

NOT FOR

DISTRIBUTION

Fiscal Note 2009 Biennium



GOVERNOR'S OFFICE OF
 BUDGET AND PROGRAM PLANNING

Bill # HB0616

Title: Allow parimutuel wagering on fantasy sports leagues

Primary Sponsor: McChesney, Bill

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,100,760	\$2,100,760	\$2,127,020	\$2,153,607
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,100,760	\$2,100,760	\$2,127,020	\$2,153,607
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill generates revenue for the Board of Horse Racing state special revenue account through parimutuel wagering on fantasy sports leagues. The estimated revenue increase is over \$2 million each year, and the administration costs are taken out of these funds.

FISCAL ANALYSIS

Assumptions:

Department of Livestock

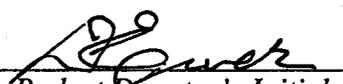
- For purposes of this fiscal note the total population in Montana is assumed to be 454,736 males and females between 18-65 years of age or roughly 227,000 males and 227,000 females.
- It is estimated that 20% of the males and 2% of females will participate an average of 40 weeks per year and pay an estimated \$6 per wager. Using this methodology, 45,500 males (227,000 * .2) and 4,540

- (227,000 * .02) will play for a total weekly wager base of 49,400 x \$6 per wager = \$299,640 per week. The weekly earnings multiplied by estimated 40 week season is \$11,985,600 (\$299,640 * 40).
3. Under this bill, 74% or \$8,869,344 (.74 * \$11,985,600 = \$8,869,344) of total revenue generated is to be returned to the betters. The remaining \$3,116,000 (.26 * \$11,985,600 = \$3,116,000) is referred to as the takeout. The takeout revenue is distributed as follows:
 - 15% to the parimutuel facility licensee
 - 24% to the simulcast parimutuel network licensee
 - 61% to the Board of Horse Racing (BOHR) state special revenue for administration and other purposes.
 4. The BOHR state special revenue account is estimated to receive \$1,900,760 (.61 * \$3,116,000) from the takeout.
 5. The increased revenue for horse racing will impact local communities, and it is estimated that five additional race facilities will require regulation. The increase in facilities will increase race days by 80. The increased regulatory cost due to this is estimated at \$100,000.
 6. Due to increased race days and facilities, the BOHR licenses are assumed to increase by 2,500 licenses at an average cost of \$30 per licenses. This will generate \$75,000 of state special revenue annually.
 7. The increase in race days and facilities will also increase the revenue BOHR will receive. An estimated \$25,000 derived from 1% of \$2,500,000 increased parimutual handle (1% of the amount wagered).
 8. Total revenues are estimated to be \$2,100,760 (\$1,900,760 + \$100,000 + \$75,000 + \$25,000) in FY 2008 and FY 2009. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
 9. The bill will be responsible for an estimated increase of 60 sites conducting parimutual fantasy sports wagering. This increased activity requires regulation. The BOHR will require 3.00 FTE to provide these regulatory services. These FTE include 1.00 grade 15 Administrative Officer, 1.00 FTE grade 12 accountant, and a 1.00 FTE aggregate for exempt race stewards. The hourly is \$19.56 for the Officer and \$14.86 for the accountant both at 2,080 hours in a work year and benefits at 20%. The stewards are aggregate short term workers and are compensated at \$1 per race day. It is anticipated that they will work 474 race days. Total personal service costs are anticipated at \$149,934. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
 10. Operational costs for each year are \$36,370 from fantasy sports wagering. This includes: \$30,000 for rent, \$4,875 for travel, and \$1,495 for lodging. One-time only operational costs of \$12,750 for rules publication and \$117,000 agency legal services are added in FY 2008. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
 11. Funds collected in the bill are statutorily appropriated. The funds collected under this bill, not used for administrative expenses, will be distributed for live race purposes. An estimated \$1,784,706 in FY 2008, \$1,914,456 in FY 2009, \$1,938,387 in FY 2010, and \$1,962,616 in FY 2011 will be distributed for this purpose. The statutory appropriation appears to comply with the recommendation of 17-1-508, MCA.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	3.00	3.00	3.00
<u>Expenditures:</u>				
Personal Services	\$149,934	\$149,934	\$151,808	\$153,706
Operating Expenses	<u>\$1,950,826</u>	<u>\$1,950,826</u>	<u>\$1,975,212</u>	<u>\$1,999,901</u>
TOTAL Expenditures	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
TOTAL Funding of Exp.	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
TOTAL Revenues	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

Sponsor's Initials

Date


Budget Director's Initials

2/15/07
Date

TITLE 23. PARKS, RECREATION, SPORTS, AND GAMBLING
CHAPTER 4. HORSERACING

Part 3. Parimutuel Betting

23-4-301. Parimutuel betting -- other betting illegal. (1) It is unlawful to make, report, record, or register a bet or wager on the result of a contest of speed, skill, or endurance of an animal, whether the contest is held within or outside of this state, except under 23-5-502 or this chapter.

(2) A licensee conducting a race meet under this chapter may provide a place in the race meet grounds or enclosure where the licensee may conduct or supervise the use of the parimutuel system by patrons on the result of the races conducted under this chapter and the rules of the board.

(3) A person licensed under this chapter to hold a race meet may simulcast live races at a place in the race meet grounds or simulcast facility where the licensee may conduct or supervise the use of the parimutuel system by patrons on the results of simulcast races approved by the board.

(4) It is unlawful to conduct pool selling or bookmaking or to circulate handbooks or to bet or wager on a race of a licensed race meet, other than by the parimutuel system and in the race meet grounds or enclosure where the race is held, or to permit a minor to use the parimutuel system.

(5) Each licensee conducting a parimutuel system for an intrastate simulcast race meet shall combine the parimutuel pools at a simulcast facility with those at the actual racing facility for the purpose of determining the odds and computing payoffs. The amount of the handle at the simulcast race meet must be combined with the amount of parimutuel handle at the live racing facility for the purposes of distribution of money derived from parimutuel betting under 23-4-302 and 23-4-304.

(6) Negotiated purse money from intrastate and interstate simulcast parimutuel handles at racing associations that do not conduct live racing will be pooled and distributed to all tracks conducting live racing, all moneys to be distributed on a percent, based on each track's percent, of total annual on-track parimutuel handle.

23-4-302. (Temporary) Distribution of deposits -- breakage. (1) Each licensee conducting the parimutuel system shall distribute all funds deposited in any pool to the winner of the parimutuel pool, less an amount that in the case of exotic wagering on races may not exceed 26% and in all other races may not exceed 20% of the total deposits plus the odd cents of all redistribution to be based on each dollar deposited exceeding a sum equal to the next lowest multiple of 10, known as "breakage".

(2) Each licensee conducting the parimutuel system for a simulcast race meet shall distribute all funds deposited with the licensee in any pool for the simulcast race meet, less an amount that in the case of exotic wagering on these races may not exceed 26%, unless the signal originator percentage is higher, in which case the Montana simulcast licensee may adopt the same percentage withheld as the place where the signal originated, and that in all other of these races may not exceed 20% of the total deposits plus the odd cents of all redistribution to be based on each dollar deposited exceeding a sum equal to the next lowest multiple of 10, known as "breakage".

(3) Each licensee conducting a parimutuel system for a simulcast race meet shall deduct 1% of the total amount wagered on the race meet and deposit it in the board's agency fund account. The board shall then distribute all funds collected under this subsection to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

23-4-302. (Effective July 1, 2007). Distribution of deposits -- breakage. (1) Each licensee conducting the parimutuel system shall distribute all funds deposited in any pool to the winner of the

parimutuel pool, less an amount that in the case of exotic wagering on races may not exceed 26% and in all other races may not exceed 20% of the total deposits plus the odd cents of all redistribution to be based on each dollar deposited exceeding a sum equal to the next lowest multiple of 10, known as "breakage".

(2) Each licensee conducting the parimutuel system for a simulcast race meet shall distribute all funds deposited with the licensee in any pool for the simulcast race meet, less an amount that in the case of exotic wagering on these races may not exceed 26%, unless the signal originator percentage is higher, in which case the Montana simulcast licensee may adopt the same percentage withheld as the place where the signal originated, and that in all other of these races may not exceed 20% of the total deposits plus the odd cents of all redistribution to be based on each dollar deposited exceeding a sum equal to the next lowest multiple of 10, known as "breakage".

(3) Each licensee conducting a parimutuel system for a simulcast race meet shall deduct 1% of the total amount wagered on the race meet and deposit it in a state special revenue account. The funds deposited are statutorily appropriated to the board as provided in 17-7-502. The board shall then distribute all funds collected under this subsection to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

23-4-303. Licensee's right to withhold deposits. Subject to 15-10-420, if a government or governmental agency imposes a levy on a licensee by a special tax on the money deposited under the parimutuel system or upon or against a licensee's receipts, the licensee may withhold in addition to the percent and breakage provided for in 23-4-302 the amount of the tax levied.

23-4-304. (Temporary) Gross receipts -- department's percentage -- collection and allocation. (1) (a) The licensee shall pay to the department within 5 days following receipt by the licensee 1% of the gross receipts of each day's parimutuel betting at each race meet. At the end of each race meet the licensee shall prepare a report to the department showing the amount of the overpayments and underpayments. If the report shows the underpayments to be in excess of the overpayments, the balance must be paid to the department. Money paid to the department may be used for the expenses incurred in carrying out this chapter. The licensee shall, at the same time, pay to the department all funds collected under 23-4-202(4)(d) on exotic wagering on races. These funds must be deposited in the board's agency fund account. The board shall then distribute all funds collected under 23-4-202(4)(d) to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

(b) Each licensed simulcast facility shall pay to the department either 1% of the gross receipts of each day's parimutuel betting at each race meet or the actual cost to the board of regulating the simulcast race meet, whichever is higher. The money must be paid to the department within 5 days after receipt of the money by the licensee. At the end of each race meet the licensed simulcast facility shall prepare a report to the department showing the amount of the overpayments and underpayments. If the report shows the underpayments to be in excess of the overpayments, the balance must be paid to the department. Money paid to the department must be deposited in an account in the state special revenue fund and must be used for the administration of this chapter. The licensed simulcast facility shall, at the same time, pay to the department all funds collected under 23-4-202(4)(d) on exotic wagering on races. These funds must be deposited in the board's agency fund account. The board shall then distribute all funds collected under 23-4-202(4)(d) to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

(2) Prior to the beginning of the live racing season, funds collected under 23-4-202(4)(d) must be distributed by the department, after first passing through the board's agency fund account, to be used for race purses that are distributed to each live race meet by the board or for other purposes that the board considers appropriate for the good of the horseracing industry.

23-4-304. (Effective July 1, 2007). Gross receipts -- department's percentage -- collection and allocation. (1) (a) The licensee shall pay to the department within 5 days following receipt by the licensee 1% of the gross receipts of each day's parimutuel betting at each race meet. At the end of each race meet the licensee shall prepare a report to the department showing the amount of the overpayments and underpayments. If the report shows the underpayments to be in excess of the overpayments, the balance

must be paid to the department. Money paid to the department may be used for the expenses incurred in carrying out this chapter. The licensee shall, at the same time, pay to the department all funds collected under 23-4-202(4)(d) on exotic wagering on races. These funds must be deposited in a state special revenue account. The board shall then distribute all funds collected under 23-4-202(4)(d) to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

(b) Each licensed simulcast facility shall pay to the department either 1% of the gross receipts of each day's parimutuel betting at each race meet or the actual cost to the board of regulating the simulcast race meet, whichever is higher. The money must be paid to the department within 5 days after receipt of the money by the licensee. At the end of each race meet the licensed simulcast facility shall prepare a report to the department showing the amount of the overpayments and underpayments. If the report shows the underpayments to be in excess of the overpayments, the balance must be paid to the department. Money paid to the department must be deposited in an account in the state special revenue fund and must be used for the administration of this chapter. The licensed simulcast facility shall, at the same time, pay to the department all funds collected under 23-4-202(4)(d) on exotic wagering on races. These funds must be deposited in a state special revenue account. The board shall then distribute all funds collected under 23-4-202(4)(d) to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

(2) Prior to the beginning of the live racing season, funds collected under 23-4-202(4)(d) must be distributed by the department, after first passing through a state special revenue account, to be used for race purses that are distributed to each live race meet by the board or for other purposes that the board considers appropriate for the good of the horseracing industry.

(3) The funds collected under this section and deposited in a state special revenue account are statutorily appropriated to the board as provided in 17-7-502.

23-4-305. Deposit of unclaimed money. Each licensee holding a race meet shall, within 30 days of the end of the meet, report to the board the total face value of all unclaimed winning tickets from each parimutuel pool. The money from unclaimed winning tickets must be retained by the licensee for capital improvement approved by the board.

**TITLE 23. PARKS, RECREATION, SPORTS, AND GAMBLING
CHAPTER 5. GAMBLING**

Part 8. Fantasy Sports Leagues

23-5-801. Fantasy sports leagues defined. As used in this part, a "fantasy sports league" means a gambling activity conducted in the following manner:

(1) A fantasy sports league consists of a limited number of persons or groups of persons who pay an entrance fee for membership in the league. The entrance fee may include an administrative fee.

(2) Each league member creates a fictitious team composed of athletes from a given professional sport, such as baseball, basketball, or football. Player selection is conducted through random drawings or a bidding process.

(3) After the initial teams are selected, interim replacement of players may occur by trade or purchase. A specific fee, which may not exceed the total entrance fee, is charged for each transaction.

(4) A method, as defined by league rules, is devised to permit each team to compete against other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period.

(5) A member may be eligible to receive a payout based on the number of points accumulated. Payouts, which may be in the form of cash or prizes, are awarded according to league rules.

(6) Rules governing the conduct of the fantasy sports league must be provided in writing to each member.

23-5-802. Fantasy sports leagues authorized. It is lawful to conduct or participate in a fantasy sports league.

23-5-805. Payouts -- administrative fees charged by commercial establishments. (1) The total value of payouts to all league members must equal the amount collected for entrance, administrative, and transactions fees, minus payment for administrative expenses.

(2) If a commercial establishment charges an administrative fee for conducting a fantasy sports league, the fee for each participant may not be more than 15% of the amount charged as a participant's entrance fee.

23-5-806. Sports betting prohibited -- applicability. Sections 23-5-801, 23-5-802, and 23-5-805 do not:

(1) authorize betting or wagering on the outcome of an individual sports event; or

(2) apply to gambling activities governed under chapter 4 or chapter 5, part 2 or 5, of this title.