

Sections 8-32 of HB 175 would amend or create new sections of KRS Chapter 230 to establish a system of sports wagering under the exclusive jurisdiction of the Kentucky Horse Racing Commission. A license to offer sports wagering would be required, with an initial licensing fee of \$1,000,000 and annual renewal fee of \$50,000, payable to the Commission and deposited to the wagering administration fund. The tax rate on sports wagers would be either 10.25% or 14.25%, depending whether placed in person or online, with all but 0.5% of the tax revenue appropriated to the wagering administration fund. **Section 31** would prohibit a person placing a wager on a game in which they are a participant; violation of the prohibition would be a Class A misdemeanor. Tampering with the outcome of a sporting event would be a Class C felony.

Sections 33-44 of the bill would authorize the Kentucky Lottery Corporation to conduct online poker games. No person under 18 would be permitted to place an online poker game wager. **Section 41** would require a license to offer online poker, with an initial licensing fee of \$250,000 and an annual renewal fee of \$10,000. A gaming fee of 6.75% of net poker revenue would also be imposed on each online poker vendor. **Section 42** would establish the online poker account to which licensing and gaming fees would be deposited. Payments received in excess of expenses incurred would be deposited to the wagering administration fund.

Section 46 would establish that licensed sports wagering activities are not “gambling.” **Section 47** would remove the penalties of promoting gambling in the first degree, a Class D felony; permitting gambling, a Class B misdemeanor; or possession of a gambling device, a Class A misdemeanor when the individual is in accordance with the newly established fantasy contests, sports wagering, or online poker created by this Act.

HB 175 would have a **minimal positive fiscal impact** on local governments. If sports wagering results in increased business activity, those local governments authorized to impose a gross receipts or business license tax on businesses within their jurisdiction may see an increase in collections. Cities and counties may impose a license or occupational license fee of 1.25%-1% (counties) depending on the county population, or up to 1.25% (cities) depending on city classification.

The bill would create a new Class A misdemeanor and a new Class C felony. A person convicted of a Class A misdemeanor may be incarcerated for up to twelve months. Misdemeanants are housed 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 will be based on \$31.34 per day, which equals the per diem and medical expenses that the Department of Corrections (DOC) 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. One additional Class A misdemeanor incarcerated for 1 year would cost a local jail approximately \$11,439.10 (365 days x \$31.34/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. While the expense of housing inmates varies by jail,

each additional inmate increases facility costs by an estimated average of \$31.34 per day, which equals the per diem and medical expenses that the DOC pays jails 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. The Department of Corrections pays local jails \$31.34 per day to house these Class C felons. One additional Class C felon housed in a local jail for 24 months would cost the local jail approximately \$22,878.20 (365 days x 2 x \$31.34/day). 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, above, refers to HB 175 as introduced. There is no prior introduced version to compare to it in Part III.

Data Source(s): LRC Staff; Kentucky Department of Corrections

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