 on the specifics of sports wagering. AGE obtained this estimate from the University of Nevada, Las Vegas International Gaming Institute, which specializes in providing regulator and enforcement training, and anticipates sending staff throughout 2024.

Bureau of Criminal Apprehension

The BCA assumes that it will not have any investigatory or forensic science related roles in response to this language.

The Bureau of Criminal Apprehension (BCA) will continue to charge \$15.00 for a Minnesota Background check and the Federal Bureau of Investigation (FBI) will continue to charge \$18.25 for a federal criminal history records check. Both of these checks are required in the bill language.

The BCA will continue to have a special revenue fund into which the fees will be deposited and from which the FBI fee, employee salaries and Criminal History System maintenance will be paid.

The Alcohol & Gambling Enforcement Division of the Department of Public Safety (AGED) looked to states with lawful mobile sports betting to obtain an average of potential applicants for the sports betting service provider and sports betting suppliers. AGE obtained the number of licensees from Colorado, Illinois, Indiana, Iowa, Michigan and Wyoming to obtain an average number of potential applicants.

Name	Type	Licensed Sports Wagering Suppliers
Colorado Dept. of Revenue	Tribal and commercial	338
Iowa Racing and Gaming Commission	Tribal and commercial	44
Illinois Gaming Board	Commercial	47

Indiana Gaming Commission	Commercial	537
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North Dakota Attorney General	Tribal	6
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Total		1551

1551/8=194

AGE assumes it will issue 11 mobile sports betting operator licenses, 11 mobile sports betting platform provider licenses and 194 sports betting supplier licenses for a total of 216 sports betting related licenses which would require a background investigations. $11+11+194= 216$

AGED assumes that there will be approximately 10 individuals checked per licensee per year, resulting in a total of 2170 criminal history checks completed annually, under 299L.25.

The BCA assumes that no individuals will be checked under other authorities to be placed in rule, as rules are not considered legal authority for FBI criminal history checks, which must meet the following criteria to be authorized under Public Law 92-544:

- a. The statute must exist as a result of a legislative enactment rules are not considered legislative enactment per the FBI;
- b. It must require the fingerprinting of applicants who are to be subjected to a national criminal history background check;
- c. It must, expressly ("submit to the FBI") or by implication ("submit for a national check"), authorize the use of FBI records for the screening of applicants;
- d. It must identify the specific category(ies) of licensees/employees falling with its purview, thereby avoiding overbreadth;
- e. It must not be against public policy; and
- f. It may not authorize receipt of the Criminal History Record Information (CHRI) by a private entity.

Expenditure and/or Revenue Formula

Alcohol and Gambling

EXPENDITURES

TRIBAL-STATE COMPACT NEGOTIATIONS

Tribal State Compact Negotiations		FY24	FY25	FY26	FY27
Legal counsel negotiations and drafting of compacts		\$720,000.00	\$0.00	\$0.00	\$0.00
TOTAL		\$720,000.00	\$0.00	\$0.00	\$0.00

ADMINISTRATIVE:

RULEMAKING

4 FTE's include salary and non-salary costs. Non salary costs for employees include: office space, furniture, telephones, cell phones, laptops, and background checks. *To note: Non salary costs specific to sworn special agents in FY24 include one-time costs such for squad cars, body worn cameras, bullet proof vests, firearms, emergency lights and sirens, radios, psychological test, and medical exam.

Administrative Staff: Salary, Fringe and Staff Non-Salary	FTE	FY24	FY25	FY26	FY27
Rulemaking					
Special Agent in Charge	1	\$280,170.46	\$197,166.16	\$197,166.16	\$197,166.16
Attorney level 2	1	\$170,020.97	\$145,515.67	\$145,515.67	\$145,515.67
Policy Analyst	1	\$133,992.16	\$110,151.36	\$110,151.36	\$110,151.36
OASI	1	\$99,853.14	\$75,881.04	\$75,881.04	\$75,881.04
Sub Total	4 FTE	\$684,036.73	\$528,714.23	\$528,714.23	\$528,714.23
OAH Rulemaking Non -Salary					
Medium Effort Expedited Rulemaking		\$135,000.00	\$0.00	\$0.00	\$0.00
Rulemaking Challenges		\$10,000.00	\$10,000.00	\$10,000.00	\$0.00
TOTAL		\$829,036.73	\$538,714.73	\$538,714.23	\$528,714.23

OPERATIONAL STAFF:

FINANCIAL BACKGROUNDS, CRIMINAL HISTORY CHECKS, LICENSING, REGULATION STAFF:

23 FTE's include salary and non-salary costs. Non salary costs for employees include: office space, furniture, telephones, cell phones, laptops, and background checks. * To Note: Non salary costs specific to sworn special agents in FY24 include one-time costs for squad cars, body worn cameras, bullet proof vests, firearms, emergency lights and sirens, radios, psychological test, and medical exam.

Operational Staff: Salary, Fringe and Non-Salary Included	FTE	FY24	FY25	FY26	FY27
Background Investigations					
Assistant Special Agent in Charge	1	\$263,178.41	\$180,108.76	\$180,108.76	\$180,108.76
Special Agents	8	\$2,058,801.77	\$1,394,065.20	\$1,394,065.20	\$1,394,065.20
Criminal History Record Checks CJIS					
OASI	1	\$99,853.14	\$75,881.04	\$75,881.04	\$75,881.04
Licensing Administration					
OASS	1	\$101,353.94	\$78,592.22	\$78,592.22	\$78,592.22
OASI	3	\$244,713.26	\$222,313.11	\$222,313.11	\$222,313.11
Sports Betting Regulation					

Investigation Senior	1	\$171,303.84	\$147,882.15	\$147,882.15	\$147,882.15
Investigation Specialist	3	\$479,799.33	\$315,783.24	\$315,783.24	\$315,783.24
Criminal Investigations					
Special Agents	4	\$1,029,400.89	\$697,032.60	\$697,032.60	\$697,032.60
Communications and Media					
Information Officer 2	1	\$113,889.33	\$91,117.37	\$91,117.37	\$91,117.37
TOTAL	23	\$4,562,293.91	\$3,202,775.69	\$3,202,775.69	\$3,202,775.69

*AGED has not hired a Special Agent at or below midrange salary. Instead, all Special Agents have been salaried at steps towards the highest brackets available to them, due to their experience. Because of this, it is necessary to account for actual possible costs via the maximum salary and fringe benefit request.

EXCLUSION LIST AND APPROVED SPORTING EVENT DATABASE

Exclusion list and approved sporting events database		FY24	FY25	FY26	FY27
Application development/testing		\$35,000.00	\$0.00	\$0.00	\$0.00
Application Hosting		\$4,500.00	\$4,725.00	\$4,961.00	\$5,209.00
Software Licenses		\$5,000.00	\$5,250.00	\$5,513.00	\$5,788.00
Annual Maintenance		\$0.00	\$8,750.00	\$9,188.00	\$9,647.00
MNIT Developer		\$175,000.00	\$90,000.00	\$94,500.00	\$99,225.00
TOTAL		\$219,500.00	\$108,725.00	\$114,161.00	\$119,869.00

STUDY ON MOTIVATIONS AND BELIEFS OF YOUNG ADULT GAMBLERS GRANT

Motivation and Beliefs of Young Adult Gamblers Study		FY24	FY25	FY26	FY27
Grant		\$150,000.00	\$0.00	\$0.00	\$0.00
TOTAL		\$150,000.00	\$0.00	\$0.00	\$0.00

TRAINING AND EDUCATION:

Training and Education		FY24	FY25	FY26	FY27
Sports Betting Division Training		\$45,000.00	\$0.00	\$0.00	\$0.00
Sports betting printed educational material (rules and statutes booklets)		\$0.00	\$30,000.00	\$0.00	\$0.00
TOTAL		\$45,000.00	\$30,000.00	\$0.00	\$0.00

TOTAL EXPENDITURES:

Total Lawful Sports Betting Total Expenditures	FTE	FY24	FY25	FY26	FY27
Tribal State Compact Negotiations and Legal Challenges		\$720,000.00	\$0.00	\$0.00	\$0.00
Rulemaking Staff Salary, Fringe and Non-Salary	4	\$829,036.73	\$538,714.73	\$538,714.73	\$528,714.73
Backgrounds, Licensing, Regulation, Enforcement: Salary, Fringe, Non-Salary	23	\$4,562,293.91	\$3,202,775.69	\$3,202,775.69	\$3,202,775.69
Exclusion list and approved sporting events database		\$219,500.00	\$108,725.00	\$114,161.00	\$119,869.00
Motivation and Beliefs of Young Adult Gamblers Study		\$150,000.00	\$0.00	\$0.00	\$0.00
Education and Training		\$45,000.00	\$30,000.00	\$0.00	\$0.00
BCA		\$72,000.00	\$72,000.00	\$72,000.00	\$72,000.00
TOTAL	27	\$6,597,830.64	\$3,952,215.42	\$3,927,651.42	\$3,923,359.42

Funding Assumptions	FY24	FY25	FY26	FY27
Total Expenditures	\$6,597,830.64	\$3,952,215.42	\$3,927,651.42	\$3,923,359.42
Costs covered by SRF appropriations (A2 S2, A4 S4) and background check fees	\$4,073,000.00	\$2,772,000.00	\$2,772,000.00	\$2,772,000.00
Costs in excess of SRF appropriations assumed to be covered by GF	\$2,374,830.64	\$1,179,537.42	\$1,154,973.42	\$1,150,681.42
Grant from SRF (A4, S3)	\$150,000.00	\$0.00	\$0.00	\$0.00
Total Assumed from Special Revenue Fund	\$4,223,000.00	\$2,772,000.00	\$2,772,000.00	\$2,772,000.00
Total Assumed from General Fund	\$2,374,830.64	\$1,180,215.42	\$1,155,651.42	\$1,151,359.42

REVENUE:

LICENSING FEES

Application Fees Special Revenue	# of Licenses	Application fee	FY24 TOTAL
Operator License	11	\$0.00	\$0.00
Platform Provider	11	\$6,000.00	\$66,000.00
Supplier License	194	\$6,000.00	\$1,164,000.00
Total			\$1,230,000.00

Initial License Fee Special Revenue	# of Licenses	License Fee	FY24 TOTAL
Operator License	11	\$2,125.00	\$23,375.00

Platform Provider	11	\$38,250.00	\$420,750.00
Supplier License	194	\$38,250.00	\$7,420,500.00
Total			\$7,864,625.00

License Renewal Fee Special Revenue	# of Licenses	Renewal Fee	FY25	FY26	FY27
Operator License	11	\$2,125.00	\$23,375.00	\$23,375.00	\$23,375.00
Platform Provider	11	\$25,500.00	\$0.00	\$0.00	\$280,500.00
Supplier License	194	\$25,500.00	\$0.00	\$0.00	\$4,947,000.00
Total			\$23,375.00	\$23,375.00	\$5,250,875.00

TOTAL REVENUES:

Lawful Sports Betting Total Revenue	FY24	FY25	FY26	FY27
Application Fees-Special Revenue	\$1,230,000.00	\$0.00	\$0.00	\$0.00
Initial Licensing Fees- Special Revenue	\$7,864,625.00	\$0.00	\$0.00	\$0.00
Renewal Fees-Special Revenue	\$0.00	\$23,375.00	\$23,375.00	\$5,250,875.00
BCA	\$72,000.00	\$72,000.00	\$72,000.00	\$72,000.00
TOTAL	\$9,166,125.00	\$95,375.00	\$95,375.00	\$5,322,875.00

FTEs are calculated to be split proportionally between the general fund and special revenue fund.

Bureau of Criminal Apprehension

2,170 (number of checks estimated each year) times \$15.00 (the amount charged per Minnesota background check) \$32,550.00 of revenue each year.

2,170 (number of checks estimated each year times \$18.25 (the amount charged per FBI background check) = \$39,602.50 of revenue each year.

Of that revenue, the FBI must be paid \$11.25 per check or \$24,412.50 per year (\$11.25 times 2,170).

The remainder of the fees will be kept by the BCA to pay for the employees who conduct said background checks. The total amount of revenue to be kept by the BCA is \$22 times 2,170 or \$47,740.00.

In total, an FBI background check and state background check costs \$33.25. 2,170 (number of checks estimated each year) times \$33.25 (combined cost of FBI and state background check) = \$72,152.50.

Long-Term Fiscal Considerations

Lawful Mobile Sports Betting is new to Minnesota and there is no historical data to draw from. There is potential for

significant growth in this industry that could have long-term fiscal impact to AGED, both in expenditures and revenue.

The costs associated with secondary litigation related Tribal-State Compact Negotiations for the Control of Class III Lawful Sports Betting are unknown, and there is no recent historical data to draw from.

AGE is not equipped with funding to cover the costs associated with any type of legal challenges, appeals, and/or enforcement actions. There is potential for long-term fiscal impact to AGE and additional funding requests may be necessary when legal challenges arise.

Local Fiscal Impact

References/Sources

American Gaming Association, Colorado Department of Revenue- Sports Betting, Illinois Gaming Board, Indiana Gaming Commission, Iowa Racing and Gaming Commission, Michigan Gaming Control Board, North Dakota Attorney General, South Dakota Commission on Gaming, Minnesota Gambling Control Board, Minnesota Department of Revenue, Minnesota Office of Administrative Hearings, the Minnesota Rulemaking Manual, 8/2020, and UNLV-International Gaming Institute.

Agency Contact: Carla Cincotta 651-201-7534

Agency Fiscal Note Coordinator Signature: Dan Boytim

Phone: 651-201-7040

Date: 4/25/2023 12:15:26 PM

Email: Dan.Boytim@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/27/2023 2:17:41 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	37	25	25	25
Total	-	37	25	25	25
Biennial Total			62		50
2 - Revenues, Transfers In*					
Administrative Hearings	-	37	25	25	25
Total	-	37	25	25	25
Biennial Total			62		50

Bill Description

SF1949-2A provides for sports betting regulations in the state of Minnesota.

Section 21 also provides that an appeal of an administrative order, civil penalty, license suspension, revocation or nonrenewal is subject to contested case review procedures under Minn. Stat. ch. 14 (2022).

The legislation also authorizes the Department of Public Safety (DPS) to conduct expedited rulemaking to implement the provisions of Art. 1, Sec. 3, Powers and Duties of Commissioner.

Assumptions

The Office of Administrative Hearings (OAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

OAH has not been able to ascertain how many matters will be appealed to OAH each year. Because of the monetary amount involved, OAH assumes that each appeal will be vigorously contested and a hearing will require an estimated 100 hours of administrative law judge (ALJ) time at the currently approved billable rate of \$245 per hour (see Minn. Stat. § 16A.126, subd. 1 (2022)).

OAH has used DPS's assumption that a medium rulemaking will be required to meet the requirements of Art. 1, Sec.3, Subd. 2 Rulemaking. Based on past practices, OAH assumes that a medium rulemaking under chapter 14 will require an estimated 50 hours of administrative law judge (ALJ) time for activity related to rulemaking procedures. Of the estimated rulemaking amount of \$134,876, \$12,250 is for the estimated 50 hours of ALJ time for a medium rulemaking.

Expenditure and/or Revenue Formula

Estimated 100 hours of ALJ time at \$245/hr = \$24,500

Estimated 10 hours of ALJ time for rulemaking activities in FY24 related to implementing the requirements of Art. 1, Sec. 3, Powers and Duties of Commissioner, Subd. 2 Rulemaking = 50 hours x \$245/hr = \$12,250 charged to DPS in FY24 pursuant to the requirements of Minn. Stat. § 14.53.

FY24 Total Expenditures - \$24,500 + \$12,250 = \$36,750

FY25 and subsequent years - \$24,500

Long-Term Fiscal Considerations

Hearing costs would continue into future years. Costs associated with the rulemaking activities are a one-time occurrence.

Local Fiscal Impact

References/Sources

Agency Contact: Denise Collins

Agency Fiscal Note Coordinator Signature: Denise Collins

Phone: 651-3617875

Date: 3/16/2023 2:25:54 PM

Email: denise.collins@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Amateur Sports Commission**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	179	251	141
Restrict Misc. Special Revenue	-	(1,631)	(3,085)	(7,751)	(8,213)
Total	-	(1,631)	(2,906)	(7,500)	(8,072)
Biennial Total			(4,537)		(15,572)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.1	.15	.06
Restrict Misc. Special Revenue	-	-	.9	2.85	4.94
Total	-	-	1	3	5

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/26/2023 3:27:08 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	179	251	141	
Restrict Misc. Special Revenue	-	(1,631)	(3,085)	(7,751)	(8,213)	
Total	-	(1,631)	(2,906)	(7,500)	(8,072)	
			(4,537)		(15,572)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	179	251	141	
Restrict Misc. Special Revenue	-	-	1,631	4,716	12,467	
Total	-	-	1,810	4,967	12,608	
			1,810		17,575	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	1,631	4,716	12,467	20,680	
Total	-	1,631	4,716	12,467	20,680	
			6,347		33,147	

Bill Description

as introduced that are pertinent to the Minnesota Amateur Sports Commission (MASC). The following describes sections of SF1949-2A

Article 1, Sections 4-10 defines sports betting license types and fees. Section 12 specifies that fees derived from sports betting applications, licenses, and renewals must be deposited in the Sports Betting Revenue Account established in Article 2.

Article 2, Section 2, Subdivision 1 imposes a sports betting net revenue tax equal to ten percent on wagers placed online through a website or mobile application.

Article 2, Section 2, Subdivision 7 establishes the Sports Betting Revenue Account in the special revenue fund. Tax revenues and licensing fees must be deposited in this account. Subdivision 7 directs annual appropriations of \$2.7M to the Department of Public Safety to regulate sports betting and \$1.353M to the Department of Revenue to administer tax provisions. Of the remaining amount after these appropriations have been made, 50% is appropriated to the Department of Human Services and 50% is appropriated to the Amateur Sports Integrity and Participation account established in Article 4.

Article 4, Section 1, Subdivision 1 establishes the Amateur Sports Integrity and Participation (ASIP) account in the Special Revenue Fund. The amounts deposited into the account are appropriated to the MASC to issue grants. The MASC may retain up to four percent of appropriated funds for grant administration.

Article 4, Section 1, Subdivision 2 specifies that 20 percent of the amount deposited into the Amateur Sports Integrity and Participation account in the previous fiscal year shall be used to award grants to collegiate and amateur sports associations to promote the integrity of amateur sports.

Article 4, Section 1, Subdivision 3 specifies that 80 percent of the amount deposited into the Amateur Sports Integrity and Participation account in the previous fiscal year shall be used to award grants to organizations to promote and facilitate participation in youth sports in areas that have experienced a disproportionately high rate of juvenile crime.

Article 4, Section 1, Subdivision 4 requires the MASC to submit a report by January 15 of each year to relevant legislative committees that details grants issued in the previous year. The report must also compile and provide annual reports received from grantees.

Assumptions

It is assumed that 1 FTE grants specialist will be hired in FY25 to develop, coordinate, and manage the grant award process, as well as complete the annual report. A Grants Specialist Senior (MAPE 14G 10L) position is estimated at \$100,150 (salary + benefits and fringe) annually. There is a one time fee of \$4,350 is assumed in FY25 per computer, for the two additional FTE's in the following fiscal year (FY26) it is assumed there will be two additional computer costs (\$8,700) and in FY27 there will be another two additional computer costs for the two new FTE's (\$8,700). It is also assumed MASC will incur \$50,000 annually for grant collection and evaluation SAAD software, and one-time ancillary costs. The estimated four percent of allocated revenues allowed for grant administration from the ASIP account in the Special Revenue Fund is not sufficient to cover FTE costs in FY25 (see table in Expenditure and/or Revenue Formula section). The difference between estimated FTE costs and the allowed amount from the ASIP account is shown as a General Fund expenditure in FY25 on this fiscal note. The estimated amount retained for grant administration from the ASIP account will be sufficient to cover the FTE costs beginning in FY26. Two additional FTE's are estimated starting in FY26, 1 FTE would handle the increase of applications and the increase of grants given. The 2nd FTE would be specialist in coordinating additional services for youth, including tutoring, mental health services, and family counseling. FY27 there would be two additional FTE's to monitor and evaluate the awarded grants from previous and current years.

It is assumed that the Grants for Promoting Integrity and Participation will require prospective auditing and legal analysis to establish program parameters and to follow all laws and legal obligations. MASC will contact and work with AG office to contract these aforementioned auditing and legal services. cursory research based on similar programs it is estimated a minimum of \$90,000 in FY25 and have an estimated ongoing costs of \$80,000 the following two fiscal years.

It is assumed that sports betting license fees will be collected beginning July 1, 2023, the first day of fiscal year 2024.

It is assumed that the sports betting net revenue tax is imposed effective July 1, 2024, the first day of fiscal year 2025.

Assumed sports betting licensing fee revenue is based on an estimate provided by the Department of Public Safety.

It is assumed that the annual MASC appropriation specified in Article 2 will be calculated at fiscal year close and that these monies will be available for grant awards the following year. It is assumed that the first grants will be awarded in FY25 based on sports betting revenues collected in FY24.

It is assumed that the actual amount of grant monies awarded may vary from year-to-year depending on distribution and grant award amounts.

It is assumed that up to four percent of revenues distributed annually will be used for grant administration.

Expenditure and/or Revenue Formula

MASC will hire one FTE in FY25, two FTE's FY26, and two additional FTE's FY27 for a total of 5 FTE's. It is not forecasted MASC to have any additional expenditures associated with this bill.

Revenue amounts shown in the following table are based on DOR tax and DPS fee estimates.

Row		FY25	FY26	FY27
1	MASC Appropriation from Special Revenue Fund	1,631,313	4,716,188	12,467,188
2	Grant Administration @ 4%	65,253	188,648	498,688
3	Revenues minus Admin Costs	1,566,060	4,527,540	11,968,500
4	Integrity of Amateur Sports Grants (20% of Line 3)	313,212	905,508	2,393,700
5	Promote Participation	1,252,848	3,622,032	9,574,800

	in Youth Sports Grants (80% of Line 3)			
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FTE Reference Table

1.0 FTE / 2088 Hours	Salary Midpoint	Benefits + Fringe	Annual Cost
Grants Specialist MAPE 14G 10L	65,000	35,150	100,150

Staff Compensation Costs (Includes computer per FTE [\$4,350])

	FY25	FY26	FY27
Grants Specialist 1	104,500	100,150	100,150
Grants Specialist 2		104,500	100,150
Youth Services Specialist 1		104,500	100,150
Grant Evaluation Specialist 1			104,500
Grant Evaluation Specialist 2			104,500
Total	104,500	309,150	509,450

FTE Summary

	FY25	FY26	FY27
FTE's	1.00	3.00	5.00

TOTAL MASC COSTS

	FY25	FY26	FY27
FTE's	104,500	309,150	509,450
Software	50,000	50,000	50,000
Auditing & Legal Analysis	90,000	80,000	80,000
Total	244,500	439,150	639,450

Grants Specialist Senior				
MAPE 14G 10L	FY25	FY26	FY27	FY28+
Salary	65,000	195,000	325,000	325,000
Benefits + Fringe	35,150	105,450	175,750	175,750
Startup Costs	4,350	8,700	8,700	8,700
FTE Cost Total	104,500	309,150	509,450	509,450

Other Costs	FY25	FY26	FY27	FY28+
Software	50,000	50,000	50,000	50,000
Auditing & Legal	90,000	80,000	80,000	80,000
Total Other Costs	140,000	130,000	130,000	130,000

GF Assumption	FY25	FY26	FY27	FY28+
Total Cost	244,500	439,150	639,450	639,450
4% SRF Cap	65,253	188,648	498,688	827,198
Unfunded (GF) Amount	179,248	250,503	140,763	-
Additional FTE	FY25	FY26	FY27	
General Fund	0.10	0.15	0.06	
Restrict Misc Spec Rev	0.90	2.85	4.94	
Total FTE	1.00	3.00	5.00	

Row		FY25	FY26	FY27
1	MASC Appropriation from Special Revenue Fund	1,631,313	4,716,188	12,467,188
2	SRF Grant Administration Appropriation @ 4%	65,253	188,648	498,688
3	Revenues minus Admin Costs	1,566,060	4,527,540	11,968,500
4	Integrity of Amateur Sports Grants (20% of Line 3)	313,212	905,508	2,393,700
5	Promote Participation in Youth Sports Grants (80% of Line 3)	1,252,848	3,622,032	9,574,800
6	Administrative Costs in Excess of 4% SRF Cap	179,248	250,503	140,763

Long-Term Fiscal Considerations

Additional staff may be needed for grant development, management, and coordination as the program develops over time in compliance with state grant management policies and procedures as required by the Office of Grants Management within the Department of Administration.

Local Fiscal Impact

N/A

References/Sources

Department of Revenue Tax Research Division), as introduced, available at <http://www.revenue.state.mn.us/revenue-analyses>.

Legislative Coordinating Commission (LCC) data on new employee computer, software, and ancillary costs.

Department of Revenue (DOR), as introduced, available at <http://www.revenue.state.mn.us/revenue-analyses>.

2021-2023 MAPE Contract, available at https://mn.gov/mmb-stat/000/az/labor-relations/mape/2021-2023/2021-2023_MAPE_Contract.pdf

Agency Contact: Shannon Holbrook

Agency Fiscal Note Coordinator Signature: Karah Lodge

Phone: 763-717-3238

Date: 4/26/2023 11:56:12 AM

Email: klodge@mnsports.org

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	628	718	708	708
Total	-	628	718	708	708
Biennial Total			1,346		1,416

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	2.5	2.56	2.55	2.55
Total	-	2.5	2.56	2.55	2.55

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/25/2023 3:43:22 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	628	718	708	708	
Total	-	628	718	708	708	708
Biennial Total			1,346			1,416
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	628	718	708	708	
Total	-	628	718	708	708	708
Biennial Total			1,346			1,416
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF1949 provides for the licensing and regulation of exclusive tribal Class III sports betting to be regulated by the Commissioner of the Department of Public Safety (“DPS”).

Article 1 of the legislation authorizes wagering on certain athletic and esports events and regulates mobile sports betting. SF 1949 sets forth DPS duties and includes the authority to: (1) conduct rulemaking; (2) issue administrative orders requiring persons to cease and desist from violating the statute, rule, or orders and to give notice to the person of the right to a hearing conducted in accordance with Chapter 14; (3) bring actions in district court in the name of the state to recover civil penalties, for example; (4) issue and renew licenses, conduct background investigations, inspect records and accounts of a mobile sports betting operator and conduct financial audits; (5) issue notice to a licensee or applicant of the right to a hearing conducted in accordance with Chapter 14 if the commissioner determines that a license renewal submitted under the statute shall be denied, or a license shall be revoked or suspended; and (6) issue civil penalties and provide notice that any penalty assessed in excess of \$2,000 shall be offered a contested case hearing under Chapter 14.

The legislation also requires new Class III Tribal-state compacts to be negotiated to accommodate sports betting.

With regard to the Minnesota Attorney General's Office (“AGO”), the legislation authorizes enforcement action as set forth above. The AGO represents DPS in litigation at the district court, Office of Administrative Hearings (“OAH”), and the appellate courts.

The Governor or Governor’s designated representatives negotiate new Tribal-state compacts to regulate the Class III sports betting. Existing Tribal-state compacts may not be amended or modified.

Article 2 of SF1949 governs the taxation of sports betting and should have no impact on the work of this Office.

Article 3 of SF1949 establishes and amends crimes related to the conduct of licensed and unlicensed sports betting and should have no impact on the work of this Office.

Article 4 of SF1949 creates an amateur sports integrity and participation account to provide for amateur sports grants, promote and facilitate youth sports participation, to fund studies on youth gambling, to provide support for gambling treatment, and requires the Minnesota Amateur Sports Commission to track and report the grants. It is assumed that the Grants for Promoting Integrity and Participation will require prospective auditing and legal analysis to establish program parameters and to follow all laws and legal obligations. MASC will contact and work with AG office to contract these aforementioned auditing and legal services.

Assumptions

Article 1 of SF1949: Fiscal impacts of the legislation on the AGO stem from work flowing from the provisions of Article 1, primarily section 21, and would include litigation costs incurred to represent DPS in district court or contested cases at the OAH against: (1) challenges to its administrative orders including cease-and-desist orders; (2) challenges to its licensing decisions; and (3) challenges to civil penalties assessed in excess of \$2,000.

Additional fiscal impacts of the legislation on the AGO would also include litigation costs incurred by representing DPS in district court if it seeks to recover civil penalties.

Fiscal impacts of the legislation on the AGO would also include appellate work to defend appeals from decisions upholding DPS regulatory enforcement and licensing actions, whether in district court or at OAH.

Litigation of a contested case at OAH: depending on its complexity, the case would likely include file preparation, prehearing motion practice, discovery, depositions, witness preparation including expert witnesses, and a multi-day hearing. The assumption for attorney hours spent is 450 hours. This assumption does not include litigation expenses like filing fees, discovery costs, ADR expenses, court reporters, and potential costs to retain expert witnesses, if any. Assuming an attorney hourly rate of \$163, the cost to represent DPS in a single contested case would be \$73,350. Assuming there are 4 contested cases filed each year totaling 1,800 attorney hours, the total annual cost to represent DPS at OAH would be \$293,400.

Litigation at the district court to commence an action to enforce a civil penalty: depending on its complexity and including motion practice, the assumption for attorney hours spent is 300 hours. Assuming an attorney hourly rate of \$163, the cost to represent DPS in one district court action would be \$48,900. Assuming there are 4 actions filed each year totaling 1,200 attorney hours, the total cost to represent DPS each year in district court actions to enforce a civil penalty would be \$195,600.

Litigation representing DPS at the appellate courts, the assumption for attorney hours spent is a minimum of 200 attorney hours. Assuming an attorney hourly rate of \$163, the cost to represent DPS in one appellate case would be \$32,600. Assuming there are 4 appeals filed each year totaling 800 attorney hours, the total cost to represent DPS each year on appeal would be \$130,400.

Assuming 50 attorney hours at \$163 per hour to assist in compact negotiations, drafting, subsequent litigation. The cost for this attorney assistance would be \$8,150.

Article 2 of SF1949 governs the taxation of sports betting and should generally produce little or no impacts that would increase the work of this Office.

Article 3 of SF1949 establishes and amends crimes related to the conduct of licensed and unlicensed sports betting and should generally produce little or no impacts that would increase the work of this Office.

Article 4 of SF 1949: It is assumed that the Grants for Promoting Integrity and Participation will require prospective auditing and legal analysis to establish program parameters and to follow all laws and legal obligations. MASc will contact and work with AGoffice to contract these aforementioned auditing and legal services. cursory research based on similar programs it is estimated a minimum of \$90,000 in FY25 and have an estimated ongoing costs of \$80,000 the following two fiscal years.

Expenditure and/or Revenue Formula

AGO Expenditures:

The Office of the Attorney General uses billing rates to calculate revenue and costs. The billing rates effective from July 1, 2023-June 30, 2025 are \$163/hour for attorneys and \$103/hour for legal assistants (including investigators, paralegals, mediators, financial analysts, and support staff). The billable hour rate reflects the cost of providing legal services. One FTE is 1500 billable hours per year.

	Hourly Billing Rate	Hours	Total Cost to AGO
Attorney, [division]	\$163	3850	\$627,550
Legal assistant, [Investigator/other non-attorney staff]	\$103	0	\$0
<i>Other</i>			
Total	N/A		\$627,550

AGO Expenditures for MASC:

	Hourly Billing Rate	Hours	Total Cost to AGO
Attorney	\$163	FY 25: 552	\$90,000
		FY 26: 491	\$80,000
<i>Other</i>		FY 27: 491	\$80,000
Total		1534	\$250,000

Long-Term Fiscal Considerations

Would require 2.5 FTE attorneys at the assumed hours.

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 4/25/2023 3:21:46 PM

Email: laura.capuana@ag.state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Corrections Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 3/20/2023 12:17:00 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

S.F. 1949 authorizes and provides for sports betting. Article 3 establishes crimes related to sports betting.

Assumptions

The Minnesota Sentencing Guidelines Commission assumes that the new offenses under article 3 will occur at a low frequency, that some of the occurrences will be offset by the decrease in sports bookmaking offenses, and that the overall correctional impact of article 3 will be minimal.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

The Department estimates that the impact to local units of government will be minimal.

References/Sources

Department of Corrections Staff

Minnesota Sentencing Guidelines Commission

Agency Contact:

Agency Fiscal Note Coordinator Signature: Kwesi Pasley

Phone: 651-259-3667

Date: 3/15/2023 1:18:07 PM

Email: kwesi.pasley@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Governors Office**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/30/2023 11:05:31 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	17	-	-	-	-
Absorbed Costs	-	(17)	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
General Fund						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill provides provisions and responsibilities related to sports betting.

Assumptions

The Governor's Office would typically assign the responsibility of negotiating the compacts with the Tribes with the appropriate Commissioner. The Commissioner and their staff would then negotiate the compact with each Tribe. The Governor's Office Legal Team, Tribal State Relations staff and the relevant Policy Advisor would track the negotiations and provide advice. The costs assume 100 hours of work for one member of each department.

Expenditure and/or Revenue Formula

The impact would be approximately \$17,000 and Governor's Office can absorb these costs.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Alyssa Haugen (651-201-3416)

Agency Fiscal Note Coordinator Signature: Alyssa Haugen

Phone: 651-201-3416

Date: 3/30/2023 11:02:03 AM

Email: alyssa.haugen01@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	68	112	424	531
Other Misc. Special Revenue	-	(1,632)	(3,085)	(7,751)	(8,213)
Total	-	(1,564)	(2,973)	(7,327)	(7,682)
Biennial Total			(4,537)		(15,009)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1	1	3.5	5
Other Misc. Special Revenue	-	-	-	-	-
Total	-	1	1	3.5	5

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 4/18/2023 2:52:05 PM
Phone: 651-284-6437 **Email:** steve.mcdaniel@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	68	112	424	531	
Other Misc. Special Revenue	-	(1,632)	(3,085)	(7,751)	(8,213)	
Total	-	(1,564)	(2,973)	(7,327)	(7,682)	
Biennial Total			(4,537)		(15,009)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	68	112	424	531	
Other Misc. Special Revenue	-	-	1,631	4,716	12,467	
Total	-	68	1,743	5,140	12,998	
Biennial Total			1,811		18,138	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Other Misc. Special Revenue	-	1,632	4,716	12,467	20,680	
Total	-	1,632	4,716	12,467	20,680	
Biennial Total			6,348		33,147	

Bill Description

Article 1 of this bill authorizes sports betting on athletic events and regulates sports betting.

Article 2 contains tax regulations related to sports betting. Section 2 includes the authorization of the tax on sports betting revenue and in subdivision 7, the bill describes the distribution of funds and the creation of the sports betting revenue account. The bill states that all amounts are deposited in the account and distributed in this subdivision. The funding does not cancel and interest and income earned on money in the account, after deducting any applicable charges shall be credited to the account.

After deducting any applicable refunds under subdivision 5, the money shall be distributed as follows:

\$2,700,000 to the Department of Public Safety for administering the program

\$1,353,000 to the Commissioner of Revenue to administer the tax for this program

50% of the amount remaining in the sports betting revenue account to the Department of Human Services (DHS) of which half should be for the gambling treatment program under Minnesota Statute section 245.98 and the other half for the state affiliate recognized by the National Council on Problem Gambling.

50% of the amount remaining for the Amateur sports integrity and participation account established pursuant to section 240A.15, subdivision 1

Article 3 establishes crimes related to sports wagers.

Article 4 creates grants administered by the Minnesota Amateur Sports Commission, funds a study on gambling by young adults, and appropriates money for the establishment and regulation of mobile sports betting.

Assumptions

1. It is assumed that sports betting license fees will be collected beginning July 1, 2023, the first day of fiscal year 2024.
2. It is assumed that the sports betting net revenue tax is imposed effective July 1, 2024, the first day of fiscal year

2025.

3. It is assumed that DHS and Minnesota Amateur Sports Commission (MASC) appropriations specified in article 2, section 2 are allocated at fiscal year close and available to these agencies the following fiscal year.

4. Any unspent funding carries forward. The assumption for this fiscal note is that all available grants for that fiscal year will be expended.

5. DHS and MASC receive the remaining revenue after all other fixed appropriations are allocated. The Department of Human Services receives 50% of that allocation and MASC receives 50%. DHS also must split the appropriation into two pools:

- a. The gambling treatment program under Minnesota Statute section 245.98
- b. The state affiliate recognized by the National Council on Problem Gambling.

Compulsive Gambling Treatment Program:

As noted in the bill, the department will receive 50% of this funding for the compulsive gambling treatment program established under Minnesota Statute 245.98. This statute allows the department to conduct various services including contracting with an outside entity with compulsive gambling expertise, educational programs, regional in-service training programs and conferences for health care professionals, payment for treatment providers, employee assistance programs, assessments, and other functions related to compulsive gambling. The funding can also include payments for inpatient and outpatient treatment in different settings and research studies.

Administrative Funding:

Four FTE's are needed in the Behavioral Health, Housing and Deaf and Hard of Hearing administration (BHDH) to administer the grants. These FTE's are phased in due to the expected increasing revenue:

A staff person will be needed starting in FY 2024 to begin planning for the expansion of the grant program under M.S. 245.98. The program will also be expanded to include grant funding for up to 60 hours of intervention services for a family member or concerned significant other who is a Minnesota resident and is negatively impacted by problem or compulsive gambling. This FTE will be the lead for this program and will help develop grant criteria and plan for the grant expansion into the future. In addition, this staff person will be responsible for establishing RFP's for grants and contracts, working with grantees and stakeholders, contract development and grant monitoring. It is expected that this grantee will work and train providers on the requirements for the intervention services. It is assumed that this FTE will be a MAPE 17L position and will start 6 months into FY 2024.

Another staff person will begin July 2025 and will be added as more revenue is added to the program starting in FY2026. This staff person will also develop RFP's, grant contracts and will also be responsible for grant monitoring and financial reconciliations. It is assumed that this FTE will be a MAPE 14L position.

The third FTE will assist with the same items as the second FTE but will start in January 2026 as additional grant funding is added to the appropriation and

The fourth FTE will help provide grant infrastructure by assisting with contract development, budget review and financial reconciliations. This FTE is anticipated to start in January 2026 to assist with additional grant funding.

To manage the volume of new contracts and payments, a 0.5 FTE for an attorney in contracts and legal compliance will be needed to review, analyze and approve contracts and another 0.5 FTE will be needed for the Financial Operations division for entering grants into the grant payment system and issuing payments. Each of these positions are anticipated to start six months into FY 2026.

All FTE's will require an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,228. Fringe benefits are estimated using the most recent union contracts.

This fiscal note assumes that the FTE is funded through the general fund, therefore a federal match of 32% is assumed. If future iterations of the bill appropriates administrative funding through the special revenue account, the federal match cannot be assumed.

Grant to the state affiliate recognized by the National Council on Problem Gambling

The other portion of the revenue must be appropriated to the Department to provide a grant to the state affiliate recognized

by the National Council on Problem Gambling. As noted by the bill, this funding should be used to increase public awareness of problem gambling, provide education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling.

It is assumed that the two FTE's noted above will assist in the grant management for this program.

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2024	FY2025	FY2026	FY2027
SR	REV2	Sports Betting Revenue	(1,631)	(4,716)	(12,467)	(20,680)
SR	59	Grant Compulsive Gambling Treatment Program		815	2,358	6,233
SR	59	Grant Affiliated State Authority		816	2,358	6,234
GF	15	BHDH admin	100	165	526	622
GF	11	Operations admin			97	158
GF	REV2	32% FFP	(32)	(53)	(199)	(249)
		Total Net Fiscal Impact	(1,563)	(2,973)	(7,327)	(7,682)
		Full Time Equivalents	1	1	3.5	5.0

Long-Term Fiscal Considerations

The revenue and appropriations to DHS from sports betting revenue will be ongoing beyond FY 2027. In FY 2028, there will be about \$20.68 million available for grant funding for DHS between the two grant programs. After FY 2028, it is possible that the revenue may be reduced somewhat resulting in less available grant spending.

Local Fiscal Impact

Tribal governments could receive additional contracts under Minnesota Statute.

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel

Date: 4/18/2023 2:50:06 PM

Phone: 651-247-3698

Email: christopher.zempel@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/3/2023 2:21:11 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill establishes legalized sports betting. The bill regulates sports betting activities, establishes crimes related to sports betting, creates sports betting taxes, and establishes new state accounts and appropriations to state agencies.

Assumptions

This bill requires creation of a special revenue fund for deposit of all application, license, and renewal fees related to sports betting. Cost of establishing and managing a new state fund would be nominal, as this work is part of normal MMB operations.

The financing structure in this bill does present implementation challenges in FY 2024 because the Department of Public Safety (DPS) and Department of Revenue (DOR) are not direct appropriated from the general fund for the costs of administering the new legalized sports betting program. DPS is appropriated \$1,301,000 from the new special revenue fund and DOR is appropriated \$328,000 in FY 2024. Additionally, the commissioner of DPS is granted \$150,000 in FY 2024 to conduct a study on the gambling motivations and beliefs of young adult gamblers. To the extent program revenues fall short of projections, an additional appropriation from the general fund (or another source) would be required to administer the requirements of the bill at DPS and DOR.

In FY 2025 and beyond, implementation challenges are also possible. The bill's financing structure is shifted to the sports betting revenue account established in the special revenue fund. DOR and DPS's direct appropriations in the account are supported by revenues generated in the current year. Each year, revenues in excess of the DOR and DPS appropriations do not accrue to the account's balance but are appropriated 50 percent to the Department of Human Services and 50 percent to the amateur sports integrity and participation account. Thus, unlike the general fund, the sports betting revenue account does not accrue a balance. This dynamic may create cash flow issues effective FY 2025 and beyond, as there may not be sufficient revenues in the sports betting revenue account to support the appropriation amounts to DOR and DPS for their administrative costs. MS 16A.129, subd. 3, provides Minnesota Management and Budget (MMB) the authority to grant cash advances to accounts with cash deficiencies due to delays in receipts but only when the deficiencies would be resolved in the same budget period. At this time it is unknown whether the revenues projected in this fiscal note would be certain such that MMB would be able to grant cash flow authority to the sports betting revenue account. If sports betting revenue account receipts are less than anticipated, or are not received until later in a fiscal year, and MMB is unable to grant cash advances under MS 16A.129, subd. 3, to the account, it may result in delayed appropriations to DOR and DPS, and/or the amount of the appropriations being less than the amounts prescribed in the bill. This may result in program implementation challenges for DOR and DPS.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Phone: 612-659-6873

Date: 4/3/2023 12:01:42 PM

Email: ronika.rampadarat@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Public Defense Board**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 3/20/2023 12:16:10 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

The bill would establish and prescribes operation of sports wagering.

The bill makes it a misdemeanor for a person wagers under \$500 under the following circumstances

- to place a wager with an entity who is not licensed or authorized to accept wagers, or
- to accept a wager if they are not licensed or authorized to accept wagers
- under 2 to place a wager or misrepresent themselves as being 21 or over
- participating in an event to place a wager, or induce someone else to wager
- who is mobile sports betting operator or employee to place a wager
- who is an officer, director, member, or employee of the Department of Public Safety or the division that regulates the wagering to place a wager
- who has nonpublic information on athletic events to place a wager
- or entity who is licensed or authorized to accept wagers to place a wager
- who places a wager for any of those listed above

Gross misdemeanor penalties are put in place for anyone accepting wagers from those listed above if the wager is between \$500 and \$1,000. A 2 year felony is provided for where a person accepting wagers where there was a previous violation or where the amount bet was between \$1,000 and \$5,000. A five year felony penalty is provided for wagers accepted by the above where the amount is greater than \$5,000 or accepts five wagers in a 30 day period in aggregate of \$2,500 or more, or attempts to influence participants or the outcome in the athletic contests, or participants request, receive, or agree to receive, directly or indirectly, a benefit, to intentionally lose, cause to lose, or attempt to lose or cause to lose, the event, or to intentionally perform below abilities to adversely affect the outcome of the event or a component of the event.

Assumptions

If the bill becomes law, there will not doubt be some violations of the statute. There is also the potential for an increase in other cases either directly or indirectly as a result of individuals wagering on sporting events.

It is difficult to predict what impact this may have on caseloads or workloads.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Kevin Kajer

Phone: 612-279-3508

Date: 3/9/2023 3:45:41 PM

Email: Kevin.kajer@pubdef.state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	171	280	281	280
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	171	280	281	280
Biennial Total			451		561

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.86	1.74	1.75	1.74
Restrict Misc. Special Revenue	-	8.42	8.43	8.41	8.42
Total	-	9.28	10.17	10.16	10.16

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

In order to illustrate the dedicated revenue financing structure of this bill, the fiscal note incorporates sports betting tax and fee revenue estimates produced by the Department of Revenue Tax Research Division and the Department of Public Safety. Special Revenue Fund impacts shown on agency Cost (Savings) tables are based on sports betting revenue distributions specified in bill Article 2, section 2, subdivision 7 and Article 4. Administrative costs not covered by Special Revenue Fund appropriations are assumed to be covered by the General Fund. The standalone Department of Revenue Tax Research Division analysis of SF1949 is available online at https://www.revenue.state.mn.us/sites/default/files/2023-03/hf2000%28sf1949%29_sports%20betting.pdf.

LBO Signature: Joel Enders **Date:** 4/14/2023 3:26:17 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	171	280	281	280	
Restrict Misc. Special Revenue	-	-	-	-	-	
Total	-	171	280	281	280	
			451			561
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	171	280	281	280	
Restrict Misc. Special Revenue	-	1,681	1,353	1,353	1,353	
Total	-	1,852	1,633	1,634	1,633	
			3,485			3,267
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	1,681	1,353	1,353	1,353	
Total	-	1,681	1,353	1,353	1,353	
			3,034			2,706

Bill Description

This bill creates a regulatory framework for wagering on sporting events. The bill also establishes crimes related to sports wagering, creates a tax on sports wagering, and creates reporting requirements. This explanation is limited to the articles and provisions related to the Department of Revenue (DOR).

Article 1 of the bill establishes lawful sports betting in chapter 299L, which is under the authority of the Division of Alcohol and Gambling Enforcement in the Department of Public Safety. Article 1, section 4 allows the commissioner of public safety to issue up to 11 mobile sports betting operator licenses, up to 11 mobile sports betting platform provider licenses, and an unlimited number of sport betting supplier licenses. Licenses are not allowed to be transferred. Article 1, section 5, subdivision 1, paragraph (a) requires a licensee to not owe \$500 or more in delinquent taxes as defined in section 270C.72, not have had a sales and use tax permit revoked by the commissioner of revenue in the past two years, and not have, after demand, failed to file required tax returns.

Article 1, section 12 states all application, license, and renewal fees collected must be deposited into the sports betting revenue account in the special revenue fund. Article 1, section 24 states that no political subdivision may require a local license to offer sports betting or impose a tax or fee on the sports betting conducted pursuant to chapter 299L.

Since no effective date is listed for Article 1, DOR assumes an effective date of July 1, 2023.

Article 2 of the bill establishes the taxation of sports betting in chapter 297J, which is under the authority of the Department of Revenue. Article 2, section 1 defines terms relevant to the taxation of sports betting.

Article 2, section 2, subdivision 1 states that a tax is imposed on sports betting net revenue equal to 10% on wagers placed online through a website or mobile application. Any bets placed on Tribal Land are not subject to state taxation.

Article 2, section 2, subdivision 2 states sports betting net revenue is not subject to tax imposed in chapter 290 (income and franchise taxes). Wagers accepted by mobile sports betting operators are not subject to tax imposed in sections 297A.62 (sales tax) or 297E.03 (sports bookmaking tax).

Article 2, section 2, subdivision 3 states that taxes imposed under this section are due by the 20th day of each month for the preceding month and must include the amount of all wagers received, payouts made, all sports betting taxes owed, and other information required by the commissioner.

Article 2, section 2, subdivision 4 states all tax records for this tax will be classified as public information.

Article 2, section 2, subdivision 5 states an individual who has overpaid the tax described in this section can request a refund for the excess in payment. The amount necessary to pay the refunds under this subdivision is appropriated from the sports betting revenue account to the commissioner.

Article 2, section 2, subdivision 6 states the commissioner has the authority to extend the time for filing tax returns, paying taxes, or both under this section for no more than 6 months.

Article 2, section 2, subdivision 7 states that the sports betting revenue account is established in the special revenue fund. Paragraph (b) appropriates \$2,700,000 to the commissioner of public safety to regulate mobile sports betting and paragraph (c) appropriates \$1,353,000 to the commissioner of revenue to administer the tax established in chapter 297J. Of the amount remaining in the sports betting revenue account after the appropriations, 50% is appropriated to the commissioner of human services, of which half is for the compulsive gambling treatment program established under section 245.98 and half is for a grant to the state affiliate recognized by the National Council on Problem Gambling as a supplement to state funding for these programs. The remaining 50% shall be transferred to the amateur sports integrity and participation account established pursuant to section 240A.15, subd. 1.

Article 2, section 3 states mobile sports betting operators must maintain records that shows all sports betting activity conducted by the mobile sports betting operator and taxes owed for at least 3 ½ years after the return is due or filed, whichever is later, and may be inspected by the commissioner at any reasonable time without notice or a search warrant. The commissioner may require a financial audit of a mobile sports betting operator's sports betting activities if the operator fails to comply with this chapter as it relates to financial reporting.

Article 2, section 4 states that except for those provisions specific to distributors, gambling products, or gambling equipment, sections 297E.11 to 297E.14 on gambling taxes apply to chapter 297J.

Article 2, sections 1, 2, 3, and 4 are effective for sports betting net revenue received after June 30, 2024, except that subdivision 7 in section 2 is effective July 1, 2023, and applies to license and renewal fees received after June 30, 2023, and sports betting net revenue received after June 30, 2024.

Article 3 establishes crimes related to sports betting and is effective the day that sports betting becomes lawful under article 1 and applies to crimes committed on or after that date.

Article 4 establishes amateur sports grants and appropriations. Article 4, section 3, subdivision 1 allows a one-time appropriation of \$150,000 in FY24 from the sports betting revenue account to the commissioner of public safety for a grant to a nonprofit organization for a study on the gambling motivations and beliefs of young adult gamblers. The distribution of this appropriation must be made before the distribution required under MS, section 297J.02, subdivision 7, paragraph (d).

Article 4, section 4 appropriates \$1,301,000 in FY24 from the sports betting revenue account in the special revenue fund to the commissioner of public safety to perform the duties necessary to establish and regulate mobile sports betting. This appropriation must be made before the distribution required under MS, section 297J.02, subdivision 7, paragraph (d). This is a onetime appropriation.

Article 4, section 5 appropriates \$328,000 in FY24 from the sports betting revenue account in the special revenue fund to the commissioner of revenue to perform the duties necessary to establish and enforce the taxation of mobile sports betting. This appropriation must be made before the distribution required under MS, section 297J.02, subdivision 7, paragraph (d). This is a onetime appropriation.

Since no effective date is listed for Article 4, DOR assumes an effective date of July 1, 2023.

Assumptions

It is assumed that sports betting application and license fee collections will begin within 60 days of July 1, 2023. If application and licensing fees are not received in FY24, received later in the year, or cash flow from the sports betting revenue account is inadequate to cover ongoing costs, the implementation work needed to effectively administer and enforce the tax imposed on sports betting may be interrupted or delayed beyond July 1, 2024.

It is assumed that the sports betting net revenue tax is imposed effective July 1, 2024, the first day of fiscal year 2025.

It is assumed that pursuant to Article 2, section 2, subdivision 3, a mobile sports betting operator must file a return by the 20th day of each month reporting tax due for the preceding month.

It is assumed that the Department of Human Services (DHS) and Minnesota Amateur Sports Commission (MASC) appropriations specified in Article 2, section 2 are allocated at fiscal year close and available to these agencies the following fiscal year.

For the purposes of this fiscal note, a General Fund appropriation is assumed for estimated administrative costs in excess of Special Revenue Fund appropriations specified in Article 2, section 2 and Article 4, section 5.

The Department of Revenue (DOR) assumes that the financing structure of this bill may cause implementation and cash flow challenges. It is assumed that DOR implementation and ongoing administrative costs are intended to be covered by the Sports Betting Revenue Account in the Special Revenue Fund as appropriated in Article 2, section 2, subdivision 7(c). Appropriations from the Sports Betting Revenue Account are supported by sports betting tax and licensing fee revenues generated during the current year. In FY24, the implementation work needed to effectively administer and enforce the tax imposed on sports betting may be delayed or interrupted if licensing revenue is uneven or not received until later in the fiscal year. In FY25 and beyond, sports betting tax and licensing revenues in excess of the DOR and DPS appropriations specified in Article 2, section 2 are appropriated 50 percent to the Department of Human Services and 50 percent to the Minnesota Amateur Sports Commission at the end of the fiscal year. Thus, unlike the General Fund, the Sports Betting Revenue Account effectively does not accrue a balance. This dynamic may cause cash flow issues at the beginning of fiscal years as DOR and DPS will incur costs before July tax revenues are received, and during the year if sports betting tax or licensing revenues are lower than forecast or fluctuate from month-to-month. In addition, it is unclear if bill language contemplates DOR and DPS administrative cost increases, for example a labor cost increase due to a renegotiated collective bargaining agreement. It is assumed that administrative cost increases will be negotiated through the biennial budget process. As written, there are insufficient monies appropriated from the Special Revenue Fund to cover estimated administrative costs.

The Department of Public Safety, which has authority over Article 1 of the bill, assumes an average of 194 sports betting supplier licenses based on information they obtained from other states.

The Special Taxes Division at DOR will need additional staff on an ongoing basis to handle taxpayer assistance, return processing, compliance, and enforcement activities. Additional staff will be needed to establish a new tax unit responsible for taxpayer assistance, auditing, compliance activities, education, and enforcement duties related to the sports wagering tax. This new unit would include one supervisor (MMA bargaining unit) and seven Revenue Tax Specialist series MAPE employees. A total of eight FTEs, beginning in FY24 and ongoing, will be needed for this unit. Five of the MAPE FTEs will be dedicated to auditing and auditing-related responsibilities and two will be responsible for forms, outreach, education, and policy support.

The Appeals, Legal Services, and Disclosure (ALSD) Division at DOR anticipates data practice requests that will require, at minimum, redaction of certain information (i.e. social security numbers, bank routing numbers). Legal staff will also be needed to provide legal support, review forms, and answer legal questions. Questions regarding disclosure and Indian issues, in particular, are anticipated as a result of this bill. ALSD assumes 1.0 FTE will be needed starting in FY24 and ongoing for this work.

The Collection Division at DOR will review applications for the 11 mobile sports betting platform provider licenses and the assumed 194 sports betting supplier licenses anticipated by the Department of Public Safety (DPS) under Article 1. Collection will need to manually review all license applicants received from DPS to ensure they meet the qualifications set forth in Article 1, section 5, subdivision 1, paragraph (a), clauses 4-6 of the bill. Collection assumes it will take 30 minutes to review each applicant for license.

$30 \text{ minutes} * 205 \text{ licenses} = 6,150 \text{ minutes}$

$6,150 \text{ minutes} / 60 \text{ minutes} = 102.5 \text{ hours}$

To complete this work Collection assumes .05 FTE (103 hours) is needed in FY24 as the majority of licensing will occur as this legislation begins to be implemented. The Appeals, Legal Services, and Disclosure Division will establish a data sharing agreement with DPS to ensure DOR can provide this information to them to help qualify license applicants.

Related to Article 2 on taxation of sports betting, the Collection Division assumes they will review 10% of the cases that are audited by the Special Taxes Division. Special Taxes is assuming 5 FTEs will be needed for audit and audit-related activities, which is a total of 10,400 hours. The Collection Division assumes 1,040 hours will be needed for phone calls and

other collection efforts after the appeal period expires. Of the 1,040 hours:

- 50% (520 hours) will resolve through billing
- 25% (260 hours) will resolve through auto processes
- 25% (260 hours or .13 FTE) will resolve through manual collection review

Assuming the average manual collection review takes approximately 30 minutes per case, Collection is assuming 260 hours or .13 FTE will be needed beginning in FY25 and ongoing. The impact begins one fiscal year later than the impact to the Special Taxes Division as audits do not happen immediately and take time to move into collections.

The Communications Division and Special Taxes Divisions at DOR will engage in outreach and communication to inform taxpayers, businesses, tax preparers, tax software companies, and DOR employees about the changes in this bill. For example, DOR may issue email and social media bulletins, and include information about the new tax law changes in press releases, conference calls, and other materials. DOR will create/update fact sheets, web content, and outreach materials to reflect the changes in this bill. Communications assumes .05 FTE will be needed in FY24 and .01 FTE will be needed in both FY25 and FY26. The Special Taxes Division assumes \$6,066 in communication and outreach costs in FY24.

The Criminal Investigation Division (CID) at DOR assumes 1.0 FTE beginning in FY25 and ongoing will be needed for enforcement activities due to anticipated increased criminal case referrals. DOR will also incur additional subpoena costs and the need for specialized CID equipment when investigating cases as a result of this bill.

DOR will need to update the Integrated Tax System (GenTax) and other computer systems, which includes analysis, gathering requirements, and system testing. Both individual and corporate tax return documents and schedules will be modified by adding additional lines. New tax type and new licensing lines will be added to the data warehouse tables. Audit reports and letters will be modified with the new tax type. System interfaces, scanning, and imaging will be updated. Tax forms, instructions, and schedules will all be updated to reflect the changes in this bill. MN.IT anticipates systems development costs of \$381,100 in FY24 and systems support costs of \$36,600 in FY25 and ongoing to carry out this work. DOR assumes .18 FTE in FY 24 and .03 FTE in FY 25 will be needed annually and ongoing for systems analysis and testing.

The Financial Management Division assumes existing account codes and revenue appropriation accounts in SWIFT will be used to process distributions. The administrative impact is minimal.

FTE Impact

FTE's	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal Services, and Disclosure (Attorney)		1.00	1.00	1.00	1.00
Collection staff (MAPE)		0.05	0.13	0.13	0.13
Communications staff (MAPE)		0.05	0.01	0.01	
Criminal Investigation staff (MAPE)			1.0	1.0	1.0
Special Taxes staff		8.00	8.00	8.00	8.00
MAPE		7.0	7.0	7.0	7.0
MMA		1.0	1.0	1.0	1.0
Systems Analysis & Testing staff (MAPE)		0.18	0.03	0.03	0.03
Total FTE Impact		9.28	10.17	10.16	10.16

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employees		1,437,716	1,591,483	1,590,769	1,589,913
Communications costs		6,066			
Subpoena costs and Specialized CID Equipment				1,167	1,167
Systems Analysis & Testing		26,835	5,139	5,139	5,139
Systems Development		381,100			
Systems Support			36,600	36,600	36,600
Total Administrative Costs (Savings)		1,851,717	1,633,222	1,633,675	1,632,819

Note: This chart uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

Ongoing and annual system support is necessary to accommodate future maintenance of new code, storage, and support. System support is calculated at up to 20% of original development costs.

Staff will be needed on an ongoing basis for annual updates, taxpayer assistance, distribution of revenues, compliance, and enforcement activities.

Local Fiscal Impact

There is no local fiscal impact as Article 1, section 24 of the bill prohibits a political subdivision from requiring a local license to offer sports betting or from imposing a tax or fee on the sports betting conducted pursuant to chapter 299L.

References/Sources

Department of Public Safety staff were consulted, and agency staff provided information for this fiscal note.

If information technology costs are included, my agency’s Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 3/28/2023 11:59:18 AM

Phone: 651-556-6308

Email: chelsea.magadance@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Sentencing Guidelines Comm**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 3/20/2023 12:16:39 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

Articles 1 & 2

Article 1 authorizes lawful sports betting under new laws to be codified as Minn. Stat. §§ 299L.10 through 299L.75. It authorizes the Commissioner of Public Safety to regulate sports betting and application process for issuance of licensure. In addition to civil penalties, a person or license holder is subject to any applicable criminal penalties. The effective date of Article 1 is not specified.

Article 2 establishes a tax on sports betting net revenue. The effective date of Article 2 is for sports betting net revenue received after June 30, 2024.

Article 3

Section 1 defines a juvenile violation of Minn. Stat. § 299L.80, subd. 3(a) (a misdemeanor created in section 2), as a juvenile petty offense under Minn. Stat. § 260B.007.

Section 2 defines various crimes related to wagering on sporting events; and the sale or transfer of private data; and provides for penalties, all established in Minn. Stat. § 299L.80 (Crimes Related to Sports Betting).

Subdivision 3(a) creates a misdemeanor for wagering by a person under age 21. A gross misdemeanor is created under subdivision 3(b) if a person or entity authorized to accept wagers does so from a person under age 21.

Subdivision 4 establishes misdemeanor, gross misdemeanor, and felony penalties for unauthorized wagers. The offense is committed when: (1) a participant in a sporting event places a wager on that event or induces another to place such a wager on the participant's behalf; (2) a person licensed under sections 299L.10 to 299L.80, or an employee of a licensee whose exclusive or primary responsibilities involve mobile sports betting, places a wager on a sporting event on an online website or mobile application with which the person is affiliated; (3) an officer, director, member, or employee of the Department of Public Safety or the division places a wager on a sporting event; or (4) a person who possesses nonpublic information on a sporting event places a wager on that event.

Penalties for unauthorized wagers are as follows:

Subd. 4(b): The offense is a misdemeanor if the wager is no more than \$500.

Subd. 4(c): The offense is a gross misdemeanor if the wager is more than \$500 but not more than \$1,000, or if the person has previously been convicted of a violation of this section of Minn. Stat. § 609.76.

Subd. 4(d): The offense is a felony with a two-year statutory maximum if the wager is more than \$1,000 but not more than \$5,000.

Subd. 4(e): The offense is a felony with a five-year statutory maximum if the wager is more than \$5,000, or if the person places more than five wagers on any one or more sporting events within any 30-day period and the total amount wagered is more than \$2,500.

Sections 3 to 7 exempt lawful sports betting from the misdemeanor, gross misdemeanor, and felony prohibitions against gambling and sports bookmaking found in Minn. Stat. §§ 609.755 and 609.76 and defined in 609.75. Section 8 establishes that unauthorized sports betting includes betting under Minn. Stat. §§ 299L.10 to 299L.80.

Section 9 establishes penalties for sporting events fraud and bribery under the newly codified Minn. Stat. § 609.764 (Sporting Events; Fraud; Bribery). A felony, with a statutory maximum of five years or a fine of \$10,000, or both, is committed by anyone who: (1) offers, gives, or promises to give, directly or indirectly, to a participant in a sporting event any benefit, reward, or consideration to which the participant is not legally entitled as compensation or a prize, with intent to influence the performance of the participant, or the outcome of the event or a component of the event; or (2) as a participant in a sporting event, requests, receives, or agrees to receive, directly or indirectly, a benefit, reward, or consideration to which the participant is not legally entitled to intentionally lose, cause to lose, or attempt to lose or cause to lose the event, or to intentionally perform below abilities to adversely affect the outcome of the event or a component of the event.

Article 3 is effective the day that sports betting becomes lawful under article 1 and applies to crimes committed on or after that date.

Article 4 provides amateur sports grants and funds state regulation and taxation of mobile sports betting.

Assumptions

It is assumed that due to the COVID-19 health pandemic, the cases sentenced in 2020 and 2021 will not be a fair approximation of cases sentenced in the future; therefore, cases sentenced before 2020 are used instead to estimate the impact of this bill.

There are various criminal penalties related to gambling taxes in Minn. Stat. § 297E.13. MSGC Monitoring Data contains no records of sentences imposed for felony violations of that statute. The Minnesota Judicial Branch also recorded no convictions for misdemeanor or gross misdemeanor gambling tax offenses. It is therefore assumed that there will be few cases involving the expansion of the tax penalties to include sports betting.

There are felony penalties for sports bookmaking under Minn. Stat. § 609.76 subd. 2; cheating under § 609.76 subds. 3 to 7; and lawful gambling fraud under § 609.763. MSGC Monitoring data indicates there were five felony cases sentenced for one of the beforementioned statutes from 2015 to 2020. None received a prison sentence. One received one day of local confinement as a condition of a stayed probationary sentence. Minnesota Judicial Branch data indicate 33 misdemeanor and gross misdemeanor convictions from 2016 to 2021 (an average of 5.5 a year).

It is assumed that the new offenses defined in Article 3 will occur at a similarly low frequency; that some of these occurrences will be offset by the decrease in sports bookmaking offenses; and that the overall correctional impact of Article 3 will be minimal.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Because there have been no felony cases for tax violations under Minn. Stat. § 297E.13, it is estimated that the extension of those penalties to sports betting will have no impact on state correctional resources.

Because there have been no prison sentences for felony gambling offenses in the last six years and only one case in which local confinement of one day was a condition of felony probation, it is estimated that the creation of new offenses for violations of lawful sports betting will have minimal impact on state correctional resources.

Local Fiscal Impact

Since there have been only an average 5.5 convictions a year for cheating and lawful gambling fraud, it is estimated that

the number of convictions for sports betting violations will be similarly low and that the impact on local correctional resources will likewise be minimal.

References/Sources

2016-2021 Minn. Judicial Branch data.

2015-2020 MSGC Monitoring data.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Jill Payne

Phone: 651-757-1725

Date: 3/10/2023 10:25:28 AM

Email: jill.payne@state.mn.us

Fiscal Note

2023-2024 Legislative Session

SF1949 - 2A - Sports Betting

Chief Author: **Matt Klein**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **4/26/2023 3:32:45 PM**
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 3/20/2023 12:17:23 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

SF1949-2A adds new provisions in Minn. Stat. ch. 299L, Gambling Enforcement, governing lawful sports betting. In article 1 the bill makes it unlawful to wager on sporting events or engage in sports betting except in compliance with this chapter or any rules adopted thereunder, other than Class III sports betting conducted by an Indian Tribe pursuant to a compact. The bill gives the commissioner of public safety the power and duty to regulate sports betting, provides for rulemaking, licensing, and administrative enforcement of violations, and also provides that civil penalties may be recovered in a civil action in the name of the state brought in district court.

Article 2 provides for taxation of sports betting.

Article 3 establishes crimes related to sports betting. The bill amends section 260B.007 to add a violation of section 299L.80, subdivision 3(a) (person under 21 placing a wager on a sporting event) to the definition of juvenile petty offense. The bill adds a new section 299L.80 (Crimes Relating to Wagering on Sporting Events) which makes it a misdemeanor at subdivision 2 to sell or transfer private data on individuals collected through wagering on sporting events; and makes it a misdemeanor at subdivision 3 for a person under 21 to place a wager on a sporting event or to misrepresent the person's age for purposes of placing a wager, and makes it a gross misdemeanor for a person licensed under these provisions to accept a wager by someone under 21.

The bill at section 299L.80, subdivision 4 makes it a crime for a person participating in a sporting event to place a wager or induce another to do so on their behalf; for a person licensed under these provisions or an employee of the licensee to place a wager on a website or application with which the person is affiliated; for an employee of the Department of Public Safety to place a wager; or for a person who possesses nonpublic information on a sporting event to place a wager on the event. At subdivision 5 the bill makes it a crime for a person licensed under these provisions or an employee of a licensee to accept a wager knowing it was a violation of subdivision 4.

The offenses in subdivisions 4 and 5 are misdemeanors if the wager amount is no more than \$500; a gross misdemeanor if the person has been previously convicted under this section or section 609.76 or the wager amount is over \$500 but not more than \$1,000; a felony punishable by not more than 2 years in prison if the wager amount is more than \$1,000 but not more than \$5,000, and a felony punishable by not more than 5 years in prison if the wager amount is over \$5,000, or the offense involves more than 5 wagers within any 30-day period and the total amount is more than \$2,500. The bill provides for aggregation of offenses over time and in different counties. The bill also lists acceptable forms of identification for proof of age, provides an affirmative defense for reasonable, good faith reliance on those listed forms of ID, and authorizes seizure and delivery to law enforcement of ID believed to be altered or falsified.

The bill also amends section 609.75 (Gambling) at subdivision 3 to exempt sports betting under chapter 299L from the definition of bets; amends subdivision 4 to exempt devices authorized under chapter 299L from the definition of gambling device; amends subdivision 7 to exempt betting under chapter 299L from the definition of sports bookmaking; and adds a new subdivision 7a defining sporting event. The bill amends section 609.755 (Gambling; Misdemeanor) to exempt betting on a sports event. The bill amends section 609.76 (Gambling; Gross Misdemeanor; Felony) to add a misdemeanor offense (although the title of section 609.76 is not amended) for sports betting with an unlicensed person where the wager amount

is no more than \$500; to make it a gross misdemeanor if “the person” was previously convicted under this section or section 609.76, or the wager amount is more than \$500 but not more than \$1,000; and to make it a felony if the amount is over \$1,000. The bill provides for aggregation of offenses under section 609.76 over time and in different counties.

The bill adds a new section 609.764 making it a felony to offer or request/agree to receive any benefit to influence or adversely affect the outcome of an event.

The criminal provisions in Article 3 of the bill are effective the day sports betting becomes lawful.

Article 4 establishes amateur sports grants, requires studies and reports to the legislature, and makes appropriations to the Department of Public Safety and the Department of Revenue.

Assumptions

It is assumed that the provisions of this bill will increase criminal case filings and that the rate of case filing could be comparable to the rate of criminal case filing under the gambling provisions in sections 609.755 through 609.763.

The effective date of the criminal provisions of this bill is unknown. The trigger for the criminal offenses to be effective (the day sports betting becomes legal) is not defined in the bill, and it is unknown when or how sports betting will be declared legal. Absent a specific effective date, or a directive as to how and when the trigger date is to be announced or communicated, it is assumed that the offense coding work required to be done by the Bureau of Criminal Apprehension Statute Service, all law enforcement e-citation vendors, all prosecutors’ offices and/or case management system vendors, and the judicial branch to enable law enforcement and prosecutors to file the new criminal charges with the court may not be in place when the laws take effect. The necessary offense coding work can only be completed in advance of the effective date if there is a known effective date for criminal offenses and adequate advance notice. Lack of advance notice will hinder and delay case filing and criminal prosecution.

Expenditure and/or Revenue Formula

According to 6 years of judicial branch data, there are an average of 33 criminal cases filed annually statewide charging a gambling violation under the statutes listed. If the case filing rate under the provisions of this bill was comparable, an additional 33 cases statewide per year is not anticipated to have a measurable fiscal impact on the judicial branch.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Janet Marshall

Phone: 651-297-7579

Date: 3/20/2023 10:32:28 AM

Email: Janet.marshall@courts.state.mn.us