152nd GENERAL ASSEMBLY
FISCAL NOTE

BILL:	**HOUSE BILL NO. 365**
SPONSOR:	**Representative Cooke**
DESCRIPTION:	**AN ACT TO AMEND TITLE 29 OF THE DELAWARE CODE RELATING TO THE LOTTERY.**

Assumptions:

1. This Act is effective upon signature by the Governor.
2. This Act establishes competitive mobile sports wagering. Under this Act, the Lottery Director ("Director) is authorized to establish regulations governing competitive mobile sports wagering.
3. Each video lottery operator is authorized to contract with up to two (2) internet sports lottery operators awarded licenses by the Director provided however that no licensed internet sports lottery operator may establish a contractual arrangement with more than one (1) video lottery agent.
4. The Director is to publish a "Request for Applications" for qualified internet sports lottery operators to operate in Delaware. Licenses issued pursuant to the Request for Application are to be issued to internet sports lottery operators that enter into a market access agreement with a licensed video lottery agent and that meet a number of criteria established by the Director.
5. Licensed internet sports lottery operators are required to pay an initial $500,000 licensing fee for an initial five year term. After the initial five year term expires, the subsequent five year renewal fee is $250,000. Initial and renewal license fees are to be deposited to the General Fund.
6. Current internet gaming:
    a. The Lottery has offered internet sports gaming, awarded pursuant to a Request for Proposal since January 1, 2024 using a single vendor. Currently the Gross Gaming Revenue received from sports betting is defined as gross wagering ("Handle") less: (1) promotional play (currently averaging 1.6%) and (2) player winnings. Net Proceeds is calculated as: (1) Gross Gaming Revenue less (2) vendor fees. Of the Net Proceeds: (1) 9.6% of proceeds from Thoroughbred venues are allocated to Thoroughbred purses, 10.2% of proceeds from Harness venues are allocated to Harness purses; (2) 40% percent of total proceeds are allocated to video lottery agents and (3) up to $300,000 has been proposed in the FY 2025 Governor's Recommended Budget to be provided to the Division of Substance Abuse and Mental Health for funding programs aimed at problem gamblers.

        Handle – Promotional Pay – Player Winnings = Gross Gaming Revenue

        Gross Gaming Revenue – Vendor Fees = Net Proceeds

        Net Proceeds – Purses – Video Lottery Agents – Problem Gambling = $ to Lottery Fund.

    b. For the period January 1, 2024 – April 30, 2024 the Handle for total sports wagering was $65.3 million as compared to $19.5 million for a similar period in 2023, prior to the implementation of internet gaming. Of this amount, the Handle specifically attributed to internet sports wagering was $52.9 million. The resulting Gross Gaming Revenue was $5.4 million and Net Proceeds after payment of vendor fees were $3.2 million.
    c. Of the Net Proceeds, $1.3 million was dedicated to the video lottery agents, $310,000 to purses, $100,000 for problem gambling and $1.6 million deposited to the Lottery Fund.

7. Under the provisions of this Act
    a. The current internet sports gaming vendor is authorized to continue operations under the current methodology.
    b. The Adjusted Gross Sports Lottery Receipts ("AGSLR") for internet sports betting operators would be the Handle less : (1) promotional play which is limited to 2.5% through July 1, 2025 then reduced to 2.0% thereafter; (2) player winnings and (3) federal excise tax of 0.25% of the Handle.
    c. AGSLR less: (1) State Lottery Fund share equal to 18% of the AGSLR less $400,000 for problem gambling and (2) Purses equal to 1.5% of the AGSLR is retained by the licensed internet sports lottery operator and the video lottery agent.

        Handle – Promotional Play (2.5%/2.0%) – winnings - excise tax = AGSLR

        AGSLR – State Lottery Fund (18% less $400,000 for problem gambling) – Purses (1.5%) = Sports lottery operator/video agent
    d. The Act contains a provision that funds dedicated to purses shall not be less than the twelve months prior to commencement of the internet sports lottery in January 2024.
    e. The greater of 3.5% of the amount returned to the State Lottery Fund or $400,000 is to be dedicated to problem gambling.
8. Revenue loss to the Lottery Fund is calculated as the difference between the current operator and methodology as compared to that in the Act regardless of the number of operators.
9. This analysis assumes the current DEFAC estimates for Handle for FY 2025 will be $186.1 million and $223.5 million for FY 2026, then 5% growth for FY 2027.
10. This analysis also assumes the relative percentages of Gross Gaming Revenue to Handle remains constant.
11. The Lottery anticipates the need for additional staff to assist with the enforcement and administration of the Act. The estimated Fiscal Year 2025 personnel costs, including OECs at a rate of 32.94%, for 1.0 Appropriated Special Fund (ASF) FTE, Program Compliance Manager; 2.0 ASF FTE, Internal Auditor; and 1.0 ASF FTE, Fiscal Advisor are estimated at $375,309 ASF. One-time funding of $150,000 ASF is also estimated for consultant assistance in the development and promulgation of the required regulations. The source of the ASF revenue would be the Delaware Lottery Fund.

Cost:

	General Fund Revenue Loss	Operating Costs	One-Time
Fiscal Year 2025	$2.7 million	$375,309 ASF	$150,000 ASF
Fiscal Year 2026	$3.0 million	$382,815 ASF	
Fiscal Year 2027	$3.1 million	$390,471 ASF	

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