

**NOTE: This is an earlier version of the fiscal note for SF1949-4E.**

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**Consolidated Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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  
     Racing Commission        Revenue Dept  
     Sentencing Guidelines     Supreme Court  
     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	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
<b>Administrative Hearings</b>	-	-	-	-	-
<b>Administrative Hearings</b>	-	-	-	-	-
<b>Amateur Sports Commission</b>					
<b>General Fund</b>	-	-	2	39	-
<b>Restrict Misc. Special Revenue</b>	-	(1,201)	(1,681)	(5,532)	(7,276)
<b>Attorney General</b>					
<b>General Fund</b>	-	628	718	708	708
<b>Governors Office</b>	-	-	-	-	-
<b>General Fund</b>	-	-	-	-	-
<b>Human Services Dept</b>					
<b>General Fund</b>	-	68	112	325	547
<b>Other Misc. Special Revenue</b>	-	(1,201)	(1,681)	(5,531)	(7,276)
<b>Public Safety Dept</b>					
<b>General Fund</b>	-	6,376	-	-	-
<b>Restrict Misc. Special Revenue</b>	-	(3,880)	25	5	-
<b>Racing Commission</b>					
<b>Restrict Misc. Special Revenue</b>	-	(1,030)	(1,441)	(4,741)	(2,076)
<b>Revenue Dept</b>					
<b>General Fund</b>	-	1,905	6	6	6
<b>Restrict Misc. Special Revenue</b>	-	(1,633)	-	-	-
<b>State Total</b>					
<b>Administrative Hearings</b>	-	-	-	-	-
<b>General Fund</b>	-	8,977	838	1,078	1,261
<b>Restrict Misc. Special Revenue</b>	-	(7,744)	(3,097)	(10,268)	(9,352)
<b>Other Misc. Special Revenue</b>	-	(1,201)	(1,681)	(5,531)	(7,276)
<b>Total</b>	-	<b>32</b>	<b>(3,940)</b>	<b>(14,721)</b>	<b>(15,367)</b>

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
<b>Biennial Total</b>			<b>(3,908)</b>		<b>(30,088)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
General Fund	-	-	-	.25	-
Restrict Misc. Special Revenue	-	-	-	.75	2
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
Other Misc. Special Revenue	-	-	-	-	-
Public Safety Dept					
General Fund	-	27	-	-	-
Restrict Misc. Special Revenue	-	-	27	27	27
Racing Commission					
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	9.57	.04	.04	.04
Restrict Misc. Special Revenue	-	-	10.17	10.16	10.16
<b>Total</b>	<b>-</b>	<b>40.07</b>	<b>40.77</b>	<b>43.75</b>	<b>46.75</b>

**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.

**LBO Signature:** Laura Cecko    **Date:** 5/17/2023 10:04:18 AM  
**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.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
General Fund	-	-	2	39	-
Restrict Misc. Special Revenue	-	(1,201)	(1,681)	(5,532)	(7,276)
Attorney General					
General Fund	-	628	718	708	708
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	68	112	325	547
Other Misc. Special Revenue	-	(1,201)	(1,681)	(5,531)	(7,276)
Public Safety Dept					
General Fund	-	6,376	-	-	-
Restrict Misc. Special Revenue	-	(3,880)	25	5	-
Racing Commission					
Restrict Misc. Special Revenue	-	(1,030)	(1,441)	(4,741)	(2,076)
Revenue Dept					
General Fund	-	1,905	6	6	6
Restrict Misc. Special Revenue	-	(1,633)	-	-	-
<b>Total</b>	<b>-</b>	<b>32</b>	<b>(3,940)</b>	<b>(14,721)</b>	<b>(15,367)</b>
<b>Biennial Total</b>			<b>(3,908)</b>		<b>(30,088)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	37	25	25	25
Amateur Sports Commission					
General Fund	-	-	2	39	-
Restrict Misc. Special Revenue	-	-	1,201	2,882	8,414
Attorney General					
General Fund	-	628	718	708	708
Governors Office	-	-	-	-	-
General Fund					
Expenditures	-	17	-	-	-
Absorbed Costs	-	(17)	-	-	-
Human Services Dept					
General Fund	-	68	112	325	547
Other Misc. Special Revenue	-	-	1,201	2,882	8,414
Public Safety Dept					
General Fund	-	6,376	-	-	-
Restrict Misc. Special Revenue	-	222	3,952	3,928	3,923
Racing Commission					
Restrict Misc. Special Revenue	-	-	1,030	2,471	7,212

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>		
	<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Revenue Dept</b>						
General Fund	-	1,905	6	6	6	6
Restrict Misc. Special Revenue	-	-	1,633	1,633	1,633	1,633
<b>Total</b>	<b>-</b>	<b>9,236</b>	<b>9,880</b>	<b>14,899</b>	<b>30,882</b>	<b>30,882</b>
		<b>Biennial Total</b>	<b>19,116</b>		<b>45,781</b>	<b>45,781</b>
<b>2 - Revenues, Transfers In*</b>						
<b>Administrative Hearings</b>						
Administrative Hearings	-	37	25	25	25	25
<b>Amateur Sports Commission</b>						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	1,201	2,882	8,414	15,690	15,690
<b>Attorney General</b>						
General Fund	-	-	-	-	-	-
<b>Governors Office</b>						
General Fund	-	-	-	-	-	-
<b>Human Services Dept</b>						
General Fund	-	-	-	-	-	-
Other Misc. Special Revenue	-	1,201	2,882	8,413	15,690	15,690
<b>Public Safety Dept</b>						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	4,102	3,927	3,923	3,923	3,923
<b>Racing Commission</b>						
Restrict Misc. Special Revenue	-	1,030	2,471	7,212	9,288	9,288
<b>Revenue Dept</b>						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	1,633	1,633	1,633	1,633	1,633
<b>Total</b>	<b>-</b>	<b>9,204</b>	<b>13,820</b>	<b>29,620</b>	<b>46,249</b>	<b>46,249</b>
		<b>Biennial Total</b>	<b>23,024</b>		<b>75,869</b>	<b>75,869</b>

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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	-	6,376	-	-	-
Restrict Misc. Special Revenue	-	(3,880)	25	5	-
<b>Total</b>	<b>-</b>	<b>2,496</b>	<b>25</b>	<b>5</b>	<b>-</b>
<b>Biennial Total</b>			<b>2,521</b>		<b>5</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	27	-	-	-
Restrict Misc. Special Revenue	-	-	27	27	27
<b>Total</b>	<b>-</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>

**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:** 5/15/2023 1:24:14 PM  
**Phone:** 651-284-6543    **Email:** [laura.cecko@lbo.mn.gov](mailto: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.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	6,376	-	-	-
Restrict Misc. Special Revenue	-	(3,880)	25	5	-
<b>Total</b>	<b>-</b>	<b>2,496</b>	<b>25</b>	<b>5</b>	<b>-</b>
<b>Biennial Total</b>			<b>2,521</b>		<b>5</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	6,376	-	-	-
Restrict Misc. Special Revenue	-	222	3,952	3,928	3,923
<b>Total</b>	<b>-</b>	<b>6,598</b>	<b>3,952</b>	<b>3,928</b>	<b>3,923</b>
<b>Biennial Total</b>			<b>10,550</b>		<b>7,851</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	4,102	3,927	3,923	3,923
<b>Total</b>	<b>-</b>	<b>4,102</b>	<b>3,927</b>	<b>3,923</b>	<b>3,923</b>
<b>Biennial Total</b>			<b>8,029</b>		<b>7,846</b>

**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 1 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.

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 \$6,598,000 in FY24 from the general fund to public safety in order to establish and regulate sports betting.

## **Assumptions**

### **Alcohol and Gambling**

#### **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
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 applicants x 80 hours =17,280 investigative hours. 17,280 investigative hours divided by 2088 yearly working hours= 8.3 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 criminal history records checks x 217 estimated applicants = 2,170 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
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

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
<b>TOTAL</b>		\$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
<b>Rulemaking</b>					
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
<b>OAH Rulemaking Non -Salary</b>					
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

	<b>TOTAL</b>		\$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
<b>Background Investigations</b>					
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
<b>Criminal History Record Checks CJIS</b>					
OASI	1	\$99,853.14	\$75,881.04	\$75,881.04	\$75,881.04
<b>Licensing Administration</b>					
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
<b>Sports Betting Regulation</b>					
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
<b>Criminal Investigations</b>					
Special Agents	4	\$1,029,400.89	\$697,032.60	\$697,032.60	\$697,032.60
<b>Communications and Media</b>					
Information Officer 2	1	\$113,889.33	\$91,117.37	\$91,117.37	\$91,117.37
<b>TOTAL</b>	<b>23</b>	<b>\$4,562,293.91</b>	<b>\$3,202,775.69</b>	<b>\$3,202,775.69</b>	<b>\$3,202,775.69</b>

\*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
<b>TOTAL</b>		<b>\$219,500.00</b>	<b>\$108,725.00</b>	<b>\$114,161.00</b>	<b>\$119,869.00</b>

**STUDY ON MOTIVATIONS AND BELIEFS OF YOUNG ADULT GAMBLERS GRANT**

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

**TRAINING AND EDUCATION:**

<b>Training and Education</b>		<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
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
<b>TOTAL</b>		<b>\$45,000.00</b>	<b>\$30,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**TOTAL EXPENDITURES:**

<b>Total Lawful Sports Betting Total Expenditures</b>	<b>FTE</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
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
<b>TOTAL</b>	<b>27</b>	<b>\$6,597,830.64</b>	<b>\$3,952,215.42</b>	<b>\$3,927,651.42</b>	<b>\$3,923,359.42</b>

<b>Funding Assumptions</b>		<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
Total Expenditures - AGE costs & background check fees		\$6,597,830.64	\$3,952,215.42	\$3,927,651.42	\$3,923,359.42

Background check fees		\$72,000.00	\$72,000.00	\$72,000.00	\$72,000.00
Grant from SRF (A4, S3)		\$150,000.00	\$0.00	\$0.00	\$0.00
<b>Total Assumed from Special Revenue Fund</b>		<b>\$222,000.00</b>	<b>\$3,952,215.42</b>	<b>\$3,927,651.42</b>	<b>\$3,923,359.00</b>
<b>Total Assumed from General Fund</b>		<b>\$6,375,830.64</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

-  
**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
<b>Total</b>			\$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
<b>Total</b>			\$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
<b>Total</b>			\$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
<b>TOTAL</b>	<b>\$9,166,125.00</b>	<b>\$95,375.00</b>	<b>\$95,375.00</b>	<b>\$5,322,875.00</b>

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:** 5/15/2023 9:51:05 AM

**Email:** Dan.Boytim@state.mn.us



**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
<b>Local Fiscal Impact</b>		
		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	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

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

**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:** 5/16/2023 9:43:03 AM  
**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	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	37	25	25	25
<b>Total</b>	-	<b>37</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Biennial Total</b>			<b>62</b>		<b>50</b>
<b>2 - Revenues, Transfers In*</b>					
Administrative Hearings	-	37	25	25	25
<b>Total</b>	-	<b>37</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Biennial Total</b>			<b>62</b>		<b>50</b>

**Bill Description**

SF1949-4E 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 DPS estimated rulemaking amount of \$135,000, \$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 50 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:** 5/15/2023 8:12:08 PM

**Email:** denise.collins@state.mn.us

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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	-	-	2	39	-
Restrict Misc. Special Revenue	-	(1,201)	(1,681)	(5,532)	(7,276)
<b>Total</b>	<b>-</b>	<b>(1,201)</b>	<b>(1,679)</b>	<b>(5,493)</b>	<b>(7,276)</b>
<b>Biennial Total</b>			<b>(2,880)</b>		<b>(12,769)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	.25	-
Restrict Misc. Special Revenue	-	-	-	.75	2
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>

**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:** 5/17/2023 10:00:30 AM  
**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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	-	2	39	-	
Restrict Misc. Special Revenue	-	(1,201)	(1,681)	(5,532)	(7,276)	
<b>Total</b>	<b>-</b>	<b>(1,201)</b>	<b>(1,679)</b>	<b>(5,493)</b>	<b>(7,276)</b>	
			<b>(2,880)</b>		<b>(12,769)</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	2	39	-	
Restrict Misc. Special Revenue	-	-	1,201	2,882	8,414	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,203</b>	<b>2,921</b>	<b>8,414</b>	
			<b>1,203</b>		<b>11,335</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	1,201	2,882	8,414	15,690	
<b>Total</b>	<b>-</b>	<b>1,201</b>	<b>2,882</b>	<b>8,414</b>	<b>15,690</b>	
			<b>4,083</b>		<b>24,104</b>	

**Bill Description**

As introduced that are pertinent to the Minnesota Amateur Sports Commission (MASC). The following describes sections of SF1949-4E.

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.

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 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.

**Assumptions**

It is assumed that no FTE's will be hired in FY25 and programmed will be managed by current staff. It is assumed that 1 FTE grants specialist will be hired in FY26 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 FY26 per computer and an additional FTE in the following fiscal year FY27. It is assumed there will be one additional computer costs (\$4,350) in FY28. It is also assumed MASC will incur \$50,000 annually for grant collection and evaluation SAAS software, and one-time ancillary costs. One additional FTE is estimated starting in FY26, one FTE would handle the increase of applications and the increase of grants given. This FTE would also specialize in coordinating additional services for youth, including tutoring, mental health services, and family counseling. FY27 there would be one additional FTE to monitor and evaluate the awarded grants from previous and current years.

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

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.

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.

**Expenditure and/or Revenue Formula**

MASC will hire one FTE in FY26, one FTE FY27, and one additional FTE FY28 for a total of 3 FTE's. It is not forecasted for 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.

**FTE Reference Table**

1.0 FTE / 2088 Hours	Salary Midpoint	Benefits + Fringe	Annual Cost
Grants Specialist MAPE14G 10L	65,000	35,150	100,150

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

	FY25	FY26	FY27
Grants Specialist 1		100,150	100,150
Youth Services Specialist 1			100,150
<b>Total</b>		<b>100,150</b>	<b>200,300</b>

**FTE Summary**

	FY25	FY26	FY27	FY28+
FTE's		1.00	2.00	3.00

**TOTAL MASC COSTS**

	FY25	FY26	FY27	FY28+
FTE's		100,150	200,300	330,450
Software	50,000	50,000	50,000	50,000
<b>Total</b>	<b>50,000</b>	<b>150,150</b>	<b>250,300</b>	<b>380,450</b>

<b>Grants Specialist Senior</b>				
MAPE 14G 10L	FY25	FY26	FY27	FY28+
Salary	0	65,000	130,000	195,000
Benefits + Fringe	0	35,150	70,300	105,450
Startup Costs	0	4,350	4,350	4,350
<b>FTE Cost Total</b>	<b>0</b>	<b>104,500</b>	<b>204,650</b>	<b>304,800</b>
Other Costs	FY25	FY26	FY27	FY28+
Software	50,000	50,000	50,000	50,000
<b>Total Other Costs</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

GF Assumption	FY25	FY26	FY27	FY28+
Total Cost	50,000	154,500	254,650	459,300
4% SRF Cap	48,049	115,296	336,556	627,587
Unfunded (GF) Amount	<b>1,951</b>	<b>39,204</b>	<b>+81,906</b>	<b>+168,287</b>

Additional FTE	FY25	FY26	FY27	FY28+
General Fund		0.25		
Restrict Misc Spec Rev		0.75	2.00	
<b>Total FTE</b>		<b>1.00</b>	<b>2.00</b>	

**MASC Allocation Breakdown**

Row		FY25	FY26	FY27
1	MASC Appropriation from Special Revenue Fund	1,201,231	2,882,391	8,413,893
2	SRF Grant Administration Appropriation @ 4%	48,049	115,296	336,556
3	Revenues minus Admin Costs	1,1531,181	2,767,095	8,077,337
4	Integrity of Amateur Sports Grants (20% of Line 3)	230,636	553,419	1,615,467
5	Promote Participation in Youth Sports Grants (80% of Line 3)	922,545	2,213,676	6,461,870
6	Administrative Costs in Excess of 4% SRF Cap	1,951	39,204	

**Long-Term Fiscal Considerations**

Additional staff may be needed for grant development, management, and coordination as the program develops overtime 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](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:** 5/17/2023 9:30:27 AM

**Email:** [klodge@mnsports.org](mailto:klodge@mnsports.org)



**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	628	718	708	708	708
<b>Total</b>	<b>-</b>	<b>628</b>	<b>718</b>	<b>708</b>	<b>708</b>	<b>708</b>
<b>Biennial Total</b>			<b>1,346</b>			<b>1,416</b>

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

**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:** 5/16/2023 10:05:42 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.

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

**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>			
<b>Total</b>	<b>N/A</b>		<b>\$627,550</b>

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
<b>Total</b>		<b>1534</b>	<b>\$250,000</b>

**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:** 5/15/2023 6:36:09 PM

**Email:** [laura.capuana@ag.state.mn.us](mailto:laura.capuana@ag.state.mn.us)

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-

**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:** 5/16/2023 12:22:29 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.

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

**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 impact to local units of government is expected to be minimal.

**References/Sources**

Department of Corrections Staff

Minnesota Sentencing Guidelines Commission

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Kwesi Pasley

**Date:** 5/16/2023 4:43:40 AM

**Phone:** 651-259-3667

**Email:** kwesi.pasley@state.mn.us

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

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

**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:** 5/16/2023 7:17:05 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.

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

**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:** 5/15/2023 9:02:12 AM

**Email:** [alyssa.haugen01@state.mn.us](mailto:alyssa.haugen01@state.mn.us)



**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	68	112	325	547	
Other Misc. Special Revenue	-	(1,201)	(1,681)	(5,531)	(7,276)	
<b>Total</b>	-	<b>(1,133)</b>	<b>(1,569)</b>	<b>(5,206)</b>	<b>(6,729)</b>	
<b>Biennial Total</b>			<b>(2,702)</b>		<b>(11,935)</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1	1	3	5
Other Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	<b>1</b>	<b>1</b>	<b>3</b>	<b>5</b>

**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:** 5/16/2023 1:23:26 PM  
**Phone:** 651-284-6437    **Email:** [steve.mcdaniel@lbo.mn.gov](mailto: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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	68	112	325	547	
Other Misc. Special Revenue	-	(1,201)	(1,681)	(5,531)	(7,276)	
<b>Total</b>	<b>-</b>	<b>(1,133)</b>	<b>(1,569)</b>	<b>(5,206)</b>	<b>(6,729)</b>	
			<b>(2,702)</b>		<b>(11,935)</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	68	112	325	547	
Other Misc. Special Revenue	-	-	1,201	2,882	8,414	
<b>Total</b>	<b>-</b>	<b>68</b>	<b>1,313</b>	<b>3,207</b>	<b>8,961</b>	
			<b>1,381</b>		<b>12,168</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
Other Misc. Special Revenue	-	1,201	2,882	8,413	15,690	
<b>Total</b>	<b>-</b>	<b>1,201</b>	<b>2,882</b>	<b>8,413</b>	<b>15,690</b>	
			<b>4,083</b>		<b>24,103</b>	

**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:

Up to 30% to the Minnesota Racing Commission until the total amount appropriated equals \$20 million, then \$3 million annually thereafter.

Appropriations to the Department of Public Safety and Commissioner of Revenue as designated in Article 4 for administering the 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.

Article 5 includes conforming amendments.

**Assumptions**

Revenue and Spending Assumptions:

1. Sports betting license fees will be collected beginning July 1, 2023, the first day of fiscal year 2024.
2. It is assumed that rulemaking and licensing will be completed, and first bets will be placed by July 1, 2024.
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 in FY 2025.
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 and the Racing Commission 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 July 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 nine 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.

Systems Impacts:

There are no systems impacts.

**Expenditure and/or Revenue Formula**

<b>Breakout on Funding for DHS</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
Revenue- Sports Revenue fund	(1,201,231)	(2,882,391)	(8,413,893)	(15,689,675)
Expenditures				
<b>Grants Expenditures</b>				
DHS Gambling Treatment program		600,615	1,441,195	4,206,946
DHS Grant to National Compliance on problem gambling		600,615	1,441,195	4,206,946
<b>Total</b>		1,201,231	2,882,391	8,413,893
<b>General fund</b>				
<b>BHDH admin funding</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
MAPE 17L	100,199	164,911	164,911	164,911
MAPE 14L		0	170,811	153,067
MAPE 14L			94,278	153,067
MAPE 15L				174,877
<b>Operations Funding:</b>				
MAPE 11- Financial Operations division			22,294	71,432
MAPE 19L- attorney- Contracts and Legal team			26,120	86,736
<b>Total</b>	100,199	164,911	478,414	804,090
REV1	(32,064)	(52,772)	(153,092)	(257,309)
Net total	68,135	112,139	325,322	546,781
	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
<b>Totals</b>				
Sports Fee Revenue	(1,201,231)	(2,882,391)	(8,413,893)	(15,689,675)
Sports Revenue Expenditures	0	1,201,231	2,882,391	8,413,893
Net Sports Revenue balance	(1,201,231)	(1,681,160)	(5,531,502)	(7,275,782)

<b>General fund</b>				
BACT 15 BHDH admin	100,199	164,911	430,000	645,922
BACT 11- Operations			48,414	158,168
REV1 FFP	(32,064)	(52,772)	(153,092)	(257,309)
Net Total	68,135	112,139	325,322	546,781
Total balance	(1,133,095)	(1,569,020)	(5,206,181)	(6,729,001)

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2024	FY2025	FY2026	FY2027
SR	REV2	Sports Betting Revenue	(1,201)	(2,883)	(8,414)	(15,690)
SR	59	Grant Compulsive Gambling Treatment Program		601	1,441	4,207
SR	59	Grant Affiliated State Authority		601	1,441	4,207
GF	15	BHDH admin	100	165	430	645
GF	11	Operations admin			48	158
GF	REV2	32% FFP	(32)	(53)	(153)	(257)
		<b>Total Net Fiscal Impact</b>	<b>(1,133)</b>	<b>(1,569)</b>	<b>(5,207)</b>	<b>(6,730)</b>
		<b>Full Time Equivalents</b>	1	1	3	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 \$15.7 million available for grant funding for DHS between the two grant programs. After FY 2028, it is possible that the revenue may be reduced and result in less available for grants.

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Chris Zempel

**Phone:** 651-247-3698

**Date:** 5/16/2023 1:20:37 PM

**Email:** christopher.zempel@state.mn.us

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**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:** 5/16/2023 7:16:51 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.

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

**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 not present implementation challenges in FY 2024 because the Department of Public Safety (DPS) and Department of Revenue (DOR) are direct appropriated from the general fund for the costs of administering the new legalized sports betting program. DPS is appropriated \$6,598,000 from the general fund and DOR is appropriated \$1,852,000 from the general fund in FY 2024. 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. MMB assumes this funding is covered by the direct appropriation from general funds to DPS.

In FY 2025 and beyond, implementation challenges are not expected. The bill's financing structure is shifted so that the sports betting revenue account established in the special revenue fund in FY2024 is funded with direct appropriation of general funds that are not expected to be exhausted in FY2024 and do not cancel. DOR and DPS's direct appropriations from the special revenue account in FY2025 are supported by fund balance from FY2024 general fund appropriation to special revenue fund. Each year, revenues in excess refunds appropriations do not accrue to the account's balance but are appropriated with an amount not exceeding 30 percent to the Minnesota Racing Commission. After appropriation to Minnesota Racing Commission, remaining funds are appropriated at 50 percent to the Department of Human Services and 50 percent to the amateur sports integrity and participation account.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

NOTE: This is an earlier version of the fiscal note for SF1949-4E.  
The most current version is available on the Fiscal Note Search Site: <https://www.mn.gov/mmbapps/fnsearchlbo/>

**Agency Contact:** Ronika Rampadarat 651-201-8115

**Agency Fiscal Note Coordinator Signature:** Ronika Rampadarat

**Phone:** 612-659-6873

**Date:** 5/13/2023 3:14:20 PM

**Email:** [ronika.rampadarat@state.mn.us](mailto:ronika.rampadarat@state.mn.us)



**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**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:** 5/16/2023 8:55:05 AM  
**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.

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

**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:** 5/15/2023 11:28:10 AM

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

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 Agency: **Racing 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)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	(1,030)	(1,441)	(4,741)	(2,076)	
<b>Total</b>	<b>-</b>	<b>(1,030)</b>	<b>(1,441)</b>	<b>(4,741)</b>	<b>(2,076)</b>	
<b>Biennial Total</b>			<b>(2,471)</b>		<b>(6,817)</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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:** 5/16/2023 2:21:22 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
Restrict Misc. Special Revenue	-	(1,030)	(1,441)	(4,741)	(2,076)
<b>Total</b>	<b>-</b>	<b>(1,030)</b>	<b>(1,441)</b>	<b>(4,741)</b>	<b>(2,076)</b>
<b>Biennial Total</b>			<b>(2,471)</b>		<b>(6,817)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Restrict Misc. Special Revenue	-	-	1,030	2,471	7,212
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,030</b>	<b>2,471</b>	<b>7,212</b>
<b>Biennial Total</b>			<b>1,030</b>		<b>9,683</b>
<b>2 - Revenues, Transfers In*</b>					
Restrict Misc. Special Revenue	-	1,030	2,471	7,212	9,288
<b>Total</b>	<b>-</b>	<b>1,030</b>	<b>2,471</b>	<b>7,212</b>	<b>9,288</b>
<b>Biennial Total</b>			<b>3,501</b>		<b>16,500</b>

**Bill Description**

For the portions of the sports betting bill that interact with the Racing Commission (MRC), Article 2, section 2, subd. 7, provides that 30% of the 10% tax is appropriated to the MRC, which in turn distributes all of that money equally to each race track. The first \$20 million of this appropriation is not capped. Once the \$20 million threshold is reached, the annual appropriation is capped at \$3 million.

A second section, Article 5, section 1, would allow for Advanced Deposit Wagering (ADW) on racing at a Minnesota track while in Minnesota. Currently, someone using an ADW platform in Minnesota may only wager on racing at tracks outside of Minnesota.

Article 5, section 2, would prohibit Historical Horse Racing this type of gaming is not currently in use in the state.

**Assumptions**

Some unknown number of bettors in Minnesota will decrease their wagering on horseracing using ADW platforms and will divert money to wager on other sporting events. This will result in a corresponding decrease in the fees that MRC receives from ADW platforms under 240.131, subd. 7.

Some unknown number of bettors in Minnesota will utilize ADW platforms to wager on horse racing at Minnesota tracks.

**Expenditure and/or Revenue Formula**

The amount of the appropriation in Article 1, section 25 is calculated using 3% of the Department of Revenue's projected net revenues on wagers placed online through a sports betting platform.

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Kyle Gustafson (651-677-1140)

**Agency Fiscal Note Coordinator Signature:** Charlene Briner

**Phone:** 651-431-4388

**Date:** 5/16/2023 12:29:40 PM

**Email:** [charlene.briner@state.mn.us](mailto:charlene.briner@state.mn.us)

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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	-	1,905	6	6	6
Restrict Misc. Special Revenue	-	(1,633)	-	-	-
<b>Total</b>	<b>-</b>	<b>272</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Biennial Total</b>			<b>278</b>		<b>12</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	9.57	.04	.04	.04
Restrict Misc. Special Revenue	-	-	10.17	10.16	10.16
<b>Total</b>	<b>-</b>	<b>9.57</b>	<b>10.21</b>	<b>10.2</b>	<b>10.2</b>

**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:** Joel Enders      **Date:** 5/16/2023 4:48:50 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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	1,905	6	6	6	6
Restrict Misc. Special Revenue	-	(1,633)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>272</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
	<b>Biennial Total</b>		<b>278</b>			<b>12</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	1,905	6	6	6	6
Restrict Misc. Special Revenue	-	-	1,633	1,633	1,633	1,633
<b>Total</b>	<b>-</b>	<b>1,905</b>	<b>1,639</b>	<b>1,639</b>	<b>1,639</b>	<b>1,639</b>
	<b>Biennial Total</b>		<b>3,544</b>			<b>3,278</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	1,633	1,633	1,633	1,633	1,633
<b>Total</b>	<b>-</b>	<b>1,633</b>	<b>1,633</b>	<b>1,633</b>	<b>1,633</b>	<b>1,633</b>
	<b>Biennial Total</b>		<b>3,266</b>			<b>3,266</b>

**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 3, subdivision 5 requires sports betting to start no later than November 15<sup>th</sup>, 2023. 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 or mobile sports betting platform providers are not subject to tax imposed in sections 297A.62 (sales tax) or 297E.03 (sports bookmaking tax). A mobile sports betting operator or mobile sports betting platform provider may carryover a negative to the following month when their sports betting net revenue is less than zero.

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. A mobile sports betting operator or a mobile sports betting platform provider must file a return and pay the tax under chapter 297J to DOR.

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 and that any money remaining in the account at the end of the fiscal year does not cancel. After deducting any amounts necessary to pay the refunds under subdivision 5 and any appropriations made from the account for the next fiscal year, paragraph (b) appropriates annually an amount up to to 30% to the Minnesota Racing Commission until the total amount appropriated reaches \$20,000,000. Paragraph (c) appropriates \$3,000,000 annually to the Minnesota Racing Commission beginning with the first fiscal year after the fiscal year in which the \$20,000,000 has been appropriated under paragraph (b).

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% must 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 or mobile sports betting platform providers must maintain records that show all sports betting activity conducted 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 or mobile sports betting platform provider's sports betting activities if the operator or platform provider 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 \$6,598,000 in FY24 and \$3,952,000 in FY25 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.

Article 4, section 5 appropriates \$1,852,000 in FY24 and \$1,633,000 in FY25 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.

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 and no later than November 15, 2023.

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

The Department of Revenue (DOR) assumes that the appropriation in Article 4, section 5 for \$1,633,000 in FY25 from the sports betting account in the special revenue fund to enforce the taxation of mobile sports betting is ongoing annually.

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.

ALSD also assumes 0.25 FTE will be needed in FY24 only to provide legal advice given the ambiguity in bill language about which license holder is responsible for paying taxes and maintaining records. This is a key technical concern for DOR. Article 2, section 2, subdivision 3 requires either a mobile sports betting operator or a mobile sports betting platform provider to file a return by the 20th day of each month reporting tax due for the preceding month. Article 2, section 3, subdivision 1 requires either a mobile sports betting operator or a mobile sports betting platform provider to maintain records that show all sports betting activity conducted and taxes owed for at least 3 ½ years after the return is due or filed, whichever is later.

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 minutes \* 205 licenses= 6,150 minutes

6,150 minutes/60 minutes= 102.5 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 anticipates 0.05 FTE will be needed in FY24 and 0.04 FTE will be needed in FY25 and ongoing to set-up new appropriation and funding accounts, perform fund transfers, account for refund activity, and add this new tax type to the account reconciliation process.

**FTE Impact**

FTE's	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal Services, and Disclosure (Attorney)		1.25	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
Financial Management staff		0.05	0.05	0.05	0.05
MAPE		0.04	0.03	0.03	0.03
MMA		0.01	0.01	0.01	0.01
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		9.57	10.21	10.20	10.20

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		1,490,805	1,597,295	1,596,582	1,595,725
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)		1,904,806	1,639,034	1,639,488	1,638,631

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:** 5/16/2023 4:22:00 PM

**Phone:** 651-556-6308

**Email:** chelsea.magadance@state.mn.us

**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**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:** 5/16/2023 8:52:57 AM  
**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
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

**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 start date of mobile sports betting is designated as no later than November 15, 2023.

Article 2 establishes a tax on sports betting net revenue and requires reporting to the Legislature. 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 knowingly does so from a person under age 21.

Subdivision 7 establishes, as an affirmative defense to the latter crime, the good-faith reliance on the better's age as proven by a state, tribal, or provincial driver's license or identification card, a U.S. military identification card, a Minnesota instructional permit, a national passport, or a DPS-approved identity verification process.

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 Division of Alcohol and Gambling Enforcement of the Department of Public Safety or the division [sic] places a wager on a sporting event, unless part of an investigation; 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 or 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.

Subdivision 5 criminalizes the knowing acceptance of an unauthorized wager by a sports-betting licensee or employee, with the same penalty structure applicable to unauthorized wagers.

Subdivision 6 permits prosecutors to aggregate all money wagered within a six-month period, and to prosecute all aggregated offenses in any county in which any offense occurred.

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.

Article 5 exempts historic horse-racing operations from the applicability of chapter 299L.

### **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**

Because 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

**Date:** 5/15/2023 11:32:40 AM

**Phone:** 651-757-1725

**Email:** [jill.payne@state.mn.us](mailto:jill.payne@state.mn.us)



**Fiscal Note**

**2023-2024 Legislative Session**

**SF1949 - 4E - Sports Betting**

Chief Author: **Matt Klein**  
 Committee: **Finance**  
 Date Completed: **5/17/2023 10:04:18 AM**  
 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
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**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:** 5/15/2023 4:37:04 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
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

**Bill Description**

SF1949-4E 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. Article 5 makes conforming amendments to section 240.01 defining advance deposit wager, and adds a new section 299L.47 defining historic horse racing.

### **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:** 5/15/2023 10:07:33 AM

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