**Fiscal Note**

*Fiscal Services Division*

**HF 2286** – Sports Wagering Receipts Fund (LSB5831HV)

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Fiscal Note Version – New

**Description**

*House File 2286* directs all State tax revenue collected from Internet fantasy sports and sports wagering to be deposited into the County Endowment Fund instead of the Sports Wagering Receipts Fund. For FY 2023, the Bill appropriates all unobligated and unencumbered moneys in the Sports Wagering Receipts Fund from the previous fiscal year to the County Endowment Fund. The Bill repeals the Sports Wagering Receipts Fund on June 30, 2023.

**Background**

The Sports Wagering Receipts Fund was established in FY 2020 by passage of 2019 Iowa Acts, chapter 132 (Sports Wagering and Fantasy Sports Act), which authorized sports wagering and fantasy sports contests in the State. The Fund receives sports wagering taxes and Internet fantasy sports taxes. **Table 1** includes the FY 2020, FY 2021, and FY 2022 year-to-date revenue and appropriations from the Sports Wagering Receipts Fund.

**Table 1 – Sports Wagering Receipts Fund**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Account Balance</td>
<td>$0</td>
<td>$1,499,735</td>
<td>$5,846,701</td>
</tr>
<tr>
<td>Pari-Mutuel Receipts</td>
<td>1,788,241</td>
<td>6,091,872</td>
<td>5,898,810</td>
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<tr>
<td>Interest</td>
<td>11,494</td>
<td>5,094</td>
<td>4,578</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$1,799,735</td>
<td>$7,596,701</td>
<td>$11,750,089</td>
</tr>
<tr>
<td><strong>Appropriations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Tourism Program</td>
<td>$0</td>
<td>$0</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Gambling Treatment Program</td>
<td>300,000</td>
<td>1,750,000</td>
<td>1,750,000</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
<td>$300,000</td>
<td>$1,750,000</td>
<td>$3,250,000</td>
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<tr>
<td>Reversion</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td>$1,499,735</td>
<td>$5,846,701</td>
<td>$8,500,089</td>
</tr>
</tbody>
</table>

* Year-to-date as of February 18, 2022.

The Gambling Treatment Program is administered under the Department of Public Health and the Sports Tourism Program is administered under the Iowa Economic Development Authority. Status quo appropriations for these programs from the Sports Wagering Receipts Fund were included in the Governor's recommendations for FY 2023.

The County Endowment Fund is administered under Iowa Code section 15E.311, and the purpose of the Fund is to enhance the quality of life for citizens of Iowa by providing moneys to new or existing citizen groups organized to establish county affiliate funds or community foundations that will address countywide needs. The proceeds of this Fund are distributed equally to counties that do not have a licensed casino for funding charitable organizations. Iowa
Code section 99F.11 allocates an amount equal to 0.8% of the Adjusted Gross Revenue tax from gambling games at Iowa casinos to this Fund.

**Assumptions**
- The balance in the Sports Wagering Receipts Fund at the beginning of FY 2022 was approximately $5.8 million, which was brought forward from the previous fiscal year.
- It is estimated that State tax receipts from sports wagering for the second half of FY 2022 will match the revenue (approximately $4.9 million) collected for the first six months of the year, totaling approximately $9.9 million in sports wagering tax revenue for FY 2022.
- There will be approximately $3.3 million appropriated from the Sports Wagering Receipts Fund in FY 2022.
- When accounting for the FY 2022 appropriations, it is estimated the Sports Wagering Receipts Fund will have a balance of approximately $12.5 million at the beginning of FY 2023.
- Annual sports wagering tax receipts will likely exceed the $6.1 million collected in FY 2021.

**Fiscal Impact**
The fiscal impact of appropriating all unobligated and unencumbered moneys in the Sports Wagering Receipts Fund in FY 2023 to the County Endowment Fund is estimated to result in a one-time increase of approximately $12.5 million to the County Endowment Fund in FY 2023. This is in addition to the FY 2023 State tax revenue from sports wagering and Internet fantasy sports. At this time, the ongoing annual tax revenue to the County Endowment Fund from sports wagering and Internet fantasy sports is difficult to estimate. This is due in part to the novelty of sports wagering in the State, combined with the impact of the COVID-19 pandemic on the market. However, due to the increase in sports wagering tax receipts in FY 2022 to-date when compared to FY 2021, it is estimated that new funding to the County Endowment Fund from sports wagering and Internet fantasy sports will likely exceed $6.1 million annually.

The repeal of the Sports Wagering Receipts Fund may require the General Assembly to identify another funding source for the Gambling Treatment Program and the Sports Tourism Program to maintain the current levels of funding being appropriated to these programs.

**Sources**
Integrated Information for Iowa (I/3)
LSA Calculations

/s/ Holly M. Lyons
February 22, 2022

Doc ID 1286819

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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