

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

2021 South Dakota Legislature

FISCAL NOTE 2021-FN1231A

HB1231 – An Act to authorize, regulate, and tax wagering on sporting events within the city limits of Deadwood and provide a penalty for a violation thereof.

HB1231 would authorize placing bets on sporting events with a licensed establishment in Deadwood either physically within Deadwood or online while physically present anywhere within the State. A bet placed online would be considered to take place within the city limits of Deadwood as is required by Article 3, § 25 of the *South Dakota Constitution*.

The total fiscal estimate to the State is predicted to be \$468,992 in FY 2022, with \$364,772 going into the State's general fund. These values are calculated in part by estimating total gaming adjusted gross revenue in both FY 2021 and FY 2022 based on revenue data available up through November 2020.¹ Sports wagering adjusted gross revenue is calculated as a set percentage of total gaming adjusted gross revenue based on revenue data of certain states that authorized online sports wagering by 2019.

Based on the language of the bill, 25% of the net proceeds of sports wagering would be devoted to the historic preservation of the City of Deadwood and 75% would be deposited into the State's general fund. For the purposes of this fiscal note, it is assumed that all proceeds from the 8% gaming tax prescribed in SDCL 42-7B-28 will be allocated as described above and that all proceeds from the 1% gaming tax prescribed in SDCL 42-7B-28.1 will be transferred directly into the State's general fund.

¹ The South Dakota Commission on Gaming was contacted in an attempt to acquire more recent data but did not respond in time.

	<u>FY 2020</u>	<u>FY 2021 (est.)</u>	<u>FY 2022 (est.)</u>
Total Gaming Adjusted Gross Revenue	\$ 96,393,347	\$ 102,176,948	\$ 104,220,487
% Change in Adjusted Gross Revenue	-6.22%	6.00%	2.00%
Sports Wagering Adjusted Gross Revenue*			\$ 5,211,024
8% Gaming Tax			\$ 416,882
1% Gaming Tax			\$ 52,110
Total Sports Wagering Tax Revenue			\$ 468,992
8% Gaming Tax			\$ 416,882
Historic Restoration and Preservation Fund (25%)			\$ 104,220
State General Fund (75%)			\$ 312,661
1% Gaming Tax			\$ 52,110
State General Fund (100%)			\$ 52,110
Total Sports Wagering Tax Revenue to General Fund			\$ 364,772

*Estimated to be 5.00% of total gaming adjusted gross revenues

The estimated amount of sports wagering adjusted gross revenue takes into account the growth of sports wagering revenue as a percentage of total gambling revenue in states that have already authorized sports wagering online such as Nevada, New Jersey, and Pennsylvania, as shown in the table below.² In addition, this amount considers the fact that all other games in South Dakota would be subject to a maximum bet of \$1,000 compared to a maximum bet of at least \$10,000 for sports wagering.

² Nevada did not report sports wagering adjusted gross revenue in either April 2020 or May 2020.

	2019 Sports Adj. Gross Rev.	2019 Total Gambling Adj. Gross Rev.	Sports as % of Total Gambling	2020 Sports Adj. Gross Rev.	2020 Total Gambling Adj. Gross Rev.	Sports as % of Total Gambling	% Increase Sports as % of Total Gambling
Nevada Jan	\$ 14,626,000	\$ 984,527,000	1.49%	\$ 20,152,000	\$ 1,038,197,000	1.94%	23.47%
Nevada Feb	\$ 35,816,000	\$ 1,011,539,000	3.54%	\$ 38,064,000	\$ 1,042,628,000	3.65%	3.01%
Nevada Mar	\$ 32,523,000	\$ 1,022,975,000	3.18%	\$ 1,455,000	\$ 618,129,000	0.24%	-1250.65%
Nevada Jun	\$ 16,587,000	\$ 1,040,994,000	1.59%	\$ (483,000)	\$ 566,807,000	-0.09%	-1969.85%
Nevada Jul	\$ 10,534,000	\$ 1,023,950,000	1.03%	\$ 6,295,000	\$ 756,793,000	0.83%	-23.68%
Nevada Aug	\$ 18,733,000	\$ 952,404,000	1.80%	\$ 16,985,000	\$ 743,039,000	2.29%	21.28%
Nevada Sep	\$ 52,068,000	\$ 1,059,291,000	5.09%	\$ 32,895,000	\$ 821,132,000	4.01%	-26.93%
Nevada Oct	\$ 47,887,000	\$ 1,021,910,000	5.03%	\$ 42,388,000	\$ 822,677,000	5.15%	2.42%
Nevada Nov	\$ 31,013,000	\$ 937,472,000	3.31%	\$ 61,807,000	\$ 771,163,000	8.01%	58.72%
New Jersey Jan	\$ 18,777,582	\$ 229,521,272	8.18%	\$ 53,561,626	\$ 300,708,538	17.81%	54.07%
New Jersey Feb	\$ 12,732,740	\$ 241,170,792	5.28%	\$ 17,000,928	\$ 287,305,338	5.92%	10.78%
New Jersey Mar	\$ 31,669,387	\$ 293,967,694	10.77%	\$ 13,181,101	\$ 163,472,813	8.06%	-33.61%
New Jersey Apr	\$ 21,215,747	\$ 265,381,245	7.99%	\$ 2,634,050	\$ 82,593,876	3.19%	-150.68%
New Jersey May	\$ 15,536,384	\$ 276,772,655	5.61%	\$ 9,912,062	\$ 99,121,043	10.00%	43.87%
New Jersey Jun	\$ 9,701,925	\$ 287,156,541	3.38%	\$ 12,639,282	\$ 103,572,740	12.20%	72.31%
New Jersey Jul	\$ 17,884,790	\$ 334,386,358	5.35%	\$ 29,551,987	\$ 264,485,561	11.17%	52.13%
New Jersey Aug	\$ 25,210,342	\$ 341,711,910	7.38%	\$ 39,507,181	\$ 326,332,958	12.11%	39.06%
New Jersey Sep	\$ 37,883,375	\$ 302,918,665	12.51%	\$ 45,083,178	\$ 315,022,228	14.31%	12.61%
New Jersey Oct	\$ 46,393,537	\$ 293,865,890	15.79%	\$ 58,508,647	\$ 358,749,847	16.31%	3.20%
New Jersey Nov	\$ 32,895,546	\$ 305,977,174	10.75%	\$ 50,554,535	\$ 288,942,800	17.50%	38.55%
Pennsylvania Jan	\$ 2,607,215	\$ 258,975,560	1.01%	\$ 31,580,803	\$ 311,583,982	10.14%	90.07%
Pennsylvania Feb	\$ 1,946,817	\$ 267,551,458	0.73%	\$ 11,432,097	\$ 311,059,586	3.68%	80.20%
Pennsylvania Mar	\$ 5,519,340	\$ 316,279,316	1.75%	\$ 8,606,120	\$ 155,198,234	5.55%	68.53%
Pennsylvania Apr	\$ 4,221,482	\$ 283,881,863	1.49%	\$ 3,202,680	\$ 46,437,814	6.90%	78.44%
Pennsylvania May	\$ 2,861,852	\$ 290,803,958	0.98%	\$ 5,918,697	\$ 62,076,326	9.53%	89.68%
Pennsylvania Jun	\$ 3,126,380	\$ 271,299,166	1.15%	\$ 7,959,790	\$ 133,882,126	5.95%	80.62%
Pennsylvania Jul	\$ 5,079,633	\$ 283,704,520	1.79%	\$ 13,651,865	\$ 288,556,149	4.73%	62.16%
Pennsylvania Aug	\$ 9,887,738	\$ 295,761,955	3.34%	\$ 27,593,677	\$ 310,191,965	8.90%	62.42%
Pennsylvania Sep	\$ 19,334,816	\$ 297,206,808	6.51%	\$ 18,277,566	\$ 285,534,540	6.40%	-1.63%
Pennsylvania Oct	\$ 19,116,777	\$ 284,753,104	6.71%	\$ 47,834,647	\$ 300,807,354	15.90%	57.78%
Pennsylvania Nov	\$ 20,570,772	\$ 287,874,651	7.15%	\$ 48,500,443	\$ 295,417,524	16.42%	56.48%
Total	\$ 623,961,177	\$ 15,365,984,555	4.06%	\$ 776,250,962	\$ 12,271,618,342	6.33%	35.81%

The total gaming adjusted gross revenue for FY 2021 takes into account the increase in total gaming adjusted gross revenue in South Dakota since the start of FY 2021 compared to FY 2020, as shown in the table below.

	FY 2021 Gaming	FY 2020 Gaming	
	Adj. Gross Rev.	Adj. Gross Rev.	% Change
July	\$ 11,078,004.36	\$ 10,645,811.00	4.06%
August	\$ 10,989,193.00	\$ 10,829,189.00	1.48%
September	\$ 11,674,423.69	\$ 10,423,413.00	12.00%
October	\$ 8,952,354.06	\$ 8,641,689.00	3.59%
November	\$ 7,869,175.07	\$ 6,963,448.00	13.01%
Total	\$ 50,563,150.18	\$ 47,503,550.00	6.44%

The total gaming adjusted gross revenue in South Dakota for FY 2022 takes into account that total gaming adjusted gross revenue in South Dakota tends to follow a pattern of one-year decreases in revenue followed by two years of increases, with the increase in the second year always resulting in at least 2% growth, as shown in the table below.

	Total Gaming	
	Adj. Gross Rev.	% Change
FY 10	\$ 100,794,419.56	
FY 11	\$ 99,605,745.56	-1.19%
FY 12	\$ 101,188,524.01	1.56%
FY 13	\$ 103,309,298.85	2.05%
FY 14	\$ 98,640,214.44	-4.73%
FY 15	\$ 102,290,180.62	3.57%
FY 16	\$ 105,228,686.18	2.79%
FY 17	\$ 98,591,769.40	-6.73%
FY 18	\$ 99,928,727.24	1.34%
FY 19	\$ 102,782,453.21	2.78%
FY 20	\$ 96,393,347.35	-6.63%

APPROVED BY: /s/ Reed Holwegner
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