

Section 11 would require an association licensed to conduct horse racing or a licensed simulcast facility obtain a retailer license before offering sports wagering.

Section 13 would establish the **sports wagering distribution trust fund**, comprised specifically of net sports wagering receipts, license fees, other proceeds, and accrued interest. After paying costs of administering the sports wagering system, fund proceeds would be proportionally appropriated to the Kentucky Employees Retirement System non-hazardous and hazardous pension funds, Kentucky Teachers Retirement System, the Judicial Retirement Plan, and the County Employees Retirement Plan, until each system is 125% funded.

The Kentucky League of Cities states that “since the legislation would appropriate the funds according to the proportional ratio of each system’s membership to the total number of members of all systems, CERS would get close to half of the funds. Those funds would help pay down the system’s unfunded liability, thereby lowering future employer contribution rates. The fund would continue to pay until the system became 125 percent funded, which would continue to keep employer contribution rates lower in the long-term.”

Section 23 would create new crimes: accepting a sports wager from someone under 18 years old would be a **Class B misdemeanor**; tampering with the outcome of a sporting event by interacting with a player, coach, referee, or other participant with intent to bias the outcome, and wagering on a sporting event in which one is a participant would each be a **Class C felony**.

HB 536 would have **little or no direct fiscal impact on local government**. It would have an indirect though unquantifiable positive fiscal impact on cities and counties that impose an occupational license fee on the net profits of businesses in their jurisdiction. In 2015, 64 counties and 124 cities reported they impose an occupational license fee on local businesses, ranging from 1% – 1.25% depending on population. If sports wagering results in increased profits for local retailers offering sports wagering there could be an increase in occupational license fee revenue for city and county government; however, offsetting provisions may apply to allow businesses to offset license fees levied by the city against those owed the county.

The new misdemeanor and felonies established by HB 536 could result in an unknown number of individuals arrested and incarcerated in local jails.

A person convicted of a **Class B misdemeanor** may be incarcerated for up to 90 days in one of Kentucky’s 76 full service jails or four life safety jails. While the expense of housing inmates varies by jail, this estimated impact is based on \$31.34 per day, which equals the per diem and medical expenses that the Department of Corrections pays jails to house felony offenders. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average of \$31.34 per day.

When a court denies bail to a **Class C felony** defendant, the local government is responsible for incarcerating the defendant until disposition of the case in one of Kentucky’s 76 full service jails or four life safety jails. The Department of Corrections pays local jails \$31.34 per day to house felony offenders. Class C felons are ineligible for placement in local jails until they are classified at the lowest custody level with 24 months or less to their minimum expiration date or parole eligibility date. Since the per diem pays for the estimated average

cost of housing a Class C felon, the per diem may be less than, equal to, or greater than the actual housing cost.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to the bill as introduced and there are no prior introduced versions of the bill.

Data Source(s): Kentucky League of Cities; Department of Corrections; LRC staff

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