



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

March 15, 2023

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### **H.127 – An act relating to sports wagering**

**As recommended by the House Committee on Government Operations and Military Affairs, [Draft 2.1](#)<sup>1</sup> and proposed to be amended by the House Committee on Ways and Means, [Draft 2.2](#)<sup>2</sup>**

#### **Bill Summary**

**T**his bill would legalize sports wagering in Vermont and authorize the Vermont Department of Liquor and Lottery (DLL) to operate and regulate sports wagering. DLL would be tasked with negotiating and contracting with at least two but not more than six sportsbook operators to open sportsbooks in Vermont through a mobile platform. If the bidding process fails to result in at least two acceptable operators, DLL may opt to either decline to authorize any operators or to allow a single operator to open a sportsbook.

As part of the bidding process, the bill requires DLL to negotiate a revenue share agreement with operators. The bill does not stipulate a minimum required revenue share or establish a maximum revenue share. The revenue share percentage is applied to adjusted gross revenue for each operator, which is equal to gross revenue minus winnings paid to wagerers, federal excise taxes, and voided bets.

The bill establishes a problem gambling program to be administered by the Department of Mental Health to provide education, assistance, awareness, treatment, and recovery services to people experiencing difficulty arising from addictive or problematic gambling.

#### **Fiscal Impact**

**JFO estimates the bill will generate approximately \$1.3 million to \$2.0 million in FY 2024, and between \$4.6 million and \$10.6 million in FY 2025 in sports wagering revenue.** The bill appropriates \$250,000 in FY 2024 and \$500,000 in FY 2025 from the General Fund to the Department of Mental Health to establish and administer a problem gambling program. The bill also requires DLL to collect annual operator fees with amounts set based on the number of operators. The minimum total fee revenue amount will be \$550,000 if there are one or two operators and will step up incrementally to \$750,000 in total fee revenue if there are six operators. Lastly, the bill appropriates \$550,000 from the General Fund in FY 2024 to DLL in anticipation of initial costs of administration prior to fee revenue being collected.

<sup>1</sup><https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.127/H.127~Committee~%20Draft%202.1,%202-16-2023~2-22-2023.pdf>

<sup>2</sup>[https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.127/H.127~Committee~%20As%20Recommended%20by%20the%20House%20Committee%20on%20Ways%20and%20Means%20\(10-2-0\)~3-15-2023.pdf](https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.127/H.127~Committee~%20As%20Recommended%20by%20the%20House%20Committee%20on%20Ways%20and%20Means%20(10-2-0)~3-15-2023.pdf)

## Background and Details

### Sports Wagering Revenue

The bill authorizes DLL to conduct a bidding process with operators with authorization to approve two to six operators to open sportsbooks in Vermont. As part of the process, DLL will negotiate a revenue sharing agreement with operators. The bill sets the minimum allowable revenue share rate at 20%.

The revenue share will operate like a tax that will be applied to the operators adjusted gross revenue. For operators, adjusted gross revenue is equal to gross revenue minus winnings paid to wagerers, federal excise taxes, and voided bets. The amount of revenue generated for the state will be dependent on the negotiated revenue share rates. The revenue generated will be collected by DLL and that amount will be deposited in the General Fund.

The expectation for FY 2024 is that the market will be live by the end of the December 2023, and revenues will be collected for the last six months of FY 2024 or January through June of 2024. The estimated revenue collected in FY 2024 will be sensitive to when the market goes live (when DLL can execute contracts) and when revenues are collected.

JFO estimated expected revenue in FY 2024 and FY 2025 assuming a revenue share rate between 20% and 50%. If the negotiated revenue share rates agreed to by DLL are 20%, JFO estimates sports wagering will generate \$1.31 million in FY 2024 and \$4.58 million in FY 2025. Assuming a 50% revenue share, JFO estimates the state will receive approximately \$2.00 million in FY 2024 and \$10.64 million in FY 2025.

**Table 1: Estimated Revenue Based on Negotiated Revenue Share**

Assumed Revenue Share	FY 2024	FY 2025
20%	\$1,310,000	\$4,580,000
50%	\$2,004,000	\$10,640,000

### Annual Operator Fee

The bill establishes an annual operator fee of that ranges from \$125,000 to \$550,000 assessed by DLL based on the number of approved operators. The highest fee of \$550,000 will be set in the instance that there is one approved operator. The per operator fee will decrease, the more approved operators there are. The lowest possible fee revenue to DLL will be \$550,000 but will rise incrementally to \$750,00 in total fee revenue if there are six approved operators.

**Table 2: Annual per operator fee based on the number of approved operators**

Number of Operators	Annual Fee Per Operator	Total Fee Revenue
1	\$550,000	\$550,000
2	\$275,000	\$550,000
3	\$200,000	\$600,000
4	\$162,500	\$650,000
5	\$140,000	\$700,000
6	\$125,000	\$750,000

In FY 2024 the bill appropriates \$550,000 from the General Fund to DLL in anticipation of administration costs prior to when operator fees will start being collected. Starting in FY 2025 DLL is expected to be able to cover their costs of administration through the collection of fees.

### Problem Gambling Appropriation

The bill appropriates \$250,000 in FY 2024 and \$500,000 in FY 2025 from the General Fund to the Department of Mental Health to establish and administer a problem gambling program. The program will provide assistance and education to help prevent problem gambling behaviors associated with sports wagering. These appropriations are expected to cover the costs of providing this program in FY 2024 and FY 2025.

## Appendix: Resources

### **Report and Recommendations of the 2022 Sports Betting Study Committee:**

<https://legislature.vermont.gov/assets/Legislative-Reports/Report-and-Recommendations-of-the-2022-Sports-Betting-Study-Committee.pdf>

### **2021-2022 Sports Wagering Study from the Office of Legislative Counsel and Joint Fiscal Office:**

<https://legislature.vermont.gov/assets/Legislative-Reports/2021-2022-OLCJFO-Sports-Wagering-Study-.pdf>