

Consolidated Fiscal Note

2023-2024 Legislative Session

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Lead Agency: **Public Safety Dept**
 Other Agencies:
 Administrative Hearings Amateur Sports Commission
 Attorney General Corrections Dept
 Gambling Control Board Governors Office
 Human Services Dept Minn Management and Budget
 Public Defense Board Racing Commission
 Revenue Dept Sentencing Guidelines Comm
 Supreme Court

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-	-
Administrative Hearings	-	-	-	-	-	-
Amateur Sports Commission						
Restrict Misc. Special Revenue	-	-	-	(750)	(2,220)	
Attorney General						
General Fund	-	-	702	702	702	
Gambling Control Board						
Restrict Misc. Special Revenue	-	-	190	90	90	
Governors Office						
General Fund	-	-	-	-	-	
Human Services Dept						
General Fund	-	-	-	216	422	
Other Misc. Special Revenue	-	-	-	(1,250)	(3,700)	
Minn Management and Budget						
Restrict Misc. Special Revenue	-	-	-	(500)	(1,480)	
Public Safety Dept						
General Fund	-	-	(24,257)	5,463	5,443	
Restrict Misc. Special Revenue	-	-	-	-	-	
Racing Commission						
General Fund	-	-	-	625	625	
Restrict Misc. Special Revenue	-	-	-	-	-	
Revenue Dept						
General Fund	-	-	10	2,023	1,740	
State Total						
Administrative Hearings	-	-	-	-	-	
Restrict Misc. Special Revenue	-	-	190	(1,160)	(3,610)	

State Cost (Savings)

Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	(23,545)	9,029	8,932
Other Misc. Special Revenue	-	-	-	(1,250)	(3,700)
Total	-	-	(23,355)	6,619	1,622
Biennial Total			(23,355)		8,241

Full Time Equivalent Positions (FTE)

	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
Restrict Misc. Special Revenue	-	-	-	-	-
Attorney General					
General Fund	-	-	3.16	3.16	3.16
Gambling Control Board					
Restrict Misc. Special Revenue	-	-	.75	.75	.75
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	-	1.5	3.5
Other Misc. Special Revenue	-	-	-	-	-
Minn Management and Budget					
Restrict Misc. Special Revenue	-	-	-	-	-
Public Safety Dept					
General Fund	-	-	36	36	36
Restrict Misc. Special Revenue	-	-	-	-	-
Racing Commission					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	-	.06	7.21	9.71
Total	-	-	39.97	48.62	53.12

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.

Estimated tax revenue impact is shown on a companion analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Laura Cecko **Date:** 4/19/2024 7:03:19 PM
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State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Amateur Sports Commission					
Restrict Misc. Special Revenue	-	-	-	(750)	(2,220)
Attorney General					
General Fund	-	-	702	702	702
Gambling Control Board					
Restrict Misc. Special Revenue	-	-	190	90	90
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	-	216	422
Other Misc. Special Revenue	-	-	-	(1,250)	(3,700)
Minn Management and Budget					
Restrict Misc. Special Revenue	-	-	-	(500)	(1,480)
Public Safety Dept					
General Fund	-	-	(24,257)	5,463	5,443
Restrict Misc. Special Revenue	-	-	-	-	-
Racing Commission					
General Fund	-	-	-	625	625
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	-	10	2,023	1,740
Total	-	-	(23,355)	6,619	1,622
Biennial Total			(23,355)		8,241
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	107	49	49
Amateur Sports Commission					
Restrict Misc. Special Revenue	-	-	-	-	750
Attorney General					
General Fund	-	-	702	702	702
Gambling Control Board					
Restrict Misc. Special Revenue	-	-	190	90	90
Governors Office	-	-	-	-	-
General Fund					
Expenditures	-	-	20	-	-
Absorbed Costs	-	-	(20)	-	-
Human Services Dept					
General Fund	-	-	-	216	422
Other Misc. Special Revenue	-	-	-	-	1,250
Minn Management and Budget					

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-	500
Public Safety Dept						
General Fund	-	-	8,466	5,486	5,466	
Restrict Misc. Special Revenue	-	-	76	76	76	
Racing Commission						
General Fund						
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	625	625	
Restrict Misc. Special Revenue	-	-	-	625	625	
Revenue Dept						
General Fund	-	-	10	2,023	1,740	
Total	-	-	9,551	9,892	12,295	
Biennial Total			9,551		22,187	
2 - Revenues, Transfers In*						
Administrative Hearings						
Administrative Hearings	-	-	-	-	-	-
Administrative Hearings	-	-	107	49	49	
Amateur Sports Commission						
Restrict Misc. Special Revenue	-	-	-	750	2,970	
Attorney General						
General Fund						
General Fund	-	-	-	-	-	-
Gambling Control Board						
Restrict Misc. Special Revenue						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Governors Office						
General Fund						
General Fund	-	-	-	-	-	-
Human Services Dept						
General Fund						
General Fund	-	-	-	-	-	-
Other Misc. Special Revenue	-	-	-	1,250	4,950	
Minn Management and Budget						
Restrict Misc. Special Revenue						
Restrict Misc. Special Revenue	-	-	-	500	1,980	
Public Safety Dept						
General Fund						
General Fund	-	-	32,723	23	23	
Restrict Misc. Special Revenue	-	-	76	76	76	
Racing Commission						
General Fund						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue						
Revenues						
Revenues	-	-	-	-	-	-
Transfers In						
Transfers In	-	-	-	625	625	
Revenue Dept						
General Fund						
General Fund	-	-	-	-	-	-
Total	-	-	32,906	3,273	10,673	
Biennial Total			32,906		13,946	

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 Agency: **Public Safety Dept**

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	(24,257)	5,463	5,443	
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	(24,257)	5,463	5,443	
Biennial Total			(24,257)			10,906

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	36	36	36
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	36	36	36

LBO Analyst's Comment

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

LBO Signature: Laura Cecko **Date:** 4/18/2024 11:13:57 AM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	(24,257)	5,463	5,443
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	(24,257)	5,463	5,443
Biennial Total			(24,257)		10,906
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	8,466	5,486	5,466
Restrict Misc. Special Revenue	-	-	76	76	76
Total	-	-	8,542	5,562	5,542
Biennial Total			8,542		11,104
2 - Revenues, Transfers In*					
General Fund	-	-	32,723	23	23
Restrict Misc. Special Revenue	-	-	76	76	76
Total	-	-	32,799	99	99
Biennial Total			32,799		198

Bill Description

HF2000-2A Article 1 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. 1 Subd. 21 defines a sports governing body as an organization that is located in the United States that prescribes final rules and enforced codes of conduct for a sporting event and participants; and directs the commissioner to adopt regulations to determine the governing body for electronic sports.

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.3 Subd.3 (a) directs rulemaking provisions and (b) notes rules may be adopted by using an expedited rulemaking process for which rules are posted in the State Register before January 1,2025.

Article 1 Sec. 12 directs the application, license, and renewal fees to the general 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.

Article 1 is effective July 1, 2024, except as otherwise provided.

Article 2 governs the Taxation of Sports Betting

Article 2 Section 1 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.

The effective date for Article 2 sports betting net revenue received is after June 30, 2024.

Article 3 adds Fantasy Contests.

Article 3 Sec. 1, Subd. 1 through Subd. 15 creates definitions.

Article 3 Sec. 2 directs the commissioner of public safety regulate fantasy contests and to provide for rulemaking and regulation, to investigate licensed and unlicensed persons or entities in violation of Article 3 Sec. 2.

Article 3 Sec. 3 provides for licensing and application requirements; including fees, application contents, and directs the application fee, registration fee, license fee, and renewal fees to be deposited in the general fund.

Article 3 Sec. 4 details licensing requirements, initial licensing fees, and registration fees.

Article 3 Sec. 5 authorizes fantasy contests, methods of play, self-exclusion, segregation of participant funds from operational funds, and requires fantasy contest operators to publicize rules and procedures, and to disclose the terms of promotional offers.

Article 3 Sec. 6 directs wagering, accounting, requires participants to be located physically in the state, receipts at the time of sale, and fantasy contest operator data storage requirements.

Article 3 Sec. 7 requires the commissioner to maintain a listing of persons not eligible to participate in fantasy contests, including those who have self-exclusions and various other prohibitions.

Article 3 Sec. 8 details the financial responsibility of a fantasy contest operator to maintain cash reserves no less than \$25,000, the requirement for the fantasy sports operator to maintain a bond, security or irrevocable letter of credit in an amount determined by the commissioner.

Article 3 Sec. 9 Subd. 1 and Subd. 2 directs a three-year record retention requirement for the fantasy contest operator, including the place and location of wager, IP address, outcomes of wagers, and abnormal betting behavior.

Article 3 Sec. 9 Subd 3. provides for information sharing between a sports governing body and the commissioner for integrity monitoring purposes.

Article 3 Sec. 10 provides for enforcement of license violations, including a schedule of penalties; authority for the commissioner to act, license suspensions, administrative orders, civil actions, and contested cases.

Article 3 Sec. 11 notes data which is classified as private under Chapter 13.

Article 3 Sec. 12 directs an effective date for fantasy contests as July 1, 2024.

Article 4 provides for the taxation of fantasy contests.

Article 4 Sec. 1 provides definitions and Subd. 2 notes adjusted gross fantasy contest receipts to be that of the amount equal to the total of all entry fees that the fantasy contest operator collects, minus the total of all prizes paid out to all participants multiplied by the location percentage for Minnesota.

Article 4 Sec. 2 sets the taxes imposed as equal to ten percent of the adjusted gross fantasy receipts; taxes on net revenues, filing dates, refunds, and deposits of revenue.

The effective date for adjusted gross fantasy receipts is after June 30, 2024.

Article 4 Sec. 3 requires fantasy contest operators to maintain reports and records for at least 3 1/2 years and requires the fantasy contest operator to comply with audits performed by the commissioner of revenue.

Article 6 Amateur Sports and Activities Grants

Article 6 Sec. 1 established a special revenue fund for a sports integrity and participation account, appropriates money to the Minnesota Amateur Sports Commission and the Minnesota State High School League, and provides for grants to promote the integrity of amateur sports and to promote participation in youth sports.

Article 6 Sec. 2 directs the commissioner of human services to establish a program for the treatment of compulsive gamblers and their families to receive up to 60 hours of intervention services for a family member or other who is negatively impacted by problem or compulsive gambling.

Article 7 Charitable Gambling

Article 7 Sec. 1 amends combined net receipts for taxes collected on before June 30, 2025, for charitable organizations, adds the use of electronic pull tab dispensers, and amends lawful expenditures for charitable organizations.

Article 8 Pari-Mutuel Horse Racing.

Article 1 Sec. 1 amends procedures for advanced deposit wagering at racetracks, Article 1 Sec. 2 defines historical horse racing and prohibits betting on historical horse racing and adds and economic development account for the Minnesota Racing Commission.

Article 9 Appropriations.

Article 9 Sec.1 appropriates \$4,001,000 from the general fund to the commissioner of public safety to establish and regulate mobile sports betting and fantasy contests, including a base appropriation of \$2,700,000 in FY26 and thereafter.

Article 9 Sec. 6 Subd 1. Appropriates \$150,000 in FY25 for a grant to a non-profit to conduct a study on the gambling motivations and beliefs of young adult gamblers.

Assumptions

Alcohol and Gambling Enforcement

HF2000-2A includes additional support staff to hire the FTE needed to implement and maintain sports wagering in Minnesota. Salaries for special agents are estimated at the high range based on the level of experience new hires have historically had. DPS would utilize a general fund appropriation in this bill to establish the necessary systems and processes, negotiate compacts with the tribes, complete the rulemaking process, and to support regulation activities of the industry.

For the purposes of this fiscal note, a General Fund appropriation is assumed for estimated administrative costs in FY25 and beyond.

TRIBAL-STATE COMPACT NEGOTIATIONS

Article 1 Sec. 25.

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 HF2000-2A. 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 FY25.

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).

ADMINISTRATIVE:

HIRING and RULEMAKING

AGE will require support staff to hire and manage the resources needed to implement and maintain sports wagering. These support positions include one human resources FTE (HR Specialist) to assist with hiring and labor support of additional staff and one fiscal support FTE (Management Analyst 4) to assist with budget monitoring, procurement, grant distribution and reporting, and revenue forecasting.

Article 1 Sec. 3 Subd. 1 through Subd. 3, and Article 1 Sec. 21 (Sports Betting) and Article 3 Sec. 2 Subd, 1 and Subd. 2 (Fantasy Contests)

AGE consulted with Office of Administrative Hearings (OAH) and assumes the need for Major effort expedited rulemaking to begin the day following enactment, beginning FY25. Major effort rulemaking is the development of 1) long, more than 50 pages of text, and 2) controversial rules in which it is anticipated public hearings will be held. AGE assumes both of these conditions will be met. The costs associated with major rulemaking are estimated at \$316,878.

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 to both sports betting and fantasy contests and assumes these costs have increased since 2019; AGE estimates \$50,000 in FY26; AGE conservatively assumes \$25,000 thereafter for any appeals. AGE further assumes the annual costs associated with administrative civil penalty appeals an estimated 200 hours of Administrative Law Judge (ALJ) time at \$245 per hour = \$49,000.00

AGE assumes the tasks associated with expedited rulemaking will be assigned to 5 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 two office administrative specialist intermediate (OASI) positions to assist with record keeping, scheduling of meetings, and other administrative support work related to sports betting and fantasy contests.

The work tasks governed by sports betting and fantasy contest rulemaking include creating a regulatory processes for: determining the governing body of a sporting event, 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, developing requirements to monitor identify and monitor patterns of problem gambling, and the oversight of sports betting and fantasy contest advertising.

OPERATIONAL:

FINANCIAL BACKGROUND INVESTIGATIONS

Article 1 Sec. 5 Subd. 1 through Subd 3 (Sports Betting) and Article 3 Sec. 3 Subd 1 (Fantasy Contests).

AGE assumes to 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 that would require a financial background investigation.

To make the sports betting 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. (1551 suppliers / 8 states = 194)

AGE assumes to issue 12 fantasy contest operator licenses. To make this assumption, AGE obtained a sampling from 22 states with lawful fantasy contest operator licensure and/or fantasy sports licensure to obtain the average of 12.

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

AGE assumes a total of 228 financial background investigations.

$$11+11+194+12= 228$$

AGE special agents currently complete financial background investigations for lawful gambling and tribal gaming. AGE assumes administrative rules for the sports wagering and fantasy contest 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 personnel identified in Article 1 Sec.5 Subd.1 (b) as the applicant or licensee, directors, officers, partners, member of the 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. 228 applicants x 80 hours = 18,240 investigative hours. 18,240 investigative hours divided by 2088 yearly working hours= 8.7 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 9 FTE special agents to complete the backgrounds.

CRIMINAL HISTORY RECORD CHECKS

Article 1 Sec. 5 Subd.4 (Sports Betting) and Article 3 Sec 2. Subd 2 (a) (9) (Fantasy Contest).

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 228 estimated applicants = 2,280 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.6 Subd. 1 and Subd. 2 (Sports Betting) and Article 3 Sec 4, Article 3 Sec 8, and Article 3 Sec 9 (Fantasy Contest).

For the purposes of this fiscal note, it is assumed that sports betting application and license fee collections will begin July 1, 2024. AGE assumes application and licensing fees can be collected any time after July 1, 2024 and can be collected prior to license issuance; licenses will be issued by January 1, 2026, once rulemaking is completed.

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 AND FANTASY CONTEST REGULATION

Article 1 Sec. 14, Article 1 Sec. 15, Article 1 Sec. 16 Subd. 1 and Subd. 2., and Article 1 Sec. 19 and 20 (Sports Betting)

Article 3 Sec. 5, Article 3 Sec. 6, Article 3 Sec. 7, and Article 3 Sec 10 (Fantasy Contest).

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 and fantasy contest industry, complete inspections, and 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 and fantasy contest 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 HF2000-2A 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 Sec. 3 Subd 2 and Article 3, Sec. 2, Subd. 2.

CRIMINAL INVESTIGATIONS/ ILLEGAL SPORTS WAGERING AND ILLEGAL FANTASY CONTESTS

HF2000-2A 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 and 1 criminal analyst to complete investigations related to sports betting criminal violations and illegal fantasy contests. AGE has no historical data to draw from and makes this assumption based on comparable gambling related criminal investigations currently completed by the division.

Gambling criminal investigations differ from financial background investigations. Gambling 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 (Sports Betting) and Article 3 Sec 7 (Fantasy Contest)

AGE assumes to utilize the existing liquor and gambling records management system, rather than replace its existing records management system. AGE recognizes the additional need for analyses and technology support for the implementation and maintenance of both the sports wagering exclusion list, the fantasy contest exclusion list, the approved sports betting events database and the approved fantasy contest event database. AGE assumes two information technology developer (ITS4) and two information technology specialists (ITS3) are required to complete that work.

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 \$713,014 in FY25 to create and complete this application, with ongoing technology support in FY26 forward.

STUDY ON MOTIVATIONS AND BELIEFS OF YOUNG ADULT GAMBLERS GRANT

Article 9 Sec. 6

AGE assumes \$150,000 in FY25 funding to for a grant to a nonprofit organization to study the gambling motivations and beliefs of young adult gamblers as directed in the bill.

TRAINING and EDUCATION:

Lawful sports betting is a new licensing, regulatory, and enforcement schematic in Minnesota. AGE assumes the need to train 36 FTE on tribal and mobile sports wagering operations and fantasy contests. AGE has estimated one-time cost of \$55,000 for training new staff in FY25 on the specifics of sports wagering and fantasy contests. 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 the year. AGE assumes an additional \$30,000 in FY26 and \$10,000 in FY27 for continuing education as new sports wagering platform technologies evolve and to accommodate any staffing changes.

Bureau of Criminal Apprehension

The Bureau of Criminal Apprehension (BCA) division of the Department of Public Safety assumes its role in mobile sports betting oversight to be performing criminal history background checks.

Pursuant to Minn. Stat. 299C.10, subd. 4, the Bureau of Criminal Apprehension (BCA) charges \$15.00 for a Minnesota criminal history records check. The BCA charges \$18.25 for a criminal history check of Federal Bureau of Investigation (FBI) records, of which \$11.25 is remitted to the FBI. The fee for a combined state and federal criminal records check is therefore \$33.25 paid into the Special Revenue Fund. Under the statute, the money is then appropriated to the BCA for the costs of doing the checks and to maintain and improve the quality of the criminal record system in Minnesota.

The fees will be paid by licensees and applicants.

Based on the table and assumptions above, BCA estimates a total of 2,280 state and federal criminal history checks annually.

The BCA assumes that any additional criminal history checks that might come to be mandated by agency rule under Art. 1, Sec. 3, Subd. 2 of this bill will be Minnesota-only checks, as rules are not considered legal authority to conduct FBI criminal history checks. Federal law (Public Law 92-544) requires these criteria be met for federal (FBI) criminal history checks:

- 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.

Adding new offenses associated with the bill to the Statute Service are negligible and will be absorbed.

Expenditure and/or Revenue Formula

BCA

Estimated 2,280 state and federal criminal history checks to be performed each year @ \$33.25 (combined fee for the checks) = \$75,810.00 revenue per year to the Special Revenue Fund

The \$75,810 per year collected as criminal history check fees is statutorily appropriated to BCA from the Special Revenue Fund. \$25,650 per year of this amount is remitted by BCA to the FBI, with the remainder retained by BCA for its costs and to improve the criminal records system.

Alcohol and Gambling Enforcement

TRIBAL-STATE COMPACT NEGOTIATIONS

Tribal State Compact Negotiations		FY25	FY26	FY 27 & beyond
Legal counsel negotiations and drafting of compacts		\$720,000.00	\$0.00	\$0.00
TOTAL		\$720,000.00	\$0.00	\$0.00

ADMINISTRATIVE:

HIRING AND RULEMAKING

7 FTEs 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 FY25 include one-time costs such for squad cars, body worn cameras, bullet proof vests, firearms, emergency lights and sirens, radios, psychological test, and medical exams.

Administrative Hiring Salary, Fringe and Non-Salary Sports Betting and Fantasy Contests	FTE	FY25	FY26	FY 27 & beyond
Special Agent in Charge	1	\$296,150.00	\$212,499.74	\$212,499.74
Attorney level 2	1	\$166,397.72	\$155,439.64	\$155,439.64
Policy Analyst	1	\$150,025.41	\$141,867.33	\$141,867.33
OASI	2	\$193,124.46	\$181,808.30	\$181,808.30

Management Analyst 4	1	\$146,021.60	\$137,863.52	\$137,863.52
Human Resources	1	\$139,602.33	\$139,602.33	\$139,602.33
Sub Total		\$1,091,321.52	\$969,080.86	\$969,080.06
OAH Rulemaking Non -Salary Sports Betting and Fantasy Contests				
Major Effort Expedited Rulemaking over 50 pages, with public hearings.		\$316,878.00	\$0.00	\$0.00
Rulemaking Challenges		\$50,000.00	\$25,000.00	\$25,000.00
Civil Penalty Appeals		\$49,000.00	\$49,000.00	\$49,000.00
Sub Total		\$415,878.00	\$74,000.00	\$74,000.00
TOTAL	7	\$1,507,199.52	\$1,043,080.86	\$1,043,080.86

OPERATIONAL STAFF:

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

25 FTEs 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 FY25 include one-time costs for squad cars, body worn cameras, bullet proof vests, firearms, emergency lights and sirens, radios, psychological test, and medical exams.

Operational Staff: Salary, Fringe and Non-Salary Included Sports Betting and Fantasy Contests	FTE	FY25	FY26	FY 27 & beyond
Background Investigations				
Assistant Special Agent in Charge	1	\$277,771.04	\$194,120.67	\$194,120.67
Special Agents	9	\$2,416,291.01	\$1,663,437.68	\$1,663,437.68
Criminal History Record Checks CJIS				
OASI	1	\$96,578.06	\$88,419.98	\$88,419.98
Licensing Administration				
OASS	1	\$99,811.33	\$94,153.25	\$94,153.25
OASI	3	\$282,234.19	\$265,259.95	\$265,259.95
Sports Betting Regulation				
Investigation Senior	1	\$214,751.89	\$150,783.81	\$150,783.81
Investigation Specialist	3	\$595,854.55	\$403,950.31	\$403,950.31

Criminal Investigations				
Special Agents	4	\$1,062,160.17	\$727,558.69	\$727,558.69
Criminal Analyst	1	\$142,437.23	\$119,479.15	\$119,479.15
Communications and Media				
Information Officer 2	1	\$133,126.59	\$110,168.51	\$110,168.51
TOTAL	25	\$5,321,016.06	\$3,817,332.00	\$3,817,332.00

*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 Sports Betting and Fantasy Contests		FY25	FY26	FY 27 & beyond
Application development/testing		\$35,000.00	\$0.00	\$0.00
Application Hosting		\$4,500.00	\$4,725.00	\$4,725.00
Software Licenses		\$5,000.00	\$5,250.00	\$5,250.00
Annual Maintenance		\$0.00	\$8,750.00	\$8,750.00
MNIT Developer Information Technology Specialist 4	2	\$323,605.70	\$277,689.54	\$277,689.54
Information Technology Specialist 3	2	\$344,907.96	\$298,991.80	\$298,991.80
TOTAL	4	\$713,013.66	\$595,406.34	\$595,406.34

STUDY ON MOTIVATIONS AND BELIEFS OF YOUNG ADULT GAMBLERS GRANT

Motivation and Beliefs of Young Adult Gamblers Study		FY25	FY26	FY 27 & beyond
Grant		\$150,000.00	\$0.00	\$0.00
TOTAL		\$150,000.00	\$0.00	\$0.00

TRAINING AND EDUCATION:

Training and Education		FY25	FY26	FY 27 & beyond
Sports Betting Division Training		\$55,000.00	\$0.00	\$0.00
Sports betting printed educational material rules and statutes booklets			\$30,000.00	\$10,000.00

	TOTAL		\$55,000.00	\$30,000.00
				\$10,000.00

TOTAL EXPENDITURES:

Lawful Sports Betting and Fantasy Contest Total Expenditures	FTE	FY25	FY26	FY 27 & beyond
Tribal State Compact Negotiations		\$720,000.00	\$0.00	\$0.00
Administrative Hiring Staff Salary, Fringe and Non-Salary	7	\$1,091,321.52	\$969,080.86	\$969,080.86
Administrative Rulemaking		\$415,878.00	\$74,000.00	\$74,000.00
Backgrounds, Licensing, Regulation, Enforcement: Salary, Fringe, Non-Salary	25	\$5,321,016.06	\$3,817,332.00	\$3,817,332.00
Exclusion list and approved sporting events database	4	\$713,013.66	\$595,406.34	\$595,406.34
Education and Training		\$55,000.00	\$30,000.00	\$10,000.00
Backgrounds BCA fingerprints		\$75,810.00	\$75,810.00	\$75,810.00
TOTAL	36	\$8,392,039.24	\$5,561,629.20	\$5,541,629.20

Funding Assumptions	FY25	FY26	FY 27 & beyond
Total Sports Betting & Fantasy Contest Expenditures	\$8,392,039.24	\$5,561,629.20	\$5,541,629.20
Admin Costs from GF (Art. 9, sec. 1)	\$8,316,229.24	\$5,485,819.20	\$5,465,819.20
Grant from GF (Art. 9, sec. 6)	\$150,000.00	\$0.00	\$0.00
Background Check Fees	\$75,810.00	\$75,810.00	\$75,810.00
Total General Fund	\$8,466,229.24	\$5,485,819.20	\$5,465,819.20
Total Special Revenue	\$75,810.00	\$75,810.00	\$75,810.00

REVENUE:

REGISTRATION, APPLICATION AND LICENSING FEES

Application Fees -General Fund	# of Licenses	Application fee	FY25 TOTAL
Operator License	11	0	0
Platform Provider	11	\$50,000.00	\$550,000.00
Supplier License	194	\$50,000.00	\$9,700,000.00
Fantasy Contest Operator-Register Existing	12	\$10,000.00	\$120,000.00
Fantasy Contest Operator Application	12	\$10,000.00	\$120,000.00

	Total		\$10,490,000.00

Initial License Fees-General Fund	# of Licenses	License Fee	FY25 TOTAL
Operator License	11	\$2,125.00	\$23,375.00
Platform Provider	11	\$250,000.00	\$2,750,000.00
Supplier License	194	\$100,000.00	\$19,400,000.00
Fantasy Contest Operator License	12	\$5,000.00	\$60,000.00
Total			\$ 22,233,375.00

**AGE assumes the minimum of \$5,000 of fantasy contest operator adjusted gross receipts for the initial license fee.

Annual and 3-year renewal Fees-General Fund	# of Licenses	Renewal Fee	FY25	FY26	FY27	FY28
Operator License	11	\$2,125.00	\$0.00	\$23,375.00	\$23,375.00	\$23,375.00
Platform Provider (3-year)	11	\$250,000.00	\$0.00	\$0.00	\$0.00	\$2,750,000.00
Supplier License (3-year)	194	\$100,000.00	\$0.00	\$0.00	\$0.00	\$19,400,000.00
Fantasy Contest Operator (3-year)	12	\$15,000.00	\$0.00	\$0.00	\$0.00	\$180,000.00
Total			\$0.00	\$23,375.00	\$23,375.00	\$22,353,375.00

**AGE assumes the minimum of \$5,000 of fantasy contest operator adjusted gross receipts for the renewal license fee.

*** Note the three-year license renewal fees will be received in FY28***

TOTAL REVENUES:

Lawful Sports Betting and Fantasy Contest Total Revenue		FY25	FY26	FY27	FY28
Application Fees General Fund	Application	\$10,490,000.00	\$0.00	\$0.00	\$0.00
Licensing Fees General Fund	License	\$22,233,375.00	\$0.00	\$0.00	\$0.00
Annual Renewal Fee General Fund	Operator Renewal	\$0.00	\$23,375.00	\$23,375.00	\$23,375.00
3-year License Renewal Fee General Fund	3-year renewal	\$0.00	\$0.00	\$0.00	\$22,330,000.00
General Fund Total		\$32,723,375.00	\$23,375.00	\$23,375.00	\$22,353,375.00
Backgrounds-BCA fingerprints Special Revenue		\$75,810.00	\$75,810.00	\$75,810.00	\$75,810.00
	TOTAL	\$32,799,185.00	\$99,185.00	\$99,185.00	\$22,429,185.00

-

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.

Revenue is assumed in FY28 and is noted above.

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 funded to cover the costs associated with any type of secondary legal challenges, appeals, and/or enforcement actions. There is potential for long-term fiscal impact to AGE and additional funding requests may be necessary.

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.

Fantasy Contest Operator and/or Fantasy Sports Licensing in the states of: Alabama, Colorado, Iowa, Arizona, Indiana, Louisiana, Maine, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New York, Ohio, Tennessee, Vermont, Virginia, Illinois, Michigan, North Dakota, South Dakota, Wisconsin.

Agency Contact: Carla Cincotta 651-201-7534

Agency Fiscal Note Coordinator Signature: Nicole Mickelson

Phone: 651-201-7045

Date: 4/18/2024 11:12:50 AM

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Fiscal Note

2023-2024 Legislative Session

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Administrative Hearings**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Chloe Burns **Date:** 4/18/2024 1:41:37 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	-	107	49	49
Total	-	-	107	49	49
Biennial Total			107		98
2 - Revenues, Transfers In*					
Administrative Hearings	-	-	107	49	49
Total	-	-	107	49	49
Biennial Total			107		98

Bill Description

HF2000-2A provides for sports betting and fantasy contest regulations in the state of Minnesota.

Article 1, Section 21 provides that an appeal of an administrative order, civil penalty, license suspension, revocation or nonrenewal in relation to sports betting licensees is subject to contested case review procedures under Minn. Stat. ch. 14 (2022).

Article 3, Section 10 provides that an appeal of an administrative order, civil penalty, license suspension, revocation or nonrenewal in relation to fantasy contest licensees is subject to contested case review procedures under Minn. Stat. ch. 14 (2022).

The legislation authorizes the Department of Public Safety (DPS) to conduct rulemaking to implement the provisions of Article 1, Section 3, Powers and Duties of Commissioner in relation to regulating sports betting.

The legislation authorizes DPS to conduct rulemaking to implement the provisions of Article 3, Section 2, Powers and Duties of Commissioner in relation to regulating fantasy contests.

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 used DPS's assumption that approximately two administrative civil penalty 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 major rulemaking will be required to meet the requirements of Art. 1, Sec. 3, and Art. 3, Sec. 2. Based on past practices, OAH assumes that a major rulemaking under chapter 14 will require an estimated 135 hours of ALJ time for activity related to rulemaking procedures. Of the total rulemaking amount estimated by DPS, \$33,075 is for the estimated 135 hours of ALJ time for a major rulemaking.

OAH has used Gambling Control Board's (GCB) assumption that a medium-large sized rulemaking will be required to meet the requirements of HF2000-2A for standards relating to new gambling equipment. Based on past practices, OAH assumes that a rulemaking of this size under chapter 14 will require an estimated 100 hours of ALJ time for activity related

to rulemaking procedures. Of the total rulemaking amount estimated by GCB, \$24,500 is for the estimated 100 hours of ALJ time for a medium-large rulemaking.

Expenditure and/or Revenue Formula

Appeals:

Estimated 100 hours of ALJ time at \$245/hr for each matter appealed to OAH = \$24,500 x 2 appeals/year = \$49,000 per fiscal year.

Rulemaking charged to DPS:

Estimated 135 hours of ALJ time for rulemaking activities in FY25 related to implementing the requirements of Art. 1, Sec. 3, and Art. 3, Sec. 2: 135 hours x \$245/hr = \$33,075 charged to DPS in FY25 pursuant to the requirements of Minn. Stat. § 14.53.

Rulemaking charged to GCB:

Estimated 100 hours of ALJ time for rulemaking activities in FY25 related to implementing the requirements for establishing standards for new gambling equipment: 100 hours x \$245/hr = \$24,500 charged to GCB in FY25 pursuant to the requirements of Minn. Stat. § 14.53.

FY25 Total Expenditures - \$49,000 + \$33,075 + \$24,500 = \$106,575

FY26 and subsequent years - \$49,000

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: 4/18/2024 11:11:18 AM

Email: denise.collins@state.mn.us

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Amateur Sports Commission**

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	(750)	(2,220)	
Total	-	-	-	(750)	(2,220)	
Biennial Total			-		(2,970)	

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

LBO Analyst's Comment

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

LBO Signature: Chloe Burns **Date:** 4/19/2024 9:46:50 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	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	(750)	(2,220)
Total	-	-	-	(750)	(2,220)
Biennial Total				(2,970)	
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Restrict Misc. Special Revenue	-	-	-	-	750
Total	-	-	-	-	750
Biennial Total				750	
2 - Revenues, Transfers In*					
Restrict Misc. Special Revenue	-	-	-	750	2,970
Total	-	-	-	750	2,970
Biennial Total				3,720	

Bill Description

The following describes sections of HF2000-2A as introduced that are pertinent to the Minnesota Amateur Sports Commission (MASC).

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

Article 2, Section 2, Subdivision 7 establishes the Sports Betting Revenue Account in the special revenue fund.

Article 6, 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 6, Section 1, Subd 5 The report must also compile and provide annual reports received from grantees.

Assumptions

It is assumed MASC will incur \$30,000 annually starting in FY27 for grant collection and evaluation SAAS software, and one-time ancillary costs. 1 FTE grants specialist will be hired in FY28 to coordinate, manage, and evaluate the grant process and awards, 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 FY28 per computer.

It is assumed that bets can be placed beginning 1/1/2026.

Assumed sports betting tax revenue amounts are based on a Department of Revenue Tax Research Division analysis. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

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 FY27 based on sports betting revenues collected in FY26.

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

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

Expenditure and/or Revenue Formula

MASC will hire one FTE in FY28. It is not forecasted MASC to have any additional expenditures associated with this bill.

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

MASC Allocation Breakdown Row

Row		FY27	FY28
1	MASC Appropriation from Special Revenue Fund	750,000	2,970,000
2	SRF Grant Administration Appropriation @ 4%	30,000	118,800

FTE Reference Table

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

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

	FY27	FY28
Grant Specialist 1		104,500
Total		104,500

FTE Summary

	FY27	FY28
General Fund	0	0
Restrict Misc Spec Rev	0	1.00
Total FTE	0.00	1.00

Other Costs

	FY27	FY28
Software	30,000	30,000
Total Other Costs	30,000	30,000

Grants Specialist Senior

MAPE 14G 10L	FY27	FY28
Salary		65,000
Benefits + Fringe		35,150
Startup Costs		4,350
FTE Cost Total		104,500

GF Assumption

	FY27	FY28
Total Cost	30,000	134,500

4% SRF Cap	30,000	118,800
Unfunded (GF) Amount	-	-

Long-Term Fiscal Considerations

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

Local Fiscal Impact

References/Sources

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

2023-2025 MAPE Contract, available at <https://mn.gov/mmb/employee-relations/labor-relations/labor/mape.jsp>

Agency Contact: Shannon Holbrook

Agency Fiscal Note Coordinator Signature: Shannon Holbrook

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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Attorney General**

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	702	702	702	702
Total	-	-	702	702	702	702
Biennial Total			702			1,404

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	3.16	3.16	3.16
Total	-	-	3.16	3.16	3.16

LBO Analyst's Comment

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

LBO Signature: Susan Nelson **Date:** 4/19/2024 11:45:58 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	702	702	702
Total		-	-	702	702	702
Biennial Total				702		1,404
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	702	702	702
Total		-	-	702	702	702
Biennial Total				702		1,404
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

Article 1 of HF2000-2A 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”).

The legislation authorizes wagering on certain athletic and esports events and regulates mobile sports betting. HF2000-2A sets forth DPS duties and includes authority to:

Conduct rulemaking;

Receive and determine requests to prohibit or restrict particular wagers or types of wagers;

Maintain a list of persons who are not eligible to wager;

Inspect and audit licensees;

Issue and renew licenses, conduct background investigations, inspect records and accounts of a mobile sports betting operator and conduct financial audits;

Issue civil penalties for violation of statute or rule, including by providing notice and initiating a contested case proceeding under Chapter 14 for any penalty assessed in excess of \$2,000, and bring actions in district court in the name of the state to recover civil penalties;

Issue administrative orders requiring persons to correct and/or cease and desist violation of a statute or rule and notifying/permitting a contested hearing conducted in accordance with Chapter 14;

Temporarily suspend a license for specified violations and require compliance;

Revoke or refuse to renew a license for violation of statute or rule by providing notice and initiating a contested case proceeding pursuant to 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 HF2000-2A governs the taxation of sports betting and should have no impact on the work of this Office, except to the extent that the Tax Division might eventually be involved in the appeal of assessments by the Department of Revenue.

Article 3 of HF2000-2A 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 HF2000-2A 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. This Article should have no impact on the work of this Office.

Assumptions

Article 1 of HF2000-2A: 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; (3) challenges to imposed civil penalties; (4) challenges to decisions related to restrictions on wagers and wagerers; (5) challenges to rulemaking (or failure to rulemake).

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.

Finally, fiscal impacts of the legislation on the AGO would also include consultation and participation in the required rulemaking processes and in the required negotiation of Tribal-State Compacts.

There is no historical data about the type and complexity of enforcement challenges that may result from implementation of the lawful sports betting legislation in Minnesota as this legislation is new to Minnesota. Because of that we lack concrete data to be able to calculate a precise number of hours required to complete the work; but previous experience in contested case hearings and their complexity can serve as a guide for the litigation costs the AGO would expend for defending DPS against possible regulatory enforcement challenges.

Assuming 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 and for legal assistant hours spent is 50 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. This assumption also does not include the cost of litigation at OAH (such as judge time), which OAH typically bills directly to agencies. Assuming an attorney hourly rate of \$163, and a legal assistant rate of \$103 the cost to represent DPS in a single contested case would be \$ 78,500. Assuming there are 4 contested cases filed each year totaling 1,800 attorney hours and 200 legal assistant hours, the total annual cost to represent DPS at OAH would be \$314,000.

Assuming 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.

Assuming 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 rulemaking and subsequent litigation at OAH. The cost for this attorney assistance would be \$8,150.

Assuming litigation at the Court of Appeals related to rulemaking: Depending on its complexity and including file compilation and preparation, prehearing motion practice, discovery, depositions, witness preparation, a multi-day hearing, and possible additional briefing and argument to the Court of Appeals, the assumption for attorney hours spent is 250 hours and for legal assistant hours is 50 hours. Assuming an attorney hourly rate of \$163, and a legal assistant rate of \$103, the total cost to represent DPS each year in one rulemaking related action would be \$40,750.

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.

This assumption does not include expenses related to consultation or participation in the negotiations for the Tribal-State Compacts as DPS is including expenditures for a contract attorney.

Article 2 of HF2000-2A 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 HF2000-2A 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.

The Attorney General's Office estimates that it will expend 4150 hours of attorney time and 250 hours of legal assistant (investigator/other staff) time per fiscal year.

Expenditure and/or Revenue Formula

	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
Attorney, [list attorney division]	\$163	4150	676, 450
Legal assistant, [Investigator/other non-attorney staff]	\$103	250	25,750
<i>Other</i>			
Total			702, 200

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Long-Term Fiscal Considerations

Would require 3 FTE attorneys at the assumed hours and .16 legal assistants.

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 4/18/2024 10:57:51 AM

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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Corrections Dept**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Karen McKey **Date:** 4/2/2024 11:56:46 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

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

Bill Description

H.F. 2000-2A authorizes and provides for sports betting. Article 5 establishes crimes related to sports betting.

Assumptions

The Minnesota Sentencing Guidelines Commission assumes that the new offenses under article 5 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 5 will be minimal.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

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

References/Sources

Department of Corrections Staff

Minnesota Sentencing Guidelines Commission

Agency Contact:

Agency Fiscal Note Coordinator Signature: Kwesi Pasley

Phone: 651-259-3667

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Email: kwesi.pasley@state.mn.us

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Gambling Control 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
Restrict Misc. Special Revenue	-	-	190	90	90	
Total	-	-	190	90	90	
Biennial Total			190		180	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	.75	.75	.75
Total	-	-	.75	.75	.75

LBO Analyst's Comment

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

LBO Signature: Chloe Burns **Date:** 4/18/2024 4:30:01 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue		-	-	190	90	90
Total		-	-	190	90	90
Biennial Total				190		180
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue		-	-	190	90	90
Total		-	-	190	90	90
Biennial Total				190		180
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

HF 2000 Sports betting authorized and provided, licenses established, local restrictions prohibited, sports betting taxation provided, civil and criminal penalties provided, amateur sports grants provided, reports required, tax adjustments to lawful gambling organizations, new allowances for lawful purpose expenditures for specific organizations, new gambling equipment established under chapter 349 and money appropriated.

Assumptions

New gambling equipment established to provide for the automatic dispensing of electronic pull-tab devices.

New rules and processes will need to be created to establish standards for the new gambling equipment.

The GCB is not aware of any equipment of this type currently available in any US market. Therefore, the GCB cannot predict exact time frames for the development of the standards and rules. In addition, the GCB cannot predict the availability of the product once the standards have been established.

The GCB cannot predict marketplace acceptance of the proposed equipment.

Gambling Control Board (GCB) staff will need to develop in house testing methods. GCB staff will have to develop new processes for licensed organizations to track cash and report results to the GCB as well as internal controls adjustments changing sales methods of electronic pull-tab devices.

Additional lawful purpose expenditure allowances for specific licensed organizations will require new monitoring requirements and development of tracking system.

Expenditure and/or Revenue Formula

Initial expenditure includes administrative staff costs for a rules making process. Expenditures for fiscal year 2026 and beyond are administrative staff costs to implement regulation of rules.

Additional expenditures are for development of new LPE processes.

Long-Term Fiscal Considerations

Local Fiscal Impact

Adoption of equipment will require new internal controls development for licensed organizations as cash reserves will be handled differently with dispensing devices.

Local fiscal impact may require additional law enforcement resources as new equipment may require increased cash reserves be held at gambling sites. Increased security risk.

References/Sources

Agency Contact: Steve Pedersen

Agency Fiscal Note Coordinator Signature: Steve Pedersen

Phone: 651-539-1910

Date: 4/18/2024 3:59:51 PM

Email: steve.pedersen@gcb.state.mn.us

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Governors Office**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Susan Nelson **Date:** 4/3/2024 7:58:48 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	20	-	-	-
Absorbed Costs	-	-	(20)	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
General Fund						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Authorizes and provides for sports betting; establishes licenses; prohibits local restrictions; provides for taxation of sports betting; provides civil and criminal penalties; provides for amateur sports grants; requires reports; appropriates money.

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 \$20,000 and Governor's Office can absorb these costs.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Amanda Frie (651-587-9145)

Agency Fiscal Note Coordinator Signature: Alyssa Haugen

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Fiscal Note

2023-2024 Legislative Session

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Human Services Dept**

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	216	422	
Other Misc. Special Revenue	-	-	-	(1,250)	(3,700)	
Total	-	-	-	(1,034)	(3,278)	
Biennial Total						(4,312)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	1.5	3.5
Other Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	1.5	3.5

LBO Analyst's Comment

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

LBO Signature: Kate Schiller **Date:** 4/19/2024 3:46:27 PM
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State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	216	422	
Other Misc. Special Revenue	-	-	-	(1,250)	(3,700)	
Total	-	-	-	(1,034)	(3,278)	
Biennial Total			-		(4,312)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	216	422	
Other Misc. Special Revenue	-	-	-	-	1,250	
Total	-	-	-	216	1,672	
Biennial Total			-		1,888	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Other Misc. Special Revenue	-	-	-	1,250	4,950	
Total	-	-	-	1,250	4,950	
Biennial Total			-		6,200	

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 2, the bill describes the distribution of funds and the creation of the sports betting revenue account. The distribution of revenues are deposited as follows:

- 80% to the general fund and
- 20% to the sports betting revenue account in the special revenue fund.

The bill states that all amounts are deposited in the sports betting revenue account must be distributed annually by October 1st. 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:

- 50% of the amount remaining in the sports betting revenue account to the Department of Human Services (DHS) of which:
 - o one third for the gambling treatment program under Minnesota Statute section 245.98;
 - o one third for the state affiliate recognized by the National Council on Problem Gambling and
 - o one third for emergency services grants under section 256E.36.
- 50% of the amount remaining for the Amateur sports integrity and participation account established pursuant to section 240A.15, subdivision 1.

The effective date for this section for sports betting net revenue received is June 30, 2024.

Article 3 establishes regulations for fantasy contests.

Article 4 provides the regulations of taxation of fantasy contests.

Article 5 specifies crimes related to sports betting.

Article 6 creates grants administered by the Minnesota Amateur Sports Commission.

Article 7 amends regulations for charitable gambling.

Article 8 amends regulations for pari-mutual horse racing.

Article 9 designates the general fund appropriations to the various state agencies that are impacted by sports betting. In Section 3, \$100,000 in fiscal year 2025 is appropriated to Human Services to administer money appropriated under M.S. section 297J.02 subd. 8. The base is \$165,000 in fiscal year 2026 and \$526,000 in fiscal year 2027 and ongoing.

Assumptions

Revenue and Spending Assumptions:

1. Sports betting license fees will be collected beginning July 1, 2024.
2. Taxes are assumed to be collected January 1, 2026
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 2027.
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. After deducting any applicable refunds under subdivision 5, the Department of Human Services receives 50% of that allocation and MASC receives 50%. The funding appropriated to DHS is split into three different grant programs:
 - a. one third should be for the gambling treatment program under Minnesota Statute section 245.98;
 - b. one third for the state affiliate recognized by the National Council on Problem Gambling and
 - c. one third for emergency services grants under section 256E.36.

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:

Two FTE's are needed in the Behavioral Health, Housing and Deaf and Hard of Hearing administration (BHDH) to administer the grants.

- One FTE will be needed starting six months in FY 2026 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. Another FTE will be needed to also work with this grant developing RFP's, grant contracts and other closeout work. This person who is also assumed to be a MAPE 17L will also provide assistance with the grant to the state affiliate recognized by the National Council on Problem Gambling.

One FTE is needed for the Children and Families administration. This person will start six months into FY 2026 to begin planning for the expansion of the Emergency Services grant under Minnesota Statute 256E.36. This FTE will help develop grant criteria and plan for grant expansion. This person will be responsible for establishing RFP's for grants and contracts, working with grantees and stakeholders, contract development and grant monitoring. It is assumed that this FTE will be a MAPE 17 position.

To manage the volume of new contracts and payments, a 0.5 FTE for Operations to assist with administering grants in the Financial Operations division for entering grants into the grant payment system and issuing payments. This position would start in FY 2027

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 administrative funding is appropriated 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. Note: This bill appropriates funding to the Department of Human Services in the appropriations article under the general fund. The appropriation amount in the bill will need to be updated based on this fiscal note.

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.

Systems Impacts:

There are no systems impacts.

Expenditure and/or Revenue Formula

Special Revenue	FY24	FY25	FY26	FY27	FY28
Revenues					
Sports Betting Tax		0	2,500,000	9,900,000	9,900,000
SB Initial Application Fees		0	0	0	0
SB Initial Licensing Fees		0	0	0	0
SB License Renewal Fees		0	0	0	0
Transfer from GF to RCEDA		0	625,000	625,000	625,000
DPS Background Check Charges		75,810	75,810	75,810	75,810
Total Revenues	0	75,810	3,200,810	10,600,810	10,600,810
Expenditures					
DHS Grants		0	0	1,250,000	4,950,000
Emergency Services Grants		0	0	416,667	1,650,000
Compulsive Gambling Treatment Program		0	0	416,667	1,650,000
Grant to NCPG Affiliate		0	0	416,667	1,650,000
MASC Grants		0	0	750,000	2,970,000
Integrity of Amateur Sports Grants		0	0	250,000	990,000
Participation in Youth Sports		0	0	500,000	1,980,000
Distribution to MN State HS League		0	0	500,000	1,980,000
Racing Commission Purse Supplements		0	625,000	625,000	625,000
DPS Background Check Charges		75,810	75,810	75,810	75,810
Total Expenditures	0	75,810	700,810	3,200,810	10,600,810

Restricted Fund Balance, Beginning	0	0	0	2,500,000	9,900,000
Restricted Fund Balance, Ending	0	0	2,500,000	9,900,000	9,900,000
Change in Fund Balance	0	0	2,500,000	7,400,000	0
Breakout on Remaining distribution					
Remaining Balance		0	2,500,000	9,900,000	9,900,000
Split between DHS and MASC Grants					
<i>Emergency Services Grants</i>		0	416,667	1,650,000	1,650,000
<i>Compulsive Gambling Treatment Program</i>			416,667	1,650,000	1,650,000
<i>Grant to NCPG Affiliate</i>		0	416,667	1,650,000	1,650,000
Total DHS		0	1,250,000	4,950,000	4,950,000
Minnesota Amateur Sports Commission					
MASC Grants	0		750,000	2,970,000	2,970,000
<i>Integrity of Amateur Sports Grants</i>	0		250,000	990,000	990,000
<i>Participation in Youth Sports</i>			500,000	1,980,000	1,980,000
Distribution to MN State HS League		0	500,000	1,980,000	1,980,000
Breakout on Funding for DHS	FY 24	FY 25	FY 26	FY 27	FY 28
Revenue- Sports Revenue fund	0	0	(1,250,000)	(4,950,000)	(4,950,000)
Expenditures					
Grants Expenditures					
DHS Gambling Treatment program		0	0	416,667	1,650,000
<i>Emergency Services Grants</i>				416,667	1,650,000
DHS Grant to National Compliance on problem gambling		0	0	416,667	1,650,000
Total		0	0	1,250,000	4,950,000
General fund					
BHDH admin funding	FY 24	FY 25	FY 26	FY 27	FY 28
MAPE 17L			106,006	176,523	176,523
MAPE 17L			106,006	176,523	176,523
Children's and Family admin funding					
MAPE 17L			106,006	176,523	176,523
Operations					
MAPE 14L Operations- funding for additional grant work			0	90,605	90,605
Total	0	0	318,018	620,174	620,174
FFP @ 32%	0	0	(101,766)	(198,456)	(198,456)
Net total	0	0	216,252	421,718	421,718

	FY 24	FY 25	FY 26	FY 27	FY 28
Totals- Special Revenue					
Sports Fee Revenue	0	0	(1,250,000)	(4,950,000)	(4,950,000)
Sports Revenue Expenditures	0	0	0	1,250,000	4,950,000
Net Sports Revenue balance	0	0	(1,250,000)	(3,700,000)	0
General fund					
BACT 15 BHDH admin	0	0	212,012	353,046	353,046
BACT 12 CFS admin	0	0	106,006	176,523	176,523
BACT 11- Operations			0	90,605	90,605
REV1 FFP	0	0	(101,766)	(198,456)	(198,456)
Net Total	0	0	216,252	421,718	421,718
Total balance	0	0	(1,033,748)	(3,278,282)	421,718

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2024	FY2025	FY2026	FY2027
SR	REV2	Sports Betting Revenue	0	0	(1,250)	(4,950)
SR	59	Grant Compulsive Gambling Treatment Program	0	0	0	416
SR	59	Grant Affiliated State Authority				417
SR	47	Emergency Services Grants			0	417
GF	15	BHDH admin	0	0	212	353
GF	12	CFS Admin	0	0	106	177
GF	11	Operations admin	0	0	0	90
GF	REV2	32% FFP	0	0	(102)	(198)
		Total Net Fiscal Impact			(1,034)	(3,278)
		Full Time Equivalent	0	0	1.5	3.5

Long-Term Fiscal Considerations

The revenue and appropriations to DHS from sports betting revenue fund will be ongoing beyond FY 2027. In FY 2028, the revenue is forecasted to be about \$9.9 million a year, of which \$4.95 million will be appropriated to DHS. This funding will be split between the three grant programs on an ongoing basis. The FTE's which are paid for from the general fund will be ongoing as well. The sports betting revenue and expenditures become budget neutral with the only ongoing expenditures being to the general fund for the administrative costs. This cost is estimated to be about \$422,000 per year.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel

Phone: 651-247-3698

Date: 4/19/2024 3:40:45 PM

Email: christopher.zempel@state.mn.us

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Minn Management and Budget**

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	(500)	(1,480)	
Total	-	-	-	(500)	(1,480)	
Biennial Total			-		(1,980)	

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

LBO Analyst's Comment

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

LBO Signature: Susan Nelson **Date:** 4/19/2024 1:13:07 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	(500)	(1,480)
Total	-	-	-	(500)	(1,480)
Biennial Total			-		(1,980)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Restrict Misc. Special Revenue	-	-	-	-	500
Total	-	-	-	-	500
Biennial Total			-		500
2 - Revenues, Transfers In*					
Restrict Misc. Special Revenue	-	-	-	500	1,980
Total	-	-	-	500	1,980
Biennial Total			-		2,480

Bill Description

HF2000-2A provides for sports betting and fantasy contest regulations in the state of Minnesota.

Article 6, sec. 1, subd. 4 distributes money from the special revenue fund to the Minnesota High School League to award grants to schools and organizations to promote and facilitate participating in competitive, nonathletic youth activities in areas that have experience a disproportionately high rate of juvenile crime

Assumptions

Minnesota Management and Budget (MMB) assumes its roles is limited to creating special revenue fund for Minnesota High School League distributions from sports betting and issuing payment to Minnesota High School League.

MMB will make payment annually.

This work is normal operations for MMB and can be supported by existing staff. No additional resources are needed by MMB to implement bill.

MMB is using distribution amounts provided by LBO to complete note.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat
Phone: 651-201-8115

Date: 4/19/2024 12:01:02 PM
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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Public Defense Board**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Karen McKey **Date:** 3/21/2024 1:12:41 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		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill 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

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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 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
General Fund	-	-	-	625	625	
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	625	625	
Biennial Total						1,250

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

LBO Analyst's Comment

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

LBO Signature: Chloe Burns **Date:** 4/18/2024 11:01:18 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		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	625	625
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	625	625
Biennial Total				-		1,250
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	625	625
Restrict Misc. Special Revenue	-	-	-	-	625	625
Total	-	-	-	-	1,250	1,250
Biennial Total				-		2,500
2 - Revenues, Transfers In*						
General Fund						
Revenues	-	-	-	-	-	-
Transfers In	-	-	-	-	625	625
Total	-	-	-	-	625	625
Biennial Total				-		1,250

Bill Description

For the portions of the sports betting bill that interact with the Racing Commission (MRC), in Article 8, section 5, the bill would create a Racing Commission Economic Development Fund. Under this provision, MRC would receive an annual appropriation from the special revenue fund established by the bill, and MRC would then distribute those funds to the two racetracks.

Other provisions in Article 8 relate to the preemptive prohibition on Historical Horse Racing. There is no fiscal impact associated with these provisions, as Historical Horse Racing is not currently available as a wagering game 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.

Expenditure and/or Revenue Formula

The amount of the appropriation is taken directly from Article 9, sec. 5.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Kyle Gustafson (651-952-3951)

Agency Fiscal Note Coordinator Signature: Kyle Gustafson

Phone: 651-952-3951

Date: 4/18/2024 11:00:01 AM

Email: kyle.gustafson@state.mn.us

HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Revenue Dept**

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

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

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	10	2,023	1,740
Total	-	-	10	2,023	1,740
Biennial Total			10		3,763

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.06	7.21	9.71
Total	-	-	.06	7.21	9.71

LBO Analyst's Comment

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

Estimated tax revenue impact is shown on a companion analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Joel Enders **Date:** 4/19/2024 1:11:22 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	10	2,023	1,740
Total		-	-	10	2,023	1,740
Biennial Total				10	3,763	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	10	2,023	1,740
Total		-	-	10	2,023	1,740
Biennial Total				10	3,763	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-	-	

Bill Description

HF 2000-2E with the A21 amendment creates a regulatory framework for wagering on sporting events and fantasy contests. The bill also establishes crimes related to sports wagering and fantasy contests, creates a tax on sports wagering and fantasy contests, 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 1, subdivision 14 defines a mobile sports betting operator as an Indian tribe that receives a license from the commissioner of public safety to operate, conduct, or offer mobile sports betting. 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 sports 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 5, subdivision 3 authorizes the commissioner of public safety to request the director and the commissioner of revenue to assist in investigating the background of an applicant or licensee. The commissioner of public safety may charge an applicant an investigation fee to cover the cost of the investigation and use it to reimburse the Department of Revenue and the Division of Alcohol and Gambling Enforcement for their costs of the investigation.

Article 1, section 12 states all application, license, and renewal fees collected must be deposited in the general fund.

Article 1, section 20 gives authorization to the commissioner of public safety, the commissioner of revenue, and the director to inspect the accounting records of mobile sports betting operators and mobile sports betting platform providers at any time as long as 24-hour notice is given.

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.

The effective date for Article 1 is July 1, 2024 unless otherwise noted in a section.

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. Section 1 is effective for sports betting net revenue received after June 30, 2024.

Article 2, section 2, subdivision 1 states that a tax is imposed on sports betting net revenue equal to 20% on wagers placed online through a website or mobile application. Any bets placed on Tribal Land are not subject to state taxation.

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

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

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

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

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

Article 2, section 2, subdivision 7 establishes the sports betting revenue account in the special revenue fund. It requires the commissioner of Revenue to deposit 80% of the revenues, including penalties and interest, derived from the tax into the general fund and 20% into the sports betting revenue account in the special revenue fund.

Article 2, section 2, subdivision 8 states that all amounts collected by the commissioner in the sports betting revenue account in the previous fiscal year must be distributed annually by October 1. Any money remaining in the account at the end of each fiscal year does not cancel. Interest and income earned on money in the account, after deducting any applicable charges, must be credited to the account. After deducting any amounts necessary to pay the refunds under subdivision 5, 50% is appropriated to the commissioner of human services, of which one-third is for the compulsive gambling treatment program established under section 245.98, one-third is for emergency services grants under section 256E.36, and one-third is for a grant to the state affiliate recognized by the National Council on Problem Gambling. The remaining 50% shall be transferred to the amateur sports integrity and participation account established pursuant to section 240A.15, subd. 1.

Section 2 is effective for sports betting net revenue received after June 30, 2024.

Article 2, section 3 states mobile sports betting operators must maintain records that shows all sports betting activity conducted by the mobile sports betting operator and taxes owed for at least 3 ½ years after the return is due or filed, whichever is later, and may be inspected by the commissioner at any reasonable time without notice or a search warrant. The commissioner may require a financial audit of a mobile sports betting operator's sports betting activities if the operator fails to comply with this chapter as it relates to financial reporting. Section 3 is effective for sports betting net revenue received after June 30, 2024.

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. Section 4 is effective for sports betting net revenue received after June 30, 2024.

Article 3 establishes the regulatory framework and rules related to fantasy contests, which is under the authority of the Department of Public Safety.

Article 3, section 1 defines all relevant terms related to the business of fantasy contests.

Article 3, section 2 defines the powers and duties of the commissioner of public safety as it relates to the regulation of fantasy contests.

Article 3, section 3 details the licensing application requirements for obtaining a fantasy contests license. Subdivision 1 requires a licensee or applicant to not owe \$500 or more in delinquent taxes as defined in section 270C.72, not have, after demand, failed to file tax returns, and not be in default in the payment of an obligation or debt to the state.

Article 3, section 4 details the fantasy contest operator licensing requirements. An unlimited number of licenses may be issued.

Article 3, section 5 details the requirements of participants and fantasy sports contest operators to engage in fantasy contests.

Article 3, section 6 details all relevant information related to wagering, who can place a wager, how to place a wager, how to account for a wager, etc.

Article 3, section 7 gives the commissioner of public safety the authority to create and maintain an exclusion list and prohibit certain persons from participating in wagering on fantasy contests.

Article 3, section 8 details the financial responsibility of fantasy contest operators and the requirements necessary for conducting business as it relates to cash reserves, holding bonds, etc.

Article 3, section 9 details requirements for fantasy contest operators as it pertains to retaining records and sharing information.

Article 3, section 10 details the authority the commissioner of public safety has to enforce penalties as it relates to license violations.

Article 3, section 11 details data protection of fantasy contest wagering information.

Article 3 is effective July 1, 2024, unless otherwise noted in a section.

Article 4 establishes the taxation of fantasy contests, which is under the authority of the Department of Revenue. Article 4, section 1 defines terms relevant to the taxation of fantasy contests.

Article 4, section 2, subdivision 1 states that a 10% tax is imposed on fantasy contest operators.

Article 4, section 2, subdivision 2 states fantasy contest net revenue is not subject to tax imposed in chapter 290 (income and franchise taxes). Wagers accepted by fantasy contest operators are not subject to tax imposed in sections 297A.62 (sales tax) or 297E.03 (sports bookmaking tax).

Article 4, 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 fantasy contest taxes owed, and other information required by the commissioner.

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

Article 4, 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 general fund to the commissioner.

Article 4, 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 4, section 2, subdivision 7 states that the commissioner must deposit the revenues received into the general fund.

Article 4, section 2 is effective for adjusted gross fantasy receipts received after June 30, 2024.

Article 4, section 3 states fantasy contest operators must maintain records that shows all fantasy contest activity conducted by the fantasy contest operator and taxes owed for at least 3 ½ years after the return is due or filed, whichever is later, and may be inspected by the commissioner at any reasonable time without notice or a search warrant. The commissioner may require a financial audit of a fantasy contest operator's activities if the operator fails to comply with this chapter as it relates to financial reporting. Section 3 is effective for adjusted gross fantasy receipts received after June 30, 2024.

Article 5 establishes crimes related to sports betting and is effective the day that sports betting and fantasy contests become lawful under article 1 and 3 and applies to crimes committed on or after that date.

Article 6 establishes an amateur sports integrity and participation account in the special revenue fund, which consists of the amount deposited under Article 2, section 2, subdivision 8, paragraph (d). Since no effective date is listed for Article 6, DOR assumes an effective date of July 1, 2024.

Article 7 states that starting July 1, 2025, combined net receipts tax under section 297E.02 will decrease and decrease every year after through July 1, 2027. This section is effective for receipts collected the day following final enactment.

Article 8 includes changes related to pari-mutuel horse racing.

Article 9 details the appropriations made to different agencies to perform duties related to the regulation and implementation of this bill. Section 2 appropriates \$1,681,000 in FY25 from the general fund to the commissioner of Revenue to establish and enforce the taxation of mobile sports betting and fantasy contests. The base for this appropriation is \$1,353,000 in FY26 and each year thereafter.

Assumptions

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 Department of Public Safety, which has authority over Article 3 of the bill, assumes an average of 12 licensed or registered fantasy sports operators.

The Department of Public Safety assumes they will be completing rulemaking and licensing by January 1, 2026.

It is assumed first bets can be placed on January 1, 2026 and the Department of Revenue will begin receiving returns on February 20, 2026.

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 and fantasy contest tax. This new unit would include one supervisor (MMA bargaining unit) and six Revenue Tax Specialist series MAPE employees. Five FTEs will be needed in FY26 and a total of seven FTEs will be needed beginning in FY27 and ongoing for this unit. Four 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. Revenue has adjusted FTEs from the previous fiscal note to better align with hiring timelines, assumed gradual growth in licensees, and anticipated workload. Special Taxes assumes .43 FTE (890 hours) in systems costs to set up accounts and related functions for the two new taxes created in this bill. Special Taxes also assumes 10 hours of system analysis and testing costs each year to adjust lawful gambling rates and update materials.

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. The fantasy contests section of the bill involves a new type of tax with unlimited taxpayers that creates the need for reviewing new forms, fact sheets, and guidance. ALSA assumes 1.5 FTE will be needed starting in FY26 and ongoing for this work.

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

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

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

To complete this work Collection assumes .05 FTE (103 hours) is needed in FY25 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 with the 4 FTEs Special Taxes is assuming (8,320 hours) will be needed for audit and audit related activities, 10% or 832 hours from the Special Taxes Division reported FTEs will result in a bill being sent. We assume 25% or 208 hours of the 832 hours (.1 FTE) will be needed for manual collection review beginning FY27 and ongoing.

Related to Article 3 on Fantasy Contests, the Department of Public Safety (DPS) has regulatory authority and assumes there will be 12 applicants for the Fantasy Contest Operators Licenses. The Collection Division will need to manually review all license applicants received from DPS to ensure they meet the qualifications set forth in Article 3, section 3. Collection assumes it takes 30 minutes to review each applicant for licensure.

30 minutes*12 licenses= 360 minutes

360 minutes/60= 6 hours

The Collection Division assumes it will need less than .01 FTE in FY25 for this work.

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 FY26 and .01 FTE will be needed in both FY27 and FY28. The Special Taxes Division assumes \$6,066 in communication and outreach costs in FY26.

The Criminal Investigation Division (CID) at DOR assumes 1.0 FTE beginning in FY27 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. 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 \$750,600 in FY26 and systems support costs of \$72,100 in FY27 and ongoing to carry out this work. DOR assumes .18 FTE in FY26 and .03 FTE in FY27 and ongoing for systems analysis and testing.

The Financial Management Division anticipates .06 FTE will be needed in FY26 and ongoing to set-up new appropriation and funding accounts, perform fund transfers, account for refund activity, and add new tax types for both sports betting and fantasy contests to the account reconciliation process.

FTE Impact

FTE's	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal Services, and Disclosure (Attorney)			1.5	1.5
Collection staff (MAPE)		.06		.1
Communications staff (MAPE)		.	.05	.01
Criminal Investigation staff (MAPE)				1.0
Financial Management staff			.06	.06
MAPE			.05	.05
MMA			.01	.01
Special Taxes staff			5.43	7
MAPE			4.43	6
MMA			1	1
Systems Analysis & Testing staff (MAPE)			.17	.03
Total FTE Impact		.06	7.21	9.71

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 2024	FY 2025	FY 2026	FY 2027
Employee Compensation		9,821	1,265,998	1,666,870
Communication costs			6,066	
Subpoena costs and Specialized CID Equipment				1,167
Systems Development			750,600	
Systems Support				72,100
Total Administrative Costs (Savings)		9,821	2,022,664	1,740,137

Note: This table 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

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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Sentencing Guidelines Comm**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Karen McKey **Date:** 3/21/2024 1:13:04 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		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Articles 1 through 4 and 6 through 9.

Article 1 authorizes lawful sports betting under new laws to be codified as Minn. Stat. §§ 299L.10 through 299L.75. Article 1 authorizes qualified adults age 21 and older to place mobile sports wagers with licensed entities, authorizes the Commissioner of Public Safety (DPS) to regulate sports betting, and provides an application process for issuance of licensure. In addition to any applicable criminal penalties, article 1 authorizes civil penalties for license violations. Article 1 is generally effective July 1, 2024.

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

Article 3 authorizes lawful fantasy contests under new laws to be codified as Minn. Stat. chap. 349C. Article 3 authorizes qualified adults age 21 and older to participate in fantasy contests with licensed fantasy contest operators, and to place wagers on such contests. Article 3 authorizes DPS to regulate fantasy contests and license fantasy contest operators, with civil penalties for license violations.

Article 4 provides for taxation of fantasy contests.

Article 6 establishes grants to promote the integrity of amateur sports and to promote and facilitate participation in youth sports and activities.

Article 7 alters the charitable gambling taxation scheme, defines “electronic pull-tab device dispenser,” and temporarily expands the lawful purposes of the expenditures of gross profits from charitable gambling to include the repair, maintenance, improvement, or replacement of the real property or capital assets of veterans’ organizations.

Article 8 alters Minn. Stat. chap. 240, pertaining to pari-mutuel horse racing.

Article 5.

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 creates Minn. Stat. § 299L.80 (Crimes Related to Sports Betting), which defines various crimes related to sports betting with licensed entities and provides for penalties, as follows:

Subdivision 2 creates a misdemeanor for the unauthorized sale or transfer of private data on individuals collected through sports betting.

Subdivision 3(a) creates a misdemeanor for wagering by a person under age 21.

Subdivision 3(b) creates a gross misdemeanor if a person or entity authorized to accept wagers 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 bettor'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 the sports bettor is: (1) a participant in the sporting event; (2) a licensee under article 1, or an employee of a licensee whose exclusive or primary responsibilities involve mobile sports betting, who places the wager on an affiliated online website or mobile application; (3) an officer, director, member, or employee of the Department of Public Safety or the Division of Alcohol and Gambling Enforcement, unless conducting an investigation; or (4) a person who possesses nonpublic information on the sporting 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 bettor places more than five wagers 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 adds to the crime of sports bookmaking, presently defined as a felony in Minn. Stat. § 609.76, subd. 2, new offenses for betting on a sporting event with someone not licensed to engage in sports betting under article 1. Such betting is a misdemeanor if the wager does not exceed \$500; a gross misdemeanor if the person had previously been convicted of a violation of this section or section 299L.80 or if the wager exceeds \$500 but not \$1,000; or a felony if the wager exceeds \$1,000. Section 8 also adds a six-month, multi-county aggregation period for sports bookmaking.

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 5 is effective the day that sports betting and fantasy contests becomes lawful under articles 1 and 3 and applies to crimes committed on or after that date.

Assumptions

The effective date of the crimes established or amended in article 5, being tied to the date sports betting and fantasy contests become lawful under articles 1 and 3, is not known. It is assumed that sports betting and fantasy contests will not become lawful under articles 1 and 3 until the Department of Public Safety promulgates administrative rules and issues licenses pursuant to those rules, a process that will take several months and possibly more than a year.

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. Cases sentenced before 2020 are used 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 aforementioned 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 5 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 5 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:

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HF2000 - 2A - Sports Betting

Chief Author: **Zack Stephenson**
 Committee: **Taxes**
 Date Completed: **4/19/2024 7:03:19 PM**
 Agency: **Supreme Court**

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

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

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

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

LBO Analyst's Comment

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

LBO Signature: Karen McKey **Date:** 4/2/2024 11:57:09 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

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

Bill Description

This bill adds new provisions in Minn. Stat. Chapter 299L, Gambling Enforcement, governing lawful sports betting.

Article 1 of 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 creates a new chapter 349C for “Fantasy Contests.” The bill defines relevant terms and establishes: powers and duties of the regulating authority, licensing requirements, fantasy contests, wagering requirements, and a number of other regulations pertaining to fantasy contests. The bill authorizes the commissioner to issue administrative orders, establishes guidelines for contested cases under chapter 14, and processes for review.

Article 4 provides for taxation of fantasy contests.

Article 5 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 (except where transfer is necessary to the performance of duties authorized by law); 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. (Pursuant to Minn. Stat. § 609.75, subd. 7, more than 5 wagers within a 30-day period with a total amount over \$2,500 constitutes “sports bookmaking” which is a felony under Minn. Stat. § 609.76, subd. 2.) 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 fantasy contests conducted pursuant to Chapter 394C and sports betting under chapter 299L from the definition of bets. The bill amends subdivision 4 to exempt devices authorized under chapter 299L or chapter 349C from the definition of gambling device; amends subdivision 7 to exempt betting under chapter 299L and fantasy contests under chapter 349C from the definition of sports bookmaking; adds a new subdivision 7a defining sporting event; and adds a new subdivision 7b defining "fantasy contest" with the meaning given in section 349B.01, subd. 9.

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 299L.80, 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. ("Sports bookmaking" remains a felony offense under Minn. Stat. § 609.76, subd. 2 under the provisions of this bill, as paragraph (d).)

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 of the bill are effective the day sports betting becomes lawful and apply to crimes committed on/after that date.

Article 6 of the bill establishes a number of grant programs to promote integrity of amateur sports and participation in youth sports and activities. The bill establishes annual reporting requirements.

Article 7 of the bill concerns charitable gambling. The bill modifies Minn. Stat. § 297E.02, subd. 6 (relating to taxes on gambling) and modifies Minn. Stat. § 349.12 to create a new subdivision 12f regarding electronic pull-tab device dispensers and adds a new item under the definition of "lawful purpose" in subd. 25.

Article 8 of the bill concerns pari-mutuel horse racing. The bill makes amendments to Minn. Stat. § 240.01 and creates a new statute, sec. 240.1563, to establish a special revenue account for the Minnesota Racing Commission.

Article 9 of the bill appropriates funds to various government departments/agencies to carry out provisions of the bill.

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

Based on judicial branch data from the past 10 years (2013-2023), there is an average of approximately 35 criminal cases filed annually statewide charging a gambling violation under the statutes listed. If the case filing rate under the provisions of this bill is comparable, an additional 35 cases statewide per year is not anticipated to have a significant fiscal impact on

the judicial branch.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

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