



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

May 23, 2023

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H.127 – An act relating to sports wagering

As passed by the General Assembly¹

Bill Summary

This 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 \$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 from the newly established Sports Wagering Enterprise Fund to the Department of Mental Health to establish and administer a problem gambling program. The bill also appropriates \$550,000 from the Sports Wagering Enterprise Fund in FY 2024 to DLL in anticipation of initial costs of administration prior to fee revenue being collected. Lastly, the bill appropriates \$100,000 from the Sports Wagering Enterprise Fund to the Agency of Digital Services to establish a self-exclusion program. All appropriations from the Sports Wagering Enterprise Fund are made in anticipation of receipts from sports wagering operator fees. The bill also requires DLL to collect initial operator fees equal to \$550,000 per operator, which operators may negotiate the renewal term on and may not be assessed more than once in any three-year period.

¹<https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0127/H-0127%20As%20Passed%20by%20Both%20House%20and%20Senate%20Official.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 with operators. The bill establishes the Sports Wagering Enterprise Fund and the revenue generated will be collected by DLL and deposited in the fund. Funds in the account will be transferred to the General Fund annual via a direct application annually, similar to the process followed for proceeds from liquor sales carried out by DLL.

The expectation for FY 2024 is that the market will be live by the end of the December 2023, and revenues will be remitted for the last five months in FY 2024 (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), how many operator contracts are executed, and when revenues are collected.

JFO estimated expected revenue in FY 2024 and FY 2025 assuming a revenue share rate of 50% which has been done in other states that operate a similar market structure. If the negotiated revenue share is 50% JFO estimates sports wagering revenue of approximately \$2.0 million in fiscal year 2024 and \$10.6 million in fiscal year 2025. However, a 50% revenue share rate is not guaranteed and if the negotiated rate is lower the actual revenues may be lower than projected. If the negotiated rate is at the statutory minimum rate of 20%, JFO estimates that revenues will be \$1.3 million in fiscal year 2024 and \$4.6 million in fiscal year 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

Operator Fee

The bill establishes an initial operator fee of \$550,000 assessed by DLL on each operator. Operators will be able to negotiate the renewal term of the operator fee, but DLL will not assess a fee on operators more than once in any three-year period.

In FY 2024 the bill appropriates \$550,000 from the Sports Wagering Enterprise 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.

Fees will be collected and deposited in the Sports Wagering Enterprise Fund and are expected to cover DLL's expected ongoing administrative and operating costs. These costs will be allocated to DLL from the Sports Wagering Enterprise Fund.

Problem Gambling Appropriation

The bill appropriates \$250,000 in FY 2024 from the Sports Wagering Enterprise Fund to the Department of Mental Health to establish and administer the Problem Gambling Program. This appropriation will be made in anticipation of revenue collected from fees and sports wagering. 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. By January 15, 2024 the Department of Mental Health and DLL will produce a report on the status of the Problem Gambling Program and provide recommendations for funding the program in FY 2025.

Vermont Sports Wagering Personal Income

The bill would require proceeds from wagering transactions made within the State by nonresidential wagerers to be considered adjusted gross income of that individual attributable to Vermont. This ensures that proceeds made on sports wagering transactions in the State are considered taxable in Vermont. This could have a material positive impact on Vermont personal income tax revenues to the extent that nonresidential sports wagers have proceeds from sports wagering activities.

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>