



[HF 2497](#) – Gaming, Accessing Cash, Sports-Related Events (LSB5510HV.1)
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Fiscal Note Version – Final Action

Description

[House File 2497](#) relates to cashless wagering, administrative penalties to casino licensees, the definition of “sports wagering,” occupational licenses, limitations on gambling game licenses, simulcasting licensure and taxation, and providing and making penalties applicable. **Table 1** summarizes the fiscal impacts of the various Bill divisions and can be found at the end of this **Fiscal Note**.

Division I — Cashless Wagering

Description

Division I allows for individuals to access a cash account through a mobile application used by the licensee for purposes of cashless wagering on the wagering area or gaming floor of a licensee under Iowa Code chapter [99D](#) or [99F](#). The mobile application must include the telephone number authorized by the Department of Public Health to provide problem gambling information and extensive responsible gaming features in addition to voluntary exclusion processes. This Division is not projected to have an identifiable fiscal impact.

Division II — Gaming Winnings Forfeiture and Withholding

Description

Division II makes the following changes:

- Provides that the Iowa Racing and Gaming Commission (IRGC) must not initiate any administrative action or penalties on a licensee that voluntarily reports to IRGC any activity related to a person who knowingly or intentionally passes a winning wager or share to another person or provides fraudulent identification to avoid the forfeiture of any money or thing of value as a voluntarily excluded person or to avoid the application of a debt setoff under Iowa Code chapter 99D or 99F.
- Provides that a person who knowingly or intentionally passes a winning wager or share to another person or provides fraudulent identification to avoid the forfeiture of any money or thing of value as a voluntarily excluded person or to avoid the application of a debt setoff under Iowa Code chapter 99D or 99F commits a Class D felony. A Class D felony is punishable by confinement for no more than five years and a fine of at least \$1,025 but not more than \$10,245.

Background

The IRGC manages a process for individuals to voluntarily exclude themselves from wagering with licensed casinos, racetracks, sports wagering, or fantasy sports operators, or entering the gaming areas of State-licensed casinos and racetracks. Individuals who participate in the program are self-excluded for a period of five years or life, and licensed entities must have electronic access to the names of persons voluntarily excluded. Voluntarily excluded individuals must forfeit any winnings as a result of wagers made, and those winnings are credited to the General Fund.

Under Iowa Code sections [99D.28](#) and [99F.19](#), a debtor who wins money on a wager at a racetrack, excursion gambling boat, or gambling structure in the State is subject to a setoff from those winnings in the amount of debt owed if the winnings are required to be reported on Internal Revenue Service (IRS) Form W-2G. Currently, the Department of Administrative Services administers the State's Income [Offset Program](#). Moneys recovered from casinos for debt offset are applied toward the debt the individual owes to the State and returned to the respective public agency, which includes State agencies such as the Judicial Branch, Department of Revenue, and Department of Human Services, or political subdivisions.

Administrative penalties are currently assessed by the IRGC against licensed entities for self-exclusion violations where self-excluded individuals incorrectly receive a jackpot payment from a licensee. In CY 2021, the IRGC collected \$49,500 in fines for self-exclusion violations.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.
- In 2021, there was approximately \$49,500 assessed in administrative penalties to licensees for self-exclusion violations. For the purposes of this **Fiscal Note**, it is assumed that fines would not be assessed against licensees in instances of fraudulent identification, which are estimated to comprise approximately 6.7% of the annual fines based on 2020 and 2021 data.

Fiscal Impact

There would be an annual decrease of approximately \$3,000 to \$4,000 to the General Fund due to the loss of a subset of the administrative penalties against licensees.

The average State cost per offense for a Class D felony ranges from \$9,100 to \$16,600. The estimated impact to the State General Fund includes operating costs incurred by the Judicial Branch, the Indigent Defense Fund, and the Department of Corrections. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Division III — Sports Wagering

Description

Division III includes sports-related events within the provisions of sports wagering. The Bill defines a "sports-related event" as an event that takes place in relation to an authorized sporting event but is not tied to the outcome of a specific athletic event or contest, such as a draft or player awards. Division III also clarifies the definition of "professional sporting event" to include a charitable event with professional athletes.

Background

2019 Iowa Acts, chapter [132](#) (Sports Wagering and Fantasy Sports Act), first authorized sports wagering and fantasy sports contests in the State. Sports wagering currently includes professional, collegiate, or international sporting events, or professional motor race events. International sporting events include sporting events governed by both the International Olympic Committee (IOC) and the International Federation of Association Football (FIFA). Minor league sporting events, fantasy sports contests, dog and horse racing, and any athletic event or competition of an interscholastic sport as defined in statute are excluded. Sports wagering also excludes placing a wager on the performance or nonperformance of an individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team

from this State is participating or placing a wager on the performance of athletes in an individual international sporting event governed by the IOC in which any participant is under the age of 18.

Assumptions

Sports wagering tax receipts may increase slightly with the addition of draft markets, player of the year markets, and charity events to sports wagering.

Fiscal Impact

The addition of professional drafts and player awards to the provision of sports wagering in Iowa could result in a minimal increase in State tax revenue. However, the overall size and scope of any increase cannot be estimated at this time. Any increase in revenue is deposited into the Sports Wagering Receipts Fund (SWRF).

Division IV — Occupational Licenses

Description

Division IV changes the definition of “holder of occupational license” to include persons engaged only in the administration, control, and conduct of gambling games and sports wagering. Under current law, all occupations within the excursion gambling boat industry must hold an occupational license. This Division is not projected to have an identifiable fiscal impact.

Division V — Gambling Game License Moratorium

Description

Division V limits the total number of licenses issued by the IRGC to conduct gambling games on an excursion gambling boat, at a gambling structure, or at a pari-mutuel racetrack to 19 and restricts licenses to counties where an excursion gambling boat, gambling structure, or racetrack enclosure was operating and licensed on June 1, 2022. This Division also provides for actions the IRGC is authorized to take concerning the issuance of licenses. Division V takes effect upon enactment, applies retroactively to June 1, 2022, and is repealed on June 30, 2024. Division V is not projected to have an identifiable fiscal impact.

Division VI — Simulcasting Licensure and Taxation

Description

Division VI allows entities that have entered into an agreement with the Iowa Horsemen’s Benevolent and Protective Association for source market fees related to simultaneously telecast horse or dog races to apply to the IRGC for a license to conduct pari-mutuel wagering on simultaneously telecast horse or dog races. Licenses allow entities to conduct pari-mutuel wagering on simultaneously telecast races conducted at a facility of a licensee authorized under Iowa Code chapter 99D or 99F pursuant to an agreement with the licensee of that facility. A licensee can enter into an agreement with any licensee authorized under Iowa Code chapter 99F without the requirement to conduct live horse or dog races at the facility. The IRGC is required to establish an annual license fee and regulatory fee for entities issued a license and must require an annual audit concerning the operation of simultaneously telecast horse or dog races by a licensee.

Division VI also amends the tax imposed on the gross sum wagered on horse races and dog races which are simultaneously telecast as follows:

- A tax of 2.0% is imposed on the gross sum wagered if wagering is not conducted by a licensee under Division VI.
- A tax of 2.0% is imposed on the gross sum wagered in excess of \$25.0 million in a calendar year if wagering is conducted by a licensee under Division VI. Of the tax revenue, 0.5% must be remitted to the county in which a horse racetrack is located, and the remaining tax revenue must be deposited with the IRGC.

Background

The Iowa Greyhound Association currently has the authority with the IRGC to enter into agreements with casinos to simultaneously telecast racing under Iowa Code section [99D.9C](#). The Iowa Greyhound Association’s license for this authority is expiring in 2022.

Currently, a 2.0% tax is imposed on the gross sum wagered on horse races and dog races which are simultaneously telecast. Of the wagers, 0.5% is remitted to the city in which the racetrack is located (Dubuque) and 0.5% is remitted to the treasurer of the county in which the racetrack is located (Dubuque). The remaining 1.0% is deposited into the General Fund. The total gross sum wagered in CY 2020 was approximately \$4.1 million with approximately \$81,000 in tax revenue. The total gross sum wagered in CY 2021 was approximately \$5.2 million with approximately \$105,000 in tax revenue.

Assumptions

- The current status of entities that simultaneously telecast will remain status quo in future years.
- Total gross sum wagered will remain status quo in future years and will not exceed \$25 million for licenses under Division VI. For this fiscal note, the average total gross sum wagered between 2020 and 2021 is used for estimating purposes.

Fiscal Impact

There will be a decrease of approximately \$93,000 annually in taxes from the gross sum wagered on horse races and dog races that are simultaneously telecast. Of this amount, there will be an approximately \$47,000 decrease to both the city and county in which a horse racetrack is located and licensed, and an approximately \$47,000 decrease to the General Fund annually.

Summary of Impacts

Correctional Impact

House File 2497, Division II, establishes new Class D felonies. As a result, the correctional impact cannot be estimated due to a lack of existing data. In FY 2021, there were a total of 16 total convictions under Iowa Code chapter 99F and none under Iowa Code chapter 99G.

Table 1 shows estimates for sentencing to State prison, parole, probation, or community-based corrections (CBC) residential facilities; LOS under those supervisions; and supervision marginal costs per day for all convictions of Class D felonies. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 18, 2022, for information related to the correctional system.

Table 1 — Sentencing Estimates and LOS

Conviction Offense Class	Percent Ordered to State Prison	FY 21 Avg LOS in Prison (All Releases)	FY 21 Marginal Cost Per Day Prison	Percent Ordered to Probation	Avg LOS on Probation	FY 21 Avg Cost Per Day on Probation	Percent Sentenced to CBC Residential Facility	FY 21 Marginal Cost CBC Per Day	Percent Ordered to County Jail	Avg Length of Stay in County	Marginal Cost Per Day Jail	Avg LOS on Parole	FY 21 Marginal Cost Per Day Parole
D Felony (Non-Persons)	82.0%	13.7	\$23.33	64.5%	33.3	\$7.01	12.3%	\$17.78	34.0%	N/A	\$50.00	13.4	\$7.01

Minority Impact

House File 2497, Division II, establishes new Class D offenses and a minority impact cannot be estimated due to a lack of data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 18, 2022, for information related to minorities in the criminal justice system.

Fiscal Impact

Table 2 includes a summary of the fiscal impacts for each division of the Bill:

Table 2 — Estimated Summary of Fiscal Impacts for HF 2497

Division	Provision	Fiscal Impact
I	Cashless Wagering	No fiscal impact.
II	Self-Exclusion Program — Penalty	Average State cost per offense for a Class D felony ranges from \$9,100 to \$16,600.
II	Administrative Penalties	Annual decrease of \$3,000 to \$4,000 to the General Fund.
III	Sports Wagering	Minimal increase in revenue to the SWRF, but scope is not estimated at this time.
IV	Occupational Licenses	No fiscal impact.
V	Gambling Game License Moratorium	No fiscal impact.
VI	Simulcasting Licensure and Taxation	Annual decrease of \$47,000 to the General Fund and an annual decrease of \$47,000 total to the city and county.

Sources

Iowa Racing and Gaming Commission

[Iowa Racing and Gaming Commission Simulcasting Statistics](#)

Department of Human Rights, Criminal and Juvenile Justice Planning Division

LSA calculations

/s/ Holly M. Lyons

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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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