



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.127 – An act relating to sports wagering

As recommended by the House Committee on Government Operations and Military Affairs, [Draft 2.1](#)¹ and proposed to be amended by the House Committee on Ways and Means, [Draft 1.1](#)²

Bill Summary

This bill would legalize sports wagering in Vermont and authorize the Vermont Department of Liquor and Lottery (DLL) to operate and regulate sports wagering. DLL would be tasked with negotiating and contracting with at least two but not more than six sportsbook operators to open sportsbooks in Vermont through a mobile platform. If the bidding process fails to result in at least two acceptable operators, DLL may opt to either decline to authorize any operators or to allow a single operator to open a sportsbook.

As part of the bidding process, the bill requires DLL to negotiate a revenue share agreement with operators. The bill does not stipulate a minimum required revenue share or establish a maximum revenue share. The revenue share percentage is applied to adjusted gross revenue for each operator, which is equal to gross revenue minus winnings paid to wagerers, federal excise taxes, and voided bets.

The bill establishes the Problem Gambling Special Fund to be administered by the Department of Mental Health to provide education, assistance, awareness, treatment, and recovery services to people experiencing difficulty arising from addictive or problematic gambling.

Fiscal Impact

JFO estimates the bill will generate approximately \$1.3 million to \$2.0 million in FY 2024, and between \$4.6 million and \$10.6 million in FY 2025 in sports wagering revenue. As recommended by the House Government Operations and Military Affairs Committee, 5% or at least \$250,000 of this revenue will be credited to the Problem Gaming Special Fund in FY 2024. In FY 2025, and going forward, the minimum allocation to the Problem Gaming Special Fund increases to 5% or at least \$500,000. The bill also requires DLL to collect annual operator fees with amounts set based on the number of operators. The minimum total fee revenue amount will be \$550,000 if there are one or two operators and will step up incrementally to \$750,000 in total fee revenue if there are six operators.

¹<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.127/H.127~Committee~%20Draft%202.1.%202-16-2023~2-22-2023.pdf>

²<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.127/H.127~Tucker%20Anderson~Ways%20and%20Means%20Amendment~3-2-2023.pdf>

Background and Details

Sports Wagering Revenue

The bill authorizes DLL to conduct a bidding process with operators with authorization to approve two to six operators to open sportsbooks in Vermont. As part of the process, DLL will negotiate a revenue sharing agreement with operators. The bill sets the minimum allowable revenue share rate at 20%.

The revenue share will operate like a tax that will be applied to the operators adjusted gross revenue. For operators, adjusted gross revenue is equal to gross revenue minus winnings paid to wagerers, federal excise taxes, and voided bets. The amount of revenue generated for the state will be dependent on the negotiated revenue share rates. The revenue generated will be collected by DLL and that amount, minus an allocation to the Problem Gambling Special Fund will be deposited in the General Fund.

The expectation for FY 2024 is that the market will be live by the end of the December 2023, and revenues will be collected for the last six months of FY 2024 or January through June of 2024. The estimated revenue collected in FY 2024 will be sensitive to when the market goes live (when DLL can execute contracts) and when revenues are collected.

JFO estimated expected revenue in FY 2024 and FY 2025 assuming a revenue share rate between 20% and 50%. If the negotiated revenue share rates agreed to by DLL are 20%, JFO estimates sports wagering will generate \$1.31 million in FY 2024 and \$4.58 million in FY 2025. Assuming a 50% revenue share, JFO estimates the state will receive approximately \$2.00 million in FY 2024 and \$10.64 million in FY 2025.

Table 1: Estimated Revenue Based on Negotiated Revenue Share

Assumed Revenue Share	FY 2024	FY 2025
20%	\$1,310,000	\$4,580,000
50%	\$2,004,000	\$10,640,000

Annual Operator Fee

The bill establishes an annual operator fee of that ranges from \$125,000 to \$550,000 assessed by DLL based on the number of approved operators. The highest fee of \$550,000 will be set in the instance that there is one approved operator. The per operator fee will decrease, the more approved operators there are. The lowest possible fee revenue to DLL will be \$550,000 but will rise incrementally to \$750,00 in total fee revenue if there are six approved operators.

Table 2: Annual per operator fee based on the number of approved operators

Number of Operators	Annual Fee Per Operator	Total Fee Revenue
1	\$550,000	\$550,000
2	\$275,000	\$550,000
3	\$200,000	\$600,000
4	\$162,500	\$650,000
5	\$140,000	\$700,000
6	\$125,000	\$750,000

Problem Gambling Special Fund

The bill establishes the Problem Gambling Special Fund to be utilized by the Department of Mental Health to provide assistance to people experiencing difficulty as a result of addictive or problematic gambling. In FY 2024, the greater of 5% or \$250,000 of collected sports wagering revenue remitted to DLL through the revenue share will be credited to the Special Fund. In FY 2025 and subsequent years, the greater of 5% or

\$500,000 will be credited to the Special Fund.

If the negotiated revenue share percentage is 20%, JFO estimates that statutory minimums of \$250,000 in FY 2024 and \$500,000 in FY 2025 would be credited to the fund. Based on the revenue estimate at 20% revenue sharing, 5% of estimated revenue would be \$65,500 in FY 2024 and \$229,000 in FY 2025, below the statutory minimum transfer.

If the negotiated revenue share is 50%, JFO estimates 5% of estimated revenue to DLL will be \$100,000 in FY 2024, which would trigger the \$250,000 statutory minimum transfer to the Problem Gambling Special Fund. In FY 2024, 5% of estimated revenue to DLL would result in \$532,000 credited to the Problem Gambling Special Fund.

Appendix: Resources

Report and Recommendations of the 2022 Sports Betting Study Committee:

<https://legislature.vermont.gov/assets/Legislative-Reports/Report-and-Recommendations-of-the-2022-Sports-Betting-Study-Committee.pdf>

2021-2022 Sports Wagering Study from the Office of Legislative Counsel and Joint Fiscal Office:

<https://legislature.vermont.gov/assets/Legislative-Reports/2021-2022-OLCJFO-Sports-Wagering-Study-.pdf>