This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3625 Prefiled on December 12, 2024
Subject:	Interactive Sports Wagering
Requestor:	House Ways and Means
RFA Analyst(s):	Tipton and Gardner
Impact Date:	January 8, 2025

Fiscal Impact Summary

This bill establishes the framework for lawful online or mobile sports wagering in the state and creates the South Carolina Sports Wagering Commission (commission) to administer and regulate this program. The bill establishes guidelines for the implementation of sports wagering and provides for a 12.5 percent privilege tax on sports wagering operators' adjusted gross wagering receipts, defined as the total amount bet less payouts to winners and any qualifying adjustments.

The commission is responsible for licensure of sports wagering operators, regulation, and general administration of lawful online or mobile sports wagering and will be composed of nine appointed members. Members must meet background, residency, and other requirements in the bill and will be appointed with staggered terms by the Governor, the President of the Senate, and the Speaker of the House of Representatives. The commission is also tasked with appointing an executive director to oversee the implementation and regulation of interactive sports wagering in the state.

The funds generated by the 12.5 percent privilege tax on sports wagering operators will be distributed as follows under the bill:

- 82 percent of the privilege tax revenue from sports wagering will be transmitted by the Department of Revenue (DOR) into the General Fund;
- 10 percent of the privilege tax revenue will be transmitted to the General Fund by DOR for quarterly distributions to local governments on a per capita basis to be used for local infrastructure projects;
- 5 percent of the privilege tax revenue will be allocated to the Department of Mental Health (DMH) for the oversight of a grant program to provide treatment services for individuals with problem gambling or gambling disorders; and
- 3 percent of the privilege tax revenue will be transmitted by DOR to the commission for the administrative and operating expenses of the commission.

Expenditures

The commission is responsible for the licensure of up to eight online or mobile sports wagering operators. The bill prescribes numerous requirements of the commission in licensing a prospective operator, including a review of its financial status, confirmation of licensure in other jurisdictions, and criminal background checks on the principal owners, partners, or board of directors. Prospective sports wagering operators are required to submit a non-refundable application fee of $100,000 and a refundable license fee of $1,000,000 to the commission to be considered for licensure. Upon submission of the license and application fee, the commission may issue a temporary license to the sports wagering operator pending the full application review, provided the prospective licensee meets certain requirements in the bill. The bill provides for the commission to issue supplier licenses for entities that provide critical services to an operator but do not directly accept wagers, for an initial license fee of $20,000 in addition to a processing fee equal to the cost of processing the application and performing background investigations. The commission also has the ability to conduct investigations of licensees and levy fines if unlawful activities are discovered in amounts ranging from $1,000 to $25,000, depending on the violation. The commission may retain all license, application, and other fees levied on sports wagering operators or suppliers to cover the commission's administrative and operating costs. We anticipate that the commission will be wholly funded using revenue generated by these fees and fines, as well as the 3 percent allocation from the sports wagering privilege tax.

This bill requires DOR to administer and collect the privilege tax levied on licensed sports wagering operators in the state. The agency indicates that this will be managed using existing staff and resources and, therefore, this bill will have no impact on DOR.

Under this bill, DMH must oversee a grant program to provide treatment services for individuals with problem gambling or gambling disorders. This bill also requires DMH to generate a report outlining the agency's activities with respect to these funds and must include certain metrics specified by the bill. The agency's expenditures for the grant programs and other related responsibilities will be determined by the available revenue. DMH will receive 5 percent of the privilege tax levied on adjusted gross receipts of licensed operators, which is expected to total between $679,700 and $1,567,200 in FY 2025-26 and between $849,600 and $1,959,000 in each year thereafter.

This bill requires management performance audits of the commission to be conducted by Legislative Audit Council (LAC) every three years or at the request of five members of the House of Representatives or the Senate. The cost of performing the audits is a qualifying expense for the commission to be covered by revenue available for such expenses. The total future audit costs will depend on the number and extent of the audits requested.

The bill allows a licensee or other person aggrieved by a final action of the commission to appeal that decision to the Administrative Law Court (ALC). The ALC indicates that this requirement will take place under normal business for the court and, therefore, will have no impact.

This bill requires the SC Law Enforcement Division (SLED) to conduct background checks of prospective licensees for the commission as well as prospective members of the commission. The bill may also impact oversight and enforcement activities of the agency. However, the fiscal impact of this bill on SLED is pending, contingent upon a response from the agency.

This bill creates the new offenses for violations of the provisions governing sports wagering and licensees. Judicial reports that the bill's creation of new offenses may impact general sessions and magistrates and municipal court caseloads. Also, the bill's expansion of civil actions that may be brought by the Attorney General may increase common pleas court caseloads. In FY 2023-24, there were 99 cases brought in courts statewide for various gambling offenses. Judicial, the Attorney General's office the Prosecution Coordination Commission, and the Commission on Indigent Defense anticipate they can manage any additional expenditures resulting from changes in caseloads using existing staff and resources.

The House of Representatives, the Senate, and the Governor's Office indicate that the appointment requirements for the Sports Wagering Commission will take place under normal operations and, therefore, will have no impact.

Revenues

Revenue generated by the 12.5 percent privilege tax on sports wagering is estimated to total between $13,593,600 and $31,344,500 in FY 2025-26 and between $16,992,000 and $39,180,600 in each year thereafter. Based on the allocation of revenue provided by the bill, the establishment of the privilege tax will increase General Fund revenue by between $11,146,800 and $25,702,500 in FY 2025-26 and between $13,933,500 and $32,128,100 in each year thereafter, representing 82 percent of total revenues. General Fund revenue to be distributed quarterly to local governments will increase by between $1,359,400 and $3,134,500 in FY 2025-26 and between $1,699,200 and $3,918,000 in each year thereafter, representing 10 percent of total revenues. Other Funds revenue for DMH will increase by between $679,700 and $1,567,200 in FY 2025-26 and between $849,600 and $1,959,000 in each year thereafter, representing 5 percent of total revenues. Privilege tax revenue to be retained by the commission for administrative purposes is estimated to be between $407,800 and $940,335 in FY 2025-26 and between $510,000 and $1,175,400 in each year thereafter, representing 3 percent of total revenues. Proceeds from the privilege tax will vary and are contingent upon the total amount wagered by bettors in the state, the total amount retained by licensed sports wagering operators after winning payouts, and qualifying adjustments made to the gross wagering receipts.

Licensing and application fees will generate revenue of $8,800,000 to be retained by the commission in FY 2025-26, under the assumption that eight operators apply for licensure and pay the required $100,000 application fee and $1,000,000 license fee. The application and licensing fee revenue will follow a five-year cycle as licenses are renewed and application and license fees are remitted by operators. The bill will further increase revenue for the commission by approximately $300,000 to $600,000 in FY 2025-26 for the licensure of 15 to 30 suppliers who will provide technical and other support to sports wagering operators but will not accept a bet. Licensed suppliers are required to remit a $20,000 fee to the commission every five years as licenses are renewed. In total with 3 percent of privilege tax collections, this bill will generate revenue for the Sports Wagering Commission by between $9,507,800 and $10,340,300 in FY 2025-26 and between $510,000 and $1,175,400 in each year thereafter until FY 2030-31, when operator and supplier license renewal and application fees will be due, generating additional revenue of approximately $9,100,000 to $9,400,000. In future years, excess amounts of revenue allocated to the commission for administrative expenses, including 3 percent of the privilege tax as well as application and license fees, may be returned to the General Fund under the bill. However, the amount of future revenue would depend on operating expenses of the commission and is currently unknown.

The bill is expected to increase Other Funds revenue for SLED from background checks of prospective commission members and licensees by an undetermined amount. SLED is authorized to retain fees from background checks above $4,461,000, which is allocated to the General Fund pursuant to state law. From FY 2021-22 to FY 2023-24, SLED retained an average of $13,081,000 per year. So, there is no expected increase in General Fund revenue from the additional background checks and the potential increase in Other Funds revenue to SLED is undetermined as it depends on the number of additional background checks.

Local
This bill will have an undetermined local expenditure impact, as the number of inmates that will be housed in county prisons or local jails as a result of the penalties established by the bill are currently unknown. The Revenue and Fiscal Affairs Office (RFA) anticipates based on the response by Judicial that the increase in municipal and magistrates court caseload will be managed within the current budget of the court systems.

This bill will increase General Fund revenue to be distributed quarterly to 317 local governments by between $1,359,400 and $3,134,500 in FY 2025-26 and between $1,699,200 and $3,918,000 in each year thereafter as a result of the 10 percent distribution of the privilege tax on sports wagering operators to local governments. This amount will be distributed on a per capita basis for local infrastructure projects and represents between $0.25 and $0.58 per resident in FY 2025-26 and between $0.32 and $0.73 per resident in each year thereafter, based on RFA's 2024 population estimate. The bill also has the potential to increase General Fund, Other Funds, and local revenue of state agencies and local governments due to court fines and fees. However, as the number of offenses that might occur in a given year is unknown, this revenue impact is undetermined.

Explanation of Fiscal Impact

Prefiled on December 12, 2024
This bill establishes the framework for lawful online or mobile sports wagering in the state and creates the South Carolina Sports Wagering Commission to administer and regulate this program. The bill establishes guidelines for the implementation of sports wagering and provides for a 12.5 percent privilege tax on sports wagering operators' adjusted gross wagering receipts.

The commission is responsible for the licensure of sports wagering operators, regulation, and general administration of lawful online or mobile sports wagering, and will be composed of nine appointed members. Members must meet background, residency, and other requirements in the bill and will be appointed with staggered terms. The commission is also tasked with appointing an executive director and internal auditor, both of whom will report directly to the commission.

The bill provides that the commission will be composed of the following nine members:
- Three members appointed by the Governor,
- Three members appointed by the President of the Senate, and
- Three members appointed by the Speaker of the House of Representatives.

This bill directs the commission to issue licenses for interactive mobile or online sports wagering to up to eight qualifying operators in the state. The bill prescribes numerous requirements of the commission in licensing a prospective operator, including, but not limited to criminal background checks of the organization's leadership conducted by SLED, proof of active operation in at least five other jurisdictions and letters of reference from each state's regulatory body, financial information and records to ensure integrity in the betting system, and any additional information deemed necessary by the commission. Upon the payment of an application fee of $100,000 and a license fee of $1,000,000 and confirmation by the commission, the licensed operator may provide legal sports wagers in the state for five years before the license must be renewed. An applicant that is licensed to operate by at least five other jurisdictions may submit with the application a request for the immediate commencement of sports wagering operations through a temporary license, which the commission may grant if certain requirements are met, and the same license and application fees have been paid. Initial license and application fees as well as renewal license and application fees are to be retained by the commission for administering the provisions of the bill.

The bill further provides for the commission to issue supplier licenses for entities that provide critical services to an operator but do not directly accept wagers. The fee for an initial or renewed supplier license is $20,000 and may also include a processing fee equal to the cost of processing the application and performing background investigations, at the discretion of the director of the commission. The supplier license is valid for five years. The application and processing fees may be retained by the commission to cover related administrative costs.

Commission members will not receive compensation beyond normal mileage, per diem, and subsistence as provided by law for state boards, committees, and commissions. Pursuant to Proviso 117.19 of the FY 2024-25 Appropriations Act, each member of the commission who is not a current member of the General Assembly will receive per diem of $50 and subsistence of no more than $50 per day. Commission members who are also members of the General Assembly will receive per diem of $50 per day and subsistence of $240.07 per day for each commission meeting that the General Assembly is not already in session. Proviso 117.20 of the FY 2024-25 Appropriations Act further sets mileage reimbursement rates equal to the standard business mileage rate as established by the Internal Revenue Service (IRS) currently of 70 cents per mile. As the commission members, meeting schedule, mileage, and subsistence amounts are currently unknown, the annual cost of meetings is undetermined. Further, administrative and personnel expenses, including the salary and fringe of the executive director and other staff members of the commission are also unknown. We anticipate that all commission expenses will be covered by the revenue allocated to the commission, including the license and application fees for sports wagering operators and suppliers, as well as 3 percent of the sports wagering privilege tax revenue.

The bill prohibits licensees from allowing a minor, or those under the age of 18, to place a wager, and implements penalties for doing so. The bill specifies additional regulatory requirements of the commission and reporting requirements of licensees, and tasks the commission with examining regulations set forth in other states where sports wagering is legal to determine the regulations that will be promulgated pursuant to this bill. The commission is also required to establish a voluntary exclusion program for individuals who may request to be excluded from placing wagers on sports for a period of two years, five years, or a lifetime exclusion. The list of participants in the voluntary exclusion program must be kept confidential by the sports wagering operators and may not be subject to disclosure under the South Carolina Freedom of Information Act. The commission must submit a report annually to the Governor, the Speaker of the House of Representatives, and the President of the Senate that contains information on the number of active licensees, the aggregate and adjusted gross sports wagering receipts, and the financial impact on state and local governments as a result of sports wagering.

The commission has the ability to conduct investigations of licensees and levy fines if unlawful activities are discovered. The commission may impose an administrative fine of no more than $25,000 on a licensee that has violated the provisions of the section in addition to the suspension or revocation of the license. Further administrative fines may be imposed on licensees providing legal wagers to minors, in the amounts of $1,000 for a first offense, $2,000 for a second offense, and $5,000 for a third or subsequent offense. Persons or entities accepting wagers without a license are subject to administrative fines by the commission of $10,000 for a first offense, $15,000 for a second offense, and $25,000 for a third or subsequent offense. Fines assessed by the commission may be retained by the commission for use pursuant to appropriate regulations promulgated under the bill. We anticipate that the commission will be wholly funded using revenue generated by the sports wagering privilege tax as well as operator or supplier license and application fees.

Department of Revenue. This bill requires DOR to administer and distribute revenue generated by the privilege tax levied on the adjusted gross receipts of sports wagering operators. The agency indicates that this will be managed using existing staff and resources and, therefore, this bill will have no impact on DOR.

Department of Mental Health. Under this bill, DMH must oversee a grant program with organizations to provide treatment services for individuals with problem gambling or gambling disorders. This bill also requires DMH to generate a report outlining the agency's activities with respect to these funds and must include certain metrics specified by the bill. The agency's expenditures for the grant programs and other related responsibilities will be determined by the available revenue. DMH will receive 5 percent of the privilege tax levied on adjusted gross receipts of licensed operators, which is estimated to be between $679,700 and $1,567,225 in FY 2025-26 and between $849,600 and $1,959,000 in each year thereafter.

Legislative Audit Council. This bill requires LAC to perform a management performance audit of the commission one year after the establishment of the commission and every three years thereafter. LAC is also required to perform the audit at the request of five members of the House of Representatives or five members of the Senate. The cost of performing the audits is a qualifying expense for the commission to be covered by revenue available for such expenses. The total future audit costs will depend on the number and extent of the audits requested.

Administrative Law Court. The bill allows a licensee or other person aggrieved by a final action of the commission to appeal that decision to the ALC pursuant to the Administrative Procedures Act. The ALC, upon hearing the appeal and reviewing the proceedings of the commission, may reverse the decision if the decision was found to meet certain criteria specified by the bill. The ALC indicates that this requirement will take place under normal business for the court and, therefore, will have no impact.

State Law Enforcement Division. This bill requires SLED to conduct background checks of prospective licensees for the commission as well as prospective members of the advisory council. The bill may also impact oversight and enforcement activities of the agency. However, the fiscal impact of this bill on SLED is pending, contingent upon a response from the agency.

Judicial. This bill prohibits certain members of the public with knowledge, involvement, or other conflicts of interest from placing sports wagers, and establishes misdemeanor penalties and fines for violations of this provision. The bill requires these cases be heard in magistrates court. The bill further establishes a misdemeanor penalty for the transmission of material, nonpublic information for the purposes of wagering on a sporting event or influencing another person's wager.

Judicial reports that the bill's creation of new offenses may impact general sessions and magistrates and municipal court caseloads. Also, the bill's expansion of civil actions that may be brought by the Attorney General may increase common pleas court caseloads. In FY 2023-24, there were 99 cases brought in courts statewide for various gambling offenses. Judicial anticipates it can manage any additional expenditures resulting from changes in caseloads using existing staff and resources.

Attorney General's Office. This bill authorizes the Attorney General to bring a civil action against a licensee or another person who violates the provisions governing sports wagering. It also enables the Attorney General to seek and obtain an injunction for purposes of enforcing the article. The Attorney General's Office will manage the responsibilities with existing staff and resources.

Commission on Prosecution Coordination. The bill may increase the number of warrants sent to solicitors' offices for prosecution. However, as these are new offenses, data are unavailable to estimate the potential increase. Assuming that the additional caseload is not significant, the duties will be handled with existing staff and resources.

Commission on Indigent Defense. The new offenses created by the bill may impact caseloads. However, assuming that the additional caseload is not significant, we anticipate that the duties will be handled with existing staff and resources.

House of Representatives and the Senate. The House of Representatives and the Senate indicate that the appointment requirements for the commission will take place under normal operations and, therefore, will have no impact.

Governor's Office. The Governor's Office indicates that the appointment requirements for the commission will take place under normal operations and, therefore, will have no impact.

State Revenue

This bill establishes the framework for lawful online or mobile sports wagering in the state and creates the South Carolina Sports Wagering Commission to administer and regulate this program.

The bill establishes a privilege tax of 12.5 percent on the adjusted gross sports wagering receipts, to be paid by each licensed operator to the commission by the fifteenth of each month. Adjusted gross wagering receipts (AGR) are defined as the total of all cash and cash equivalents received by a sports wagering operator minus all amounts paid out in winnings, the actual cost paid by the operator for anything of value including merchandise or services, sums paid for any federal tax, free bets or promotional credits, voided or canceled wagers, and uncollectible sports wagering receivables.

The funds generated by the 12.5 percent privilege tax on sports wagering operators will be distributed as follows under the bill:

- 82 percent of the privilege tax revenue from sports wagering will be transmitted by DOR into the General Fund;
- 10 percent of the privilege tax revenue will be transmitted to the General Fund by DOR for quarterly distributions to local governments on a per capita basis to be used for local infrastructure projects;
- 5 percent of the privilege tax revenue will be allocated to DMH for the oversight of a grant program to provide treatment services for individuals with problem gambling or gambling disorders; and
- 3 percent of the privilege tax revenue will be transmitted by DOR to the commission for the administrative and operating expenses of the commission.

Based on an analysis of the 33 states in which sports betting is legal, either in-person, online, or both, at the time that this impact was published, five states close in proximity or population to South Carolina and with systems similar to that proposed in the bill are listed below. Included in the table are the total sports wagers placed in CY 2023 and 2024, through months with available data, in each state according to state regulatory or gaming agencies and the average win rate, or the percentage of total wagers not paid out to bettors and retained by sportsbooks on average from 2023 to 2024.

Total Wagers in 2023 and 2024 for Comparable States

State	Total Wagers in CY 2023	Total Wagers in CY 2024*	Average Gross Revenue Win Rate
North Carolina[1]	N/A	$4,758,602,055**	11.4%
Tennessee[2]	$4,292,352,235	$4,698,664,734	10.3%
Virginia[3]	$5,590,022,863	$5,430,486,417	10.2%
Arizona[4]	$6,573,800,272	$5,421,451,017	9.0%
Kentucky[5]	$885,464,503***	$2,333,724,389	11.0%

*Data through November for NC, TN, KY, through October for VA, through September for AZ
**North Carolina launched online sports wagering in March 2024, revenues shown are from March – November
***Kentucky launched online sports wagering in September 2023, revenues shown are from September – December

Under this bill, after funds are paid out to winners, operators will be permitted to subtract operating expenses, the actual cost for anything of value including merchandise or services, free bets or promotional credits, sums paid for any federal tax, voided or canceled wagers, and uncollectible sports wagering receivables to determine their AGR. In Arizona, sports wagering operators are similarly permitted to deduct free bets and promotional credits to determine their taxable AGR. In FY 2023-24, sports wagering operators in Arizona applied qualifying adjustments to reduce their total aggregate AGR by approximately 35 percent. Included in the table are the per capita gross revenue and estimated AGR figures based on actual wagers placed in FY 2023-24 in four of the sample states, then applied to the legal population of South Carolina to illustrate the potential range of revenue generated by the 12.5 percent privilege tax.

Potential Range of Privilege Tax Based on Other States

State	Per Capita Wagers Retained by Operators in FY 2024	Per Capita AGR Under Qualifying Adjustments	Estimated 12.5% Privilege Tax*
Tennessee	$84	$54	$28,726,000
Virginia	$96	$61	$26,270,000
Arizona	$110	$71	$37,671,000
Kentucky	$87**	$56	$29,847,000

*Note: These values are illustrations and do not represent actual tax revenue for the applicable states.
**Kentucky launched online sports wagering in September 2023, figure represents data from September 2023 to September 2024

We have estimated the total amount that will be wagered on sports in South Carolina under this bill using both nationwide results and the sample of five potentially similar states. The states in the sample all implement age restrictions on sports betting, with bettors required to be at least 21 years of age in North Carolina, Virginia, and Arizona and at least 18 years of age in Tennessee and Kentucky. This bill requires bettors in South Carolina to be at least 18 years of age.

[1] https://ncgaming.gov/about/reports
[2] https://www.tn.gov/swac/reports.html
[3] https://www.valottery.com/aboutus/casinosandsportsbetting
[4] https://gaming.az.gov/resources/reports
[5] https://khrc.ky.gov/newstatic_info.aspx?static_ID=694

According to the U.S. Census Bureau, the total population ages 18 or 21 and older of states in which sports wagering was legal in 2024 was approximately 135,218,000. Based on total sports wagers from 2023 to 2024, the national average wager per legal citizen was approximately $96 per month, or $1,152 per year. Applying this metric to the estimated 18 and older population of South Carolina of 4,262,932 in 2024 yields total gross wagers of $408,131,583 per month, or approximately $4,897,579,000 per year.

Comparatively, the sample states have a lower average wager per legal citizen. According to the U.S. Census Bureau, the total population of North Carolina, Tennessee, Virginia, Arizona, and Kentucky legally allowed to bet on sports in 2024 was approximately 25,945,051, resulting in an average wager per legal bettor of approximately $41.52 per month or $498 per year based on the total wagers in those states. Applying this metric to the estimated 18 and older population of South Carolina of approximately 4,262,932 in 2024 yields approximate total gross wagers of $177,000,109 per month or $2,124,001,313 annually.

Based on data from the sample states, we estimate that total sports wagers during the first year of implementation will be 20 percent lower than total wagers in future years due to lead time on application compliance, establishment of regulations by the commission, and adoption by the public. Applying the 20 percent reduction assumption in the first year, we estimate the total amount wagered in the state will be between $1,699,201,000 and $3,918,063,000 in FY 2025-26, and between $2,124,001,000 and $4,897,579,000 in each year thereafter. Further applying the estimated win rate of 10 percent and estimated adjustment rate of 35 percent for expenses, federal taxes, and free bets or promotional credits, total AGR among eight operators in FY 2025-26 is estimated to be between $108,748,900 and $250,756,100, increasing to between $135,936,100 and $313,445,100 in each year thereafter. These values are contingent upon the timely approval of licensees by the commission and may vary depending upon the number of operators licensed to provide legal wagers.

Therefore, revenue generated by the 12.5 percent privilege tax is estimated to total between $13,593,600 and $31,344,500 in FY 2025-26 and between $16,992,000 and $39,180,600 in each year thereafter. The bill requires 82 percent of this revenue be transmitted by DOR into the General Fund, 10 percent will be transmitted to the General Fund by DOR for quarterly distributions to local governments on a per capita basis, 5 percent will be remitted to DMH for the purposes of providing treatment services for individuals with problem gambling or gambling disorders, and 3 percent will be transmitted by DOR to the commission for the administrative and operating expenses. Therefore, the establishment of the privilege tax will increase General Fund revenue by between $11,146,800 and $25,702,500 in FY 2025-26 and between $13,933,500 and $32,128,100 in each year thereafter. Other Funds revenue for DMH will increase by between $679,700 and $1,567,200 in FY 2025-26 and between $849,600 and $1,959,000 in each year thereafter. Revenue generated by the privilege tax to be retained by the commission is estimated to be between $407,900 and $940,400 in FY 2025-26 and between $510,000 and $1,175,400 in each year thereafter. Proceeds from the privilege tax will vary and are contingent upon the total amount wagered by bettors in the state, the total amount retained by licensed sports wagering operators, and the operators' adjusted gross wagering receipts.

This bill directs the commission to issue licenses for interactive mobile or online sports wagering to up to eight qualifying operators in the state. Upon the payment of an application fee of $100,000 and a license fee of $1,000,000 and confirmation by the commission, the licensed operator may provide legal sports wagers in the state for five years before the license must be renewed. An applicant that is licensed to operate by at least five other jurisdictions may submit with the application a request for the immediate commencement of sports wagering operations through a temporary license, which the commission may grant if certain requirements are met, and the same license and application fees have been paid. Therefore, this bill will initially result in revenue for the commission of $8,800,000 in FY 2025-26, as we assume the commission will license eight qualified online sports wagering operators as allowed by the bill. This revenue will follow a five-year cycle as licenses are renewed. Initial license and application fees as well as renewal license and application fees are to be retained by the commission for administering the provisions of the bill.

The bill further provides for the commission to issue supplier licenses for entities that provide critical services to an operator but do not directly accept wagers. The fee for an initial or renewed supplier license is $20,000 and may also include a processing fee equal to the cost of processing the application and performing background investigations, at the discretion of the director of the commission. The supplier license is valid for five years. We anticipate between 15 and 30 suppliers will apply for licenses in the first year of the bill's implementation.[6] Therefore, this section will increase revenue for the commission by approximately $300,000 to $600,000 in FY 2025-26 and will follow a five-year cycle as licenses are renewed. The application fee may be retained by the commission to cover related administration costs.

In total with 3 percent of privilege tax collections, revenue available for the commission for administrative and other operating expenses is estimated to be between $9,507,800 and $10,340,300 in FY 2025-26 and between $510,000 and $1,175,400 in each year thereafter until FY 2030-31, when operator and supplier license renewal and application fees will be due, generating additional revenue of approximately $9,100,000 to $9,400,000. In future years, excess portions of revenue allocated to the commission for administrative expenses, including 3 percent of the privilege tax as well as application and license fees, may be returned to the General Fund under the bill. However, the amount of this future revenue would depend on operating expenses of the commission and is currently unknown.

The commission has the ability to conduct investigations of licensees and levy fines if unlawful activities are discovered. The commission may impose an administrative fine of no more than $25,000 on a licensee that has violated the provisions of the section in addition to the suspension or revocation of the license. Further administrative fines may be imposed on licensees providing legal wagers to minors, in the amounts of $1,000 for a first offense, $2,000 for a second offense, and $5,000 for a third or subsequent offense. Persons or entities accepting wagers without a license are subject to administrative fines by the commission of $10,000 for a first offense, $15,000 for a second offense, and $25,000 for a third or subsequent offense. Given that the number of violative actions by licensees, bettors, or other persons is currently unknown, the

[6] https://ncgaming.gov/licensing/approved-operators

revenue impact for the commission of any administrative fine imposed under this bill is undetermined.

In addition, this bill prohibits certain members of the public with knowledge, involvement, or other conflicts of interest from placing sports wagers, and establishes penalties and fines for violations of this provision. Violators are guilty of a misdemeanor and are subject to a fine of up to $1,000 or 30 days in prison for a first offense, $5,000 or 30 days in prison for a second offense, and $10,000 and 90 days in prison for a third or subsequent offense. The bill requires these cases be heard in magistrates court. The bill further establishes a misdemeanor penalty for the transmission of material nonpublic information for the purposes of wagering on a sporting event or influencing another person's wager. Violators may be fined up to $100 or imprisoned for up to 30 days. Thus, this bill has the potential to increase General Fund, and Other Funds, and local revenue of state agencies and local governments due to the fine for offenders convicted in court. However, as the number of such offenses that might occur in a given year is unknown, the revenue impact is undetermined.

In total, this bill may increase General Fund revenue by between $11,146,800 and $25,702,500 in FY 2025-26 and between $13,933,500 and $32,128,100 in each year thereafter. Additional undetermined future General Fund revenue may be generated as excess administrative and operating funds for the commission, as well as any excess fees or fines levied by the commission. Privilege tax revenue will vary depending upon the total amount wagered by bettors in the state, the total amount retained by licensed sports wagering operators, and the operators' adjusted gross wagering receipts.

Further, this bill will increase the number of criminal records searches that SLED is required to perform. SLED indicates that the total cost for a criminal records search is $51.75, of which $25 is retained by SLED. The vendor, Identogo, receives $13.50, and the remainder of the fee, $13.25, is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks performed by SLED up to an amount of $4,461,000 must be deposited in the General Fund. Any revenue over that amount is retained by SLED. From FY 2021-22 to FY 2023-24, SLED retained an average of $13,081,000. Therefore, there is no expected increase in General Fund Revenue from the additional background checks and the potential increase in Other Funds to SLED is undetermined as it depends on the number of additional background checks.

Local Expenditure
This bill may increase the number of cases heard in municipal and magistrates court for the new offenses created and may result in an increase in the number of individuals imprisoned in county prisons or municipal jails. Based on the response by Judicial, RFA anticipates that the additional caseload will be managed within the current budgets of the local court systems and will have no impact. However, as the number of inmates that will be housed in county prisons or municipal jails as a result of the penalties established by the bill are currently unknown, the local expenditure impact is undetermined.

Local Revenue
This bill establishes the framework for lawful online or mobile sports wagering in the state and creates the South Carolina Sports Wagering Commission to administer and regulate this program. The bill establishes a privilege tax of 12.5 percent on the adjusted gross sports wagering receipts, of which 10 percent will be transmitted to the General Fund by DOR for quarterly distributions to local governments. Based on the analysis in the State Revenue section, this bill will increase General Fund revenue to be distributed to 317 local governments by between $1,359,400 and $3,134,500 in FY 2025-26 and between $1,699,200 and $3,918,000 in each year thereafter as a result of the 10 percent distribution of the privilege tax on sports wagering operators to local governments. This amount will be distributed on a per capita basis for local infrastructure projects and represents between $0.25 and $0.58 per resident in FY 2025-26 and between $0.32 and $0.73 per resident in each year thereafter based on RFA's 2024 population estimate.

In addition, this bill prohibits certain members of the public with knowledge, involvement, or other conflicts of interest from placing sports wagers, and establishes penalties and fines for violations of this provision. Violators are guilty of a misdemeanor and are subject to a fine of up to $1,000 or 30 days in prison for a first offense, $5,000 or 30 days in prison for a second offense, and $10,000 and 90 days in prison for a third or subsequent offense. The bill requires these cases be heard in magistrates court. The bill further establishes a misdemeanor penalty for the transmission of material nonpublic information for the purposes of wagering on a sporting event or influencing another person's wager. Violators may be fined up to $100 or imprisoned for up to 30 days. Thus, this bill has the potential to increase General Fund, and Other Funds, and local revenue of state agencies and local governments due to the fine for offenders convicted in court. However, as the number of such offenses that might occur in a given year is unknown, the local revenue impact is undetermined.

Frank A. Rainwater, Executive Director